St Ives plc

ANNUAL REPORT AND ACCOUNTS 2017

St Ives plc

Welcome

Our Group today

St Ives is an international marketing services group comprised of 17 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.

Strategic Marketing			Marketing Activation	Books
Digital	*Data*	*Insight*		
amaze	Occam	incite	SG	Clays
realise	RESPONSE ONE	Hive group	SIMS	
BRANDED3	BENCH	PRAGMA	SP	
solstice		fsp	tactical solutions	
THE APP BUSINESS				
Revenue	*Revenue*	*Revenue*	*Revenue*	*Revenue*
£93.0m	£32.3m	£37.7m	£153.7m	£76.5m
% of Group revenue	*% of Group revenue*	*% of Group revenue*	*% of Group revenue*	*% of Group revenue*
24%	8%	10%	39%	19%

Inside your report

Welcome to St Ives plc

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The Strategic Report on pages 2 to 31 has been approved by the Board of Directors and signed on its behalf by

Matt Armitage
Chief Executive
2 October 2017

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Read about our Chairman's highlights.

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Read about our business model and strategy for growth.

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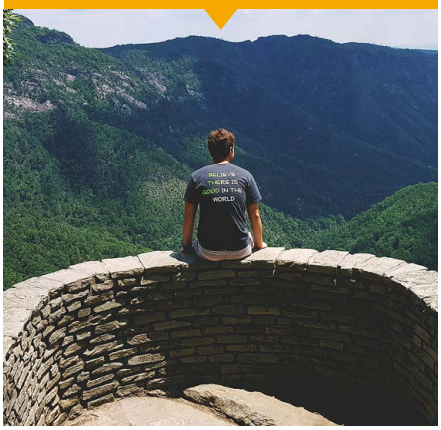
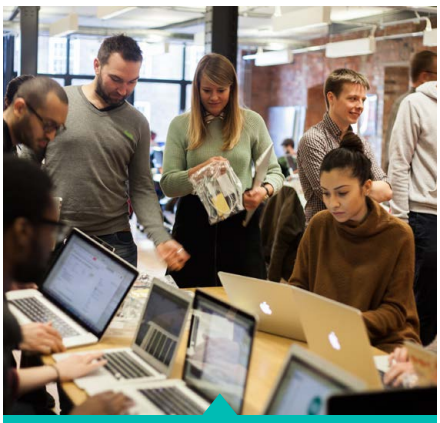
Strategy in Action
Read more about how we continue to deliver against our strategic priorities.





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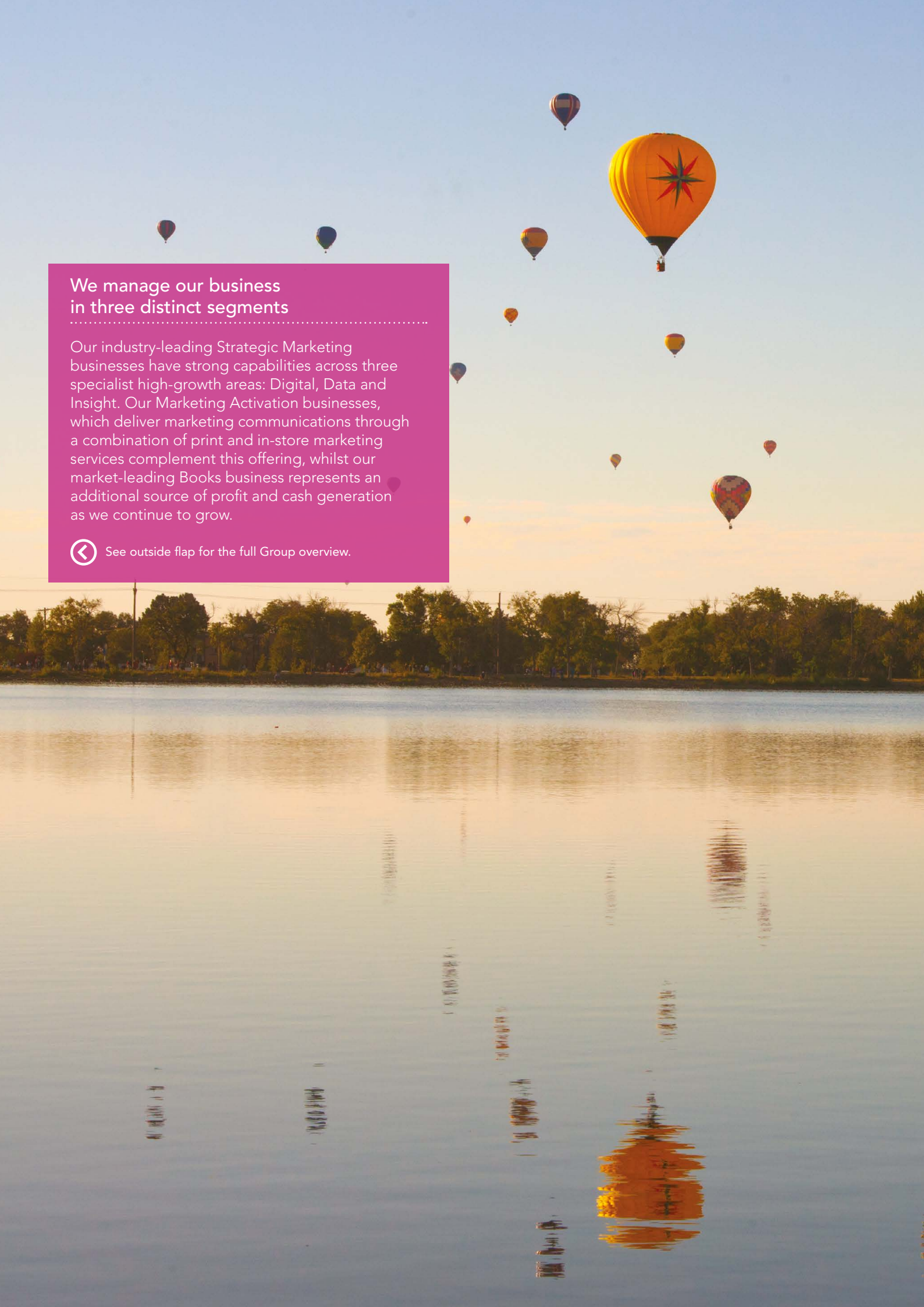
Corporate and Social Responsibility
Read more about our sustainable and responsible practice.



We manage our business in three distinct segments

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

See outside flap for the full Group overview.

Highlights

Financial highlights

- Further revenue growth of 13% in the Strategic Marketing segment, with organic growth contributing 5%.
- Revenue generated from the Group's overseas businesses increased from £53.7 million to £66.5 million, representing 17% of Group revenues (2016 – 15%).
- Net debt reduced by one-third to £54.6 million, representing a net debt to Adjusted EBITDA ratio of 1.6 times (29 July 2016 – 2.0 times).

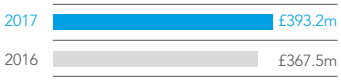
Operational highlights

- Strategic Marketing now contributing 42% of Group revenue (2016 – 39%) and 75% of Adjusted operating profit, with encouraging new project wins.
- Significant progress in key strategic priorities of collaboration and internationalisation:
  - 209 clients currently working with more than one business across the Group, a 39% increase compared to the previous year.
  - Nine Strategic Marketing businesses serving clients on an international basis, representing over 39% of Strategic Marketing revenue (2016 – 37%).
- Due to continued decline, decisive action taken to improve performance of the two legacy segments – Marketing Activation and Books.

Financial highlights

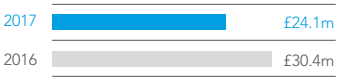
Revenue

£393.2m



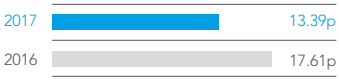
Adjusted profit before tax*

£24.1m



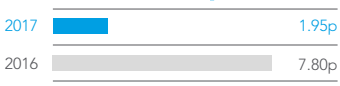
Adjusted basic earnings per share*

13.39p



Total dividend per share

1.95p



Statutory loss before tax

£(44.1)m

Statutory loss per share

(30.40)p

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

Positive outlook

I consider us to be well placed to achieve solid growth and deliver outstanding service to our clients, allowing us to deliver increased shareholder value in the next financial year.

It has been a challenging year at St Ives, but we end it looking forward with optimism based on a much-improved performance in the second half of the year, as mentioned in our trading statement in August 2017. Full-year results were in line with market expectations and we now hope to have put a difficult period behind us.

In particular, profitability of the Digital businesses within Strategic Marketing is driving the Group forward, with growth running ahead of expectations. There have been several changes of leadership within the segment, as well as a restructuring of our Digital and Data businesses. A new management team within Digital now oversees Amaze, Realise and Branded3. In Data, Damian Coverdale's remit has grown to include Occam, Amaze One and Bench, alongside Response One. J Schwan, founder and CEO of Solstice, is increasingly taking a leadership role in the mobile services sector.

We believe these changes create a greater opportunity for the businesses to work with each other, offering a diverse range of expert services to our clients. We hope that this will lead to longer-term relationships with clients. There have already been some exciting new contracts, not least within our mobile services companies. Solstice and The App Business ('TAB') continue to collaborate and thrive through sharing resource and working practices, a model we're encouraging businesses across the Group to adopt.

Over 200 clients buy services from more than one of our companies. This is a great credit to the senior leaders of the individual businesses, who recognise the importance of connecting clients with different partners throughout the Group.

The strong performance of Strategic Marketing has offset the pressure on our Marketing Activation businesses, which have contended with overcapacity, poor margins and additional issues in the key sectors of retail and grocery, for a number of years. The Books division has also been affected by low margins and the loss of a major publishing contract. We have previously outlined a strategic review for both of these segments to improve efficiencies and reduce costs. This process is ongoing and updates will be provided in due course.

Governance

The CEO, Matt Armitage, and the CFO, Brad Gray, have worked tirelessly to tackle the issues in our Marketing Activation and Books segments. Their diligence and calmness under pressure meant that short-term considerations have not caused us to deviate from our strategic priorities. We are grateful for their leadership, and our goal is for the Group to be in a position for them to be able to focus on developing our successful businesses.

The Board takes its role in corporate governance of the Group very seriously, implementing rigorous and robust systems to ensure we meet the high standards demanded by our investors and the regulators.

We also take very seriously the forthcoming regulatory changes that will affect our Data businesses in particular: to that end, we have appointed John Richmond as Data Protection Officer for the Group. John will oversee the implementation of the General Data Protection Regulation ('GDPR') compliance and lead our collective efforts to reduce risk brought about by these legal changes.

As for Brexit, the future economic effects remain unclear. Although the vast majority of our revenues come from the UK and US, we continue to keep close scrutiny on political and fiscal events.

We have taken steps to create a culture of knowledge sharing. Transfers between roles and businesses will continue to be offered to employees into the new financial year. The long-term effect will be individual career opportunities and also greater collaboration between our companies.

We have completed the first stage of a Board evaluation, which is carried out every other year. This review of our strategy and practices allows us to prioritise our efforts for growth. We have agreed that our number one task is to achieve a more stable balance sheet, allowing us to consider future acquisitions and international expansion from a stronger foundation.

Meanwhile, I would like to pay tribute to the commitment of employees across the Group during an uncertain period. I believe that their dedication to driving our high-quality businesses puts us in an excellent position for growth.

We remain committed to each individual's health and safety, whether that is in our offices, factories or workshops, in the UK and overseas. We constantly review systems across all our facilities in the belief that everyone has a right to risk-free working conditions.

Finally, Ben Gordon has decided to stand down from the Board at the conclusion of the Annual General Meeting on 30 November 2017. Ben has been a Director for more than four years and his extensive experience, particularly in the retail and books sectors, has made a major contribution to the Board's debates. On behalf of the Board, I would like to thank Ben for his valuable contribution during his time as a Director.

Outlook

On behalf of the Board, I am sorry about the share price difficulties arising during the last 18 months. However, we are clear about the best way forward. We will continue to monitor changing economic conditions and amend our strategy accordingly.

All other things being equal, I consider us to be well placed to achieve solid growth and deliver outstanding service to our clients, allowing us to deliver increased shareholder value in the next financial year. I look forward to working with the Board and all our businesses to make that happen.

Richard Stillwell
Chairman
2 October 2017

Unilever

UNVEILING UNILEVER'S SUSTAINABILITY STORY

Unilever and Amaze are working together to tell Unilever's powerful sustainability story. Every year, more than 23 million people from 92 countries visit the packaged goods giant's global network of websites. Unilever's sustainability content needs to be accessible to everyone, everywhere – from consumers to investors, and nutritionists to journalists.

The company's Sustainable Living Report was supported by a growing volume of online content, but the user experience had become fractured. Content was deeply buried, making it difficult to navigate and engage with relevant information.

A new, streamlined digital sustainability section was required for Unilever.com. It required consistent navigation and signposting to make complex information easy to access, understand and share. It also had to be rolled out across 47 international sites in 28 languages.

Amaze explored digital data insights across the network to understand visitors and their journeys, and inform a strategy. This involved:

- conducting a twelve month, on-site survey across all of Unilever's websites;
- reviewing Unilever.com against industry best practice to identify improvement areas; and
- developing personae based on insights to test and improve target audience understanding.

In addition to creating a simpler and more coherent navigation system that adapts as the user travels deeper into the sustainability content, Amaze has introduced new components that help to create a richer visual design, with better signposting for the reader, and improved content findability.

Other innovations include a one-page creative summary of the Sustainable Living Report, interactive content, shareable modules and shorter case studies showcasing Unilever's work on the ground.

The sustainable living section of Unilever.com saw a 56% increase in views year-on-year and a healthy uplift in reading time. Most tellingly of all, 43% of consumers confirmed they would be more likely to buy a Unilever product after visiting the site.

amaze

Find out more about Amaze:
www.amaze.com

Leading through a collaborative approach

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

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

Our strategic focus is to invest in and further develop our Strategic Marketing businesses. Where there is specific client demand, we will evaluate opening offices in new territories. Our longer-term goal is to expand our footprint of Strategic Marketing businesses. Our Marketing Activation businesses and our longstanding and market-leading Books production and distribution business represent an additional source of cash generation as we pursue this growth strategy.

We encourage our businesses to be innovative and forward thinking so that they are able to evolve and adapt to the changing business environment whilst delivering complex and sophisticated solutions. This helps to deliver enduring client relationships out of which the Group can build long-term market strength and shareholder value.

We place great emphasis on nurturing the right corporate culture. We deliberately operate a flat corporate structure that gives autonomy to individual management teams whilst encouraging and facilitating collaboration within the Group. This is enhanced by having a Managing Director responsible for more than one subsidiary business, such as in our Data segment.

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, scalability and value for our clients.

BUSINESS MODEL

St Ives offers autonomy and supports collaboration to accelerate growth

Group businesses:
Operate as individual brands

Offer complementary services

Share common attributes – culture, ambition, specialism

INTERNATIONAL MARKETING SERVICES GROUP MADE UP OF DYNAMIC MARKET-LEADING BUSINESSES

St Ives:
Provides investment to accelerate growth

Supports and facilitates collaboration

Offers autonomy

GROWTH DRIVERS

Our strategy for growth is centred around three key priorities

COLLABORATION

Read more on page 10

ACQUISITION

Read more on page 14

INTERNATIONALISATION

Read more on page 18

Encouraging progress in Strategic Marketing

We continue to make good progress with our collaboration agenda with over 200 of our clients currently working with more than one business across the Group.

Introduction

Overall, it has been a challenging year for the Group, which is reflected in the reported results for the period, albeit with a much improved performance during the second half. Our focus has been on addressing the issues of the past whilst taking decisive action to improve efficiency of our two legacy segments and further strengthen the Group's balance sheet.

The principal challenges remain in our legacy Marketing Activation and Books segments where, despite their strong market positions, increased competition continues to exert downward pressure on margins. In response, the Board has taken immediate action to reduce the cost base of both segments to reflect the new market realities.

Despite these issues and their impact on the results, we are pleased to report encouraging underlying progress within our core Strategic Marketing segment. This segment lies at the centre of our long-term growth strategy and now represents some 42% of Group revenues and 75% of Adjusted operating profit. In particular, we have seen important progress in our pursuit of organic growth here, through a number of significant new wins coupled with increasing collaboration between our various businesses and further internationalisation.

Performance highlights

Group revenue of £393.2 million was 7% higher than the comparable period in the previous year, bolstered by our Strategic Marketing segment, which delivered growth of 13%. Excluding the effects of acquisition and currency movements, organic growth across the Group was 5%. Revenue within our Books segment was 12% ahead of the previous year while revenue within our Marketing Activation segment was broadly in line with the previous year.

The Group's statutory loss before tax of £44.1 million (2016 – loss of £5.7 million) includes Adjusting Items of £68.2 million (2016 – £36.1 million), of which £66.1 million relates to non-cash items in the current period. The non-cash Adjusting Items include amortisation of acquired intangibles of £10.0 million, an impairment charge of £33.1 million, mainly in the Marketing Activation and Books segments, and contingent consideration expense of £23.0 million. Other Adjusting Items include costs related to the St Ives Defined Benefits Pension Scheme of £1.9 million and restructuring costs of £3.0 million offset by gain on disposal of properties of £2.8 million.

The Group's Adjusted profit before tax declined to £24.1 million (2016 – £30.4 million) and Adjusted basic earnings per share decreased by 24% to 13.39 pence (2016 – 17.61 pence).

The year saw further growth in our Strategic Marketing segment despite a number of project cancellations and deferrals in the last quarter of the previous financial year, which impacted revenue growth and operating margin during the first half of the 2017 financial year. However, we are encouraged by the progress that has been made in the second half of the year to replace the cancelled work and return the segment to its previous levels of organic growth and operating margin.

Balance Sheet

Net debt as at 28 July 2017 was £54.6 million, down from the £80.8 million as at 29 July 2016, representing a net debt to Adjusted EBITDA ratio of 1.6 times (29 July 2016 – 2.0 times). Further reducing the Group's indebtedness remains a priority for the Board.

Dividend

The Board has reviewed St Ives' near-term dividend policy to reflect the impact of the issues experienced in the Group's legacy businesses and the costs involved in the ongoing cost-reduction initiatives. In doing so it has balanced the importance of dividends to shareholders, the importance of investing in the further organic growth of the Group's core Strategic Marketing segment, and the strengthening of the balance sheet. Against that background, the Board has proposed a final dividend of 1.30 pence per share, giving a full-year dividend of 1.95 pence per share, a decrease of 75% against last year's full-year dividend of 7.80 pence. The Board will re-evaluate the longer-term dividend policy in due course.

If approved by shareholders, the final dividend of 1.30 pence will be paid on 18 December 2017 to the shareholders on the register at 24 November 2017, with an ex-dividend date of 23 November 2017.

Strategic priorities

The Board remains confident in our long-term strategy for further growth, which is built around the Group's Strategic Marketing segment and remains centred around three key priorities:

Collaboration

We continue to make good progress with our collaboration agenda with over 200 of our clients currently working with more than one business across the Group; a 39% increase compared with the 150 reported in the last financial year. These include major brands such as Standard Life, Paddy Power and Expedia.

In addition, we continue to see an increase in demand for integrated solutions from clients within our Strategic Marketing segment, which, while aligning to our collaboration agenda, has led us to review and evolve our operating model within the segment. This has also resulted in us bringing a number of our Digital and Data businesses closer together.

Internationalisation

Many of our businesses now deliver international solutions for clients. Most notably, 39% of our Strategic Marketing revenue now comes from clients based outside the UK (2016 – 37%), with nine businesses within this segment currently servicing clients on an international basis.

Our strategy for developing our overseas footprint remains client-driven with new office openings only taking place in territories where we can identify lucrative client-led opportunities. We will continue to be disciplined in our implementation of this strategy, targeting opportunities in large markets or in those with the potential for significant and sustainable growth, where offices are capable of generating appropriate returns within a reasonable period of time.

Acquisition

Given the recent challenges across the Group, we are currently prioritising organic over acquisitive growth, including leveraging the investments we have made in existing propositions and in new offices.

In the longer-term, the acquisition of further complementary marketing services businesses that add value to our existing portfolio and operate in our chosen growth areas of Digital, Data and Insight services will continue to be an important element of the growth strategy of our core Strategic Marketing segment.

Outlook

Trading across our Strategic Marketing segment has recovered and we have been encouraged by new projects being won from existing and new clients. Our pipeline for the first half of the new financial year is very encouraging and we are excited by the opportunities that the increased collaboration between our businesses is generating. While trading conditions within our Marketing Activation segment continue to be very challenging, we have taken decisive action to increase efficiency and reduce costs, and remain focussed on diversifying into other sectors. Similarly, within our Books business we have taken further steps to ensure that the cost base reflects the future level of volumes we now expect.

Overall, we remain confident in the long-term growth strategy currently being pursued in Strategic Marketing, and in the quality of our businesses within that segment, as illustrated by the major international clients and contracts they continue to attract. However, we recognise the need to address, decisively, the effect that the legacy businesses are having on the Group's overall performance and on our ability to generate value for shareholders. This, together with further strengthening of our balance sheet, remains a top priority for the Board looking forward.

Matt Armitage
Chief Executive
2 October 2017

Tesco

DELIVERING MARKET-LEADING CONVENIENCE FOR TESCO

Tesco turned to mobile services provider The App Business ('TAB') to respond to an ever-increasing demand for convenience among London-based grocery shoppers. The answer was Tesco Now, a service with no minimum basket order, delivering groceries quickly and on demand.

Tesco had already conducted experiments to collect shopper data, providing early insight for a discovery phase run by TAB's strategy team. Research, focussed workshops and in-depth shopper interviews clarified customer expectation, objectives, and predicted order time and location.

Service priorities were set for the app, empowering the joint team to make leaner, faster decisions. With Tesco being such a strong brand, it was essential for the app to behave and feel like an integrated channel. TAB's designers developed a sleek user interface that maintained the familiar Tesco brand experience on mobile.

In parallel, Tesco created a sophisticated middleware layer, optimising data for fast, efficient delivery to mobile. This was a prerequisite for a speedy, modern, intuitive mobile experience, and also allowed Tesco Now to integrate with back-end systems.

Communication and scheduling were critical. TAB and Tesco worked side by side to build their respective components via a modular architecture. This delivered acute flexibility, ensuring Tesco Now can grow, evolve and be maintained efficiently in the future.

Working alongside Tesco's experts, TAB's test engineers conducted extensive usability and exploratory trials. TAB took an innovative approach, automating the core end-to-end journeys that customers make through the app. Short, quick feedback loops embedded in the app will continue to provide data on emerging pain points and highlight areas of improvement for future releases.

TAB and Tesco's mutual focus and dedication have been a decisive factor in the pilot project's success to date, with further roll-out planned.

THE APP BUSINESS

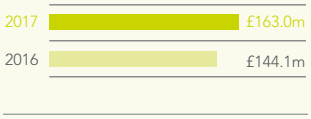
Find out more about The App Business: **www.theappbusiness.com**

Segment overview

Strategic Marketing

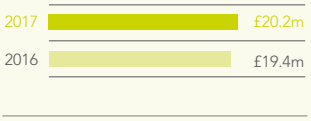
Revenue

£163.0m



Adjusted operating profit*

£20.2m



	2017 £'m	2016 £'m
Digital	**93.0**	71.2
Data	**32.3**	36.2
Insight	**37.7**	36.7
Strategic Marketing revenue	**163.0**	144.1
Strategic Marketing Adjusted operating profit	**20.2**	19.4

* Before Adjusting Items. See note 7 on page 93.

Our Strategic Marketing segment represents 42% of Group revenue for the year (2016 – 39%) and 75% of Group Adjusted operating profit.

We have seen further, very encouraging progress within the Strategic Marketing segment, which remains core to the Group's long-term growth strategy.

One of our key priorities was to replace the work lost in the last quarter of the previous financial year, which resulted in a challenging first half for the segment. However, following several significant new client wins and contract renewals during the period, including long-term agreements to be the digital partner of Rockwell Automation, SoftBank, and DuPont Pioneer we are pleased to have delivered a significant improvement in the performance of the segment in the second half of the financial year.

As a result of an increase in client demand for more integrated solutions, we have continued to drive our collaboration agenda and to evolve our operating model accordingly. We continue to focus on the disciplines of Digital, Data and Insight, albeit the strict distinctions between these disciplines are becoming less relevant as more integrated solutions are provided to clients.

During the year, we announced a number of senior management changes within our Digital and Data businesses. Three Digital businesses (Amaze, Realise and Branded3) are now under the responsibility of a single management team, while we have also announced that our Data businesses (Occam, Response One, Bench and Amaze One) will be managed by a single team. These changes will ensure that we offer a coherent proposition combined with the breadth and scale of services to support our clients' expanding digital and data requirements.

Over the period, our Data businesses have worked more closely together than ever, both with each other and also with our Digital businesses, where numerous joint propositions have been developed. We see further opportunities for collaboration between our Digital and Data businesses as data continues to be the driving force behind successful digital marketing and transformation activities. The short-term priority within our Data businesses is to ensure that our offering is fully compliant with and able to benefit from the new General Data Protection Regulation ('GDPR') which will apply from May 2018.

Synergies between Solstice, our Chicago-based mobile and emerging technology business, and The App Business ('TAB'), our similar UK business, continue to result in both businesses sharing resources, working practices, growth frameworks and data. The two are working together to develop innovative connected digital experiences using voice, virtual reality and Internet of Things technology for clients. New wins in the financial year have included projects for clients including Bosch and Electrolux.

Within our research consultancy, Incite, we have seen growth of both our UK and US businesses through a significant number of new client wins in the technology, FMCG, finance and pharma sectors, while client spend and sentiment in Asia also improved in the second half of the financial year. We continue to support our overseas offices in order to provide an international offering to clients – a growing number of Incite's clients are serviced by more than one Incite office – and to drive long-term growth, although this continues to affect short-term profitability.

Our healthcare consultancy, Hive, has gained several major new clients during the period including Roche, Leo Pharma, Lundbeck, Ipsen, and Almirall. The business has also expanded its offering and client base in the US, delivering significant growth (albeit from a low base) through a number of client wins, including Pfizer. We see the US and further international expansion as a significant contributor to future growth for this business.

Our retail consultancy, Pragma, has undertaken a number of large advisory projects, including strategic reviews and commercial due diligence of multinational consumer businesses. A growing number of such projects involve collaboration with FSP, our specialist property-consulting firm, particularly where catchment analysis or location planning forms a key part of the investment decision.

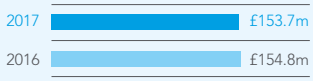
The progress outlined above underscores the quality of our individual Strategic Marketing businesses and the potential for further profitable growth that they offer, both individually and, more importantly, through collaboration. They offer differentiated, value-added services to clients and we are pleased that the segment's growth and margin have returned to the levels achieved in previous years.

Marketing Activation

	2017 £'m	2016 £'m
Marketing Activation revenue	**153.7**	154.8
Marketing Activation Adjusted operating profit	**4.3**	8.1

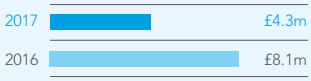
Revenue

£153.7m



Adjusted operating profit*

£4.3m



* Before Adjusting Items. See note 7 on page 93.

Our Marketing Activation segment represents 39% of Group revenue for the year (2016 – 42%) and 16% of Group Adjusted operating profit.

Trading conditions within this segment continue to be very challenging, due in large part to the ongoing pressures within the grocery retail market. While our expertise in grocery retail remains an important strength, diversification of the client base beyond this sector continues to be a priority.

The segment enjoyed new wins and project extensions during the year for clients including Royal Mail, Innocent, Superdry, AkzoNobel, ESPA and OfficeTeam further supporting the segment's planned diversification. While we have been successful in securing this work, it should be noted that the market remains extremely price competitive in all areas. As a result, over the period the management team has been focussed on protecting margins through driving efficiency improvements and cost reductions.

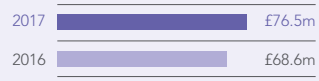
Moving forward, our priority is on strategic growth opportunities in markets that value service and innovation, and which further reduce the segment's over-reliance on grocery retail. This will include delivering a wider portfolio of goods and services that cover the whole of the marketing operations sphere of brands and retailers. We will also continue to focus on margin protection while differentiating our competitive offering through targeted investment in new service lines and further additional cross-sales initiatives.

Books

	2017 £'m	2016 £'m
Books revenue	**76.5**	68.6
Books Adjusted operating profit	**2.6**	5.8

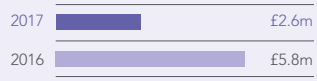
Revenue

£76.5m



Adjusted operating profit*

£2.6m



* Before Adjusting Items. See note 7 on page 93.

Our market-leading Books segment represents 19% (2016 – 19%) of Group revenue for the year and 9% of Group Adjusted operating profit.

Revenue was 12% higher than the prior year at £76.5 million (2016 – £68.6 million).

Trading during the first half of the year was generally positive, particularly during the pre-Christmas period, with sales of printed books in the UK up 5% on 2016 (as reported by Nielsen).

As announced in February 2017, we were informed by HarperCollins that our contract for the production of monochrome books in the UK would not be renewed. The contract ended on 30 June 2017. As a result of the non-renewal, significant restructuring and cost reduction initiatives have been implemented. We continue to adapt to suit the evolving needs of clients, leveraging our well-invested digital print technology to provide a broader product range, greater capacity to support fast lead times and lower stockholding, with a continued focus on extending supply chain solutions to reduce the overall cost of the books' supply chain.

Collaboration

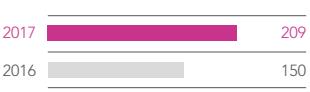
Collaboration remains a key strategic pillar of St Ives' overall strategy for growth. By supporting partnerships and joint working practices between our businesses, the Group allows them to organically build and share new skills and expertise, while avoiding the need to enforce change.

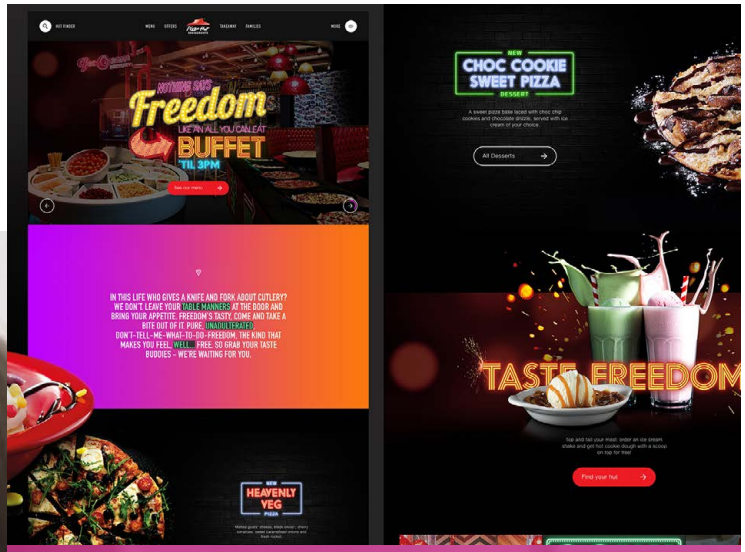
The number of clients now working with more than one business across the Group is 209, compared to 150 in the previous year.

In particular, we have made great strides in collaboration among our Digital businesses. Appointing a new Digital board to oversee Realise, Amaze and Branded3 has also provoked new partnerships. Similarly, the promotion of Response One Managing Director Damian Coverdale to now include responsibility for Amaze One, Bench and Occam is a driver of growth in those companies, but is also helping to foster new collaborations between Data and Digital teams.

Number of clients now working with more than one business across the Group

209





Pizza Hut

WORKING TOGETHER TO ENSURE PIZZA HUT'S CUSTOMER EXPERIENCE CAN'T BE TOPPED

Following the successful roll-out of the website, which Pizza Hut described as its "digital flagship restaurant", Amaze was tasked with transforming the brand's Customer Relationship Management ('CRM'). Quick wins such as increasing visit frequency, average order value and boosting appeal to millennials were the goal of the new strategy.

Amaze engaged Amaze One to improve Pizza Hut's existing CRM communications, but time was tight. With deadlines pressing, embedding an Amaze One team member within Pizza Hut's campaign team proved vital not only to the success of the campaigns, but to the success of the relationship.

Once in place, the Amaze One team member got up to speed with the way of working fast. He worked with the Pizza Hut team to optimise campaign set ups, selections and delivery; enhancing targeting and segmentation and making other improvement recommendations. Pizza Hut were delighted with his contribution – and one project was up and running within a day, providing valuable specialist support for Amaze.

One key area of collaboration was in workshops involving the client team, Amaze and Amaze One. The purpose was to understand the current and planned data landscape, and unlock the insight needed to formulate recommendations for immediate and potential improvements to the CRM programme.

Amaze and Amaze One are now using the workshop outcomes to develop recommendations to support communications planning activities, develop early life customer journeys and identify potential CRM quick wins.

The collaboration between the St Ives businesses has so far proved extremely successful. Having defined top line customer journeys, they are now developing these further, focusing on messaging, creative, General Data Protection Regulation ('GDPR') compliance and more.

amaze

Find out more about Amaze:
www.amaze.com

Collaboration continued

Managing Director of Amaze and Realise

FIONA PROUDLER

Our Digital businesses operate in a connected society, with the positive outcome of fostering a culture of collaboration in these forward-thinking organisations. The Group's strategic pillar of collaboration is firmly embedded in its Digital businesses. This is now regarded as a core foundation for success in a market demanding pace, agility and innovation.

"We collaborate, firstly, in the interests of our clients but, just as importantly, in the interests of our people. It's a central premise from which we derive our solutions and our ideas," says Fiona Proudler, Managing Director of Amaze and Realise.

Since the closer alignment of Amaze, Realise and Branded3, there has been an accelerated move towards greater collaboration.

"Clients want results. They are single-minded in this," Proudler continues. "Our role is to generate results by bringing together the experts that exist across our businesses and getting them to collaborate on the problem. Where they sit on a group structure chart is not important to the client. It's a sense of shared vision and values, and a commitment to deliver that matter."

Not every project or brief requires this approach, but increasingly the answer does lie in a blend of skills from a number of different teams and locations.

Proudler cites Standard Life Investments as a good example. Having worked with Realise for more than a decade, the global asset management company required specialist search marketing services. Realise brought in Branded3 for this expertise, but retained the overall relationship and oversight of service delivery. Meanwhile, Zoetis Pharmaceuticals appointed Realise to deliver on its transformation agenda, but also needed skills in data intelligence, strategy and search engine optimisation, which Amaze and Branded3 could deliver.

"Lexus is another impressive example on a large scale," adds Proudler. "We've brought together multiple teams from different disciplines to build its new European web platform: strategy, user experience, content, technical support, data intelligence and more. It's a great chance for the Group businesses to develop new workstreams together to deliver the best solution for our client."

Collaboration is a top priority for many business leaders today. It can have tangible benefits for staff retention and motivation.

"We want our people to thrive at work. For them to do so, we need to provide new stimuli. Working with experts in other areas – and, more importantly, from our Group businesses – creates increasing opportunities to learn and develop, to see new ways of thinking and operating, and to hear about different experiences and approaches," Proudler explains.

With today's clients wanting a more integrated set of services aligned around their end consumers' needs, the reach of the wider Group becomes an even greater asset. Clients want data-led decision-making, so the Digital businesses' collective ability to partner with the Data businesses – led by CEO Damian Coverdale – is now a real strength within the Group. The result is end-to-end customer experiences that look good, are built to last and deliver real value.

An example of Data and Digital collaboration is Amaze One, a joint venture between Amaze and Response One. "Amaze One combines the best of both worlds – a data-driven business rooted in digital creativity and audience understanding," Proudler states.

In an increasingly global world, international partnerships within the Group – such as client projects in the US – are firmly on Proudler's radar. She concludes: "International collaboration creates a global capability and reach that we were not previously able to offer clients, offering ever more powerful solutions by working with our talent in the US and further afield. St Ives' key differentiator is having strong individual businesses, able to seamlessly and quickly extend specialist services to other Group companies. That will only increase over time."

CEO of Response One, Bench, Amaze One and Occam

DAMIAN COVERDALE

Data within St Ives – which includes Response One, Bench, Amaze One and Occam – has contributed major client wins in the financial year, allowing the businesses to enter this period on a firm footing.

Central to the success are two key factors: the appointment of Damian Coverdale as CEO to oversee all four businesses and drive a combined strategy, and closer collaboration between the Data businesses.

Coverdale added his new remit to his existing role as Managing Director of Response One in 2017. He says: "I play an active role in setting the strategy of the Data group and identifying investments that will deliver maximum return. My short-term focus is on structuring the business to capitalise on the significant capabilities we now house under one roof."

That means devising effective solutions for clients, founded on a deep understanding of data, analytics, technology and creativity. "We offer a diverse range of services from complex marketing technology solutions through to innovative planning and creative, but the thin red line that connects us is the intelligent application of data," he adds. "It's common for working groups to seed ideas and knowledge across the Data businesses. We're stronger as a combined business."

Mixed-discipline, cross-business teams are deployed. For example, Azzurri Group, which owns brands including Ask and Zizzi, works with Occam, Response One, Bench and Amaze One.

Meanwhile, collaboration with the Group's Digital companies is gathering pace. Senior representatives from Data and Digital meet quarterly to identify collaboration opportunities.

Coverdale continues: "With Amaze One the relationship between Data and Digital has never been stronger. This is manifested in client activity such as TSB and Azzurri. We're creating a unified business with a single vision, a combined proposition and operating model. Collaboration is a necessity, not an opportunity."

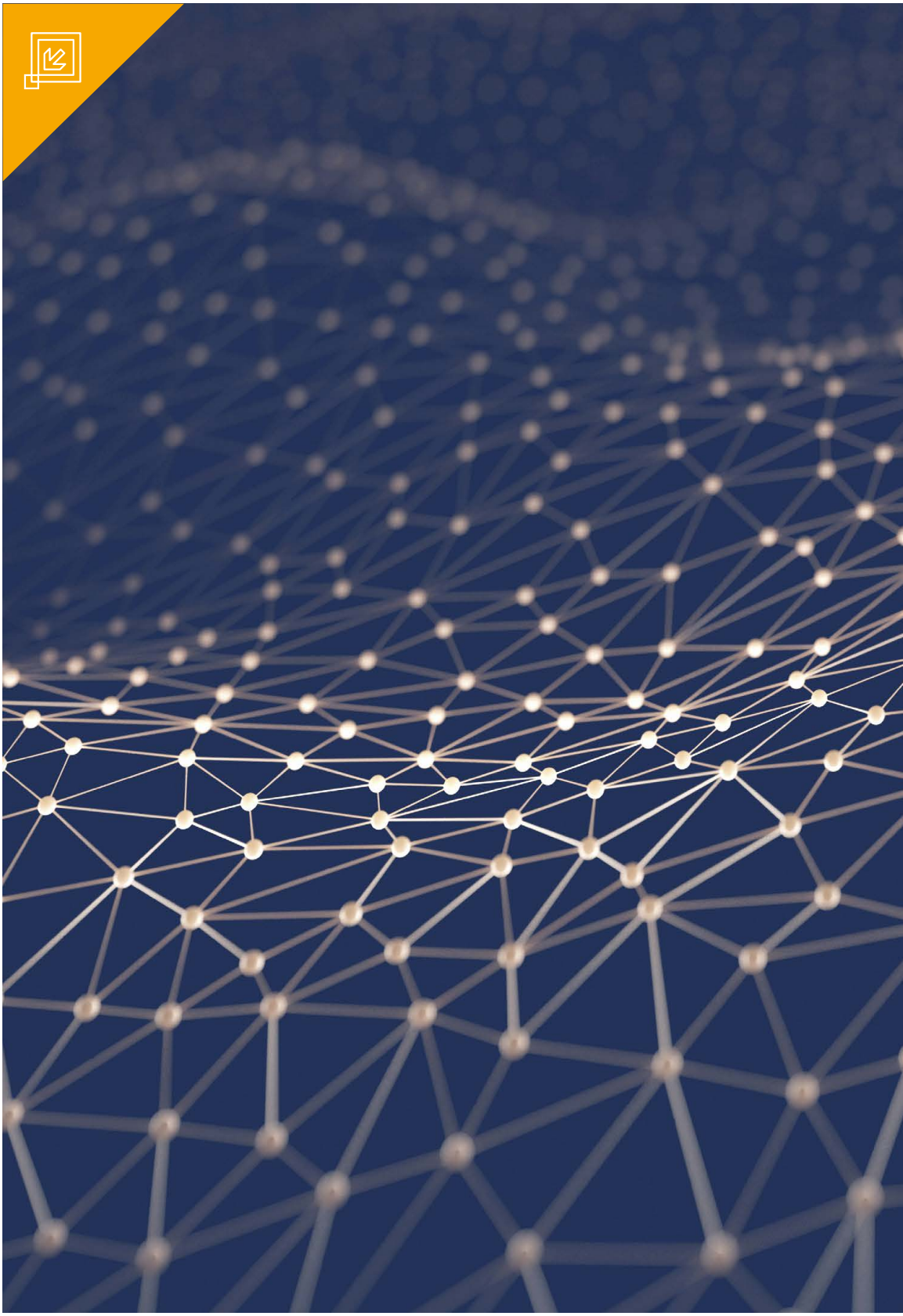
Now the General Data Protection Regulation ('GDPR') is on the horizon, all Data agencies must deliver well thought-out, innovative and compliant propositions, as well as bulletproof data management processes, technology and strategic customer communications.

With an eye on the future, Coverdale concludes: "We are in the unique position of having combined data, technology, compliance, creative and planning expertise delivering against all core client issues. We've invested in automated machine learning solutions to drive real-time predictive content and targeting, and we're upskilling our team to harness new technology. Businesses can't ignore changing legislation and consumers' expectations around how their data is managed and used. Change is critical."

Acquisition

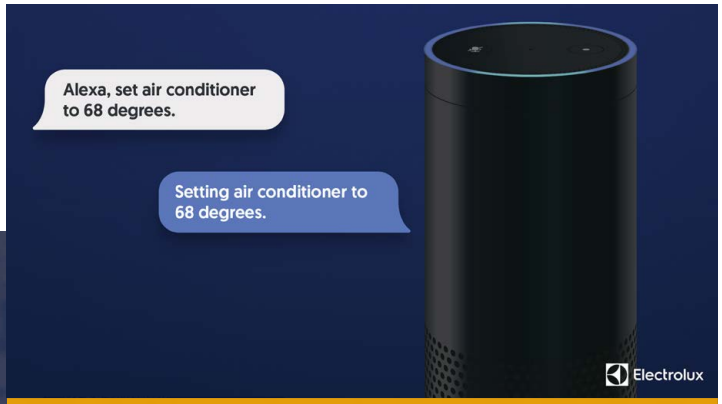
Following a flurry of activity in previous years, the focus during the year has been on continuing to bed in newer companies such as Solstice and The App Business. The strategy of further acquisitions remains, however, where these opportunities make strategic sense to add strength, depth and scale to the Group's offering.

Organic growth will continue to be fundamental to future performance across our segments. This is built on a strategy of broadening projects to involve wider teams and new services within individual businesses, but also introducing clients to the expertise of partner companies across the Group. Meanwhile, a drive to build more retained, long-term relationships is under way.



Year-on-year revenue growth

£25.6m
7%



Electrolux

CONNECTING TO DRIVE SMART APPLICATIONS FOR ELECTROLUX

A key growth driver for both Solstice and The App Business ('TAB') is the synergies between the two operations and their ability to work together seamlessly. Jointly, the businesses count more than 450 mobility experts in their ranks across three continents.

Rob Evans, co-founder of TAB, explains: "We have a deep collaboration with Solstice. Both organisations are remarkably well aligned in terms of skills, culture, ambition and delivery model. The cross-fertilisation of knowledge in working practices, new technologies, partnership arrangements with technology providers and organisational structure have contributed significantly to growth in both companies over the past year."

J Schwan, CEO and founder of Solstice, adds: "We blend resources with TAB so utilisation improves considerably for both businesses. People have transferred temporarily and permanently. They gain travel, career and life experience while delivering a project, and there are tangible business benefits too."

Work for Electrolux exemplifies this collaborative approach. The global white goods business had a strong desire to begin connecting its products to provide next-generation services, and sought a digital innovation partner.

Electrolux had a mobile application for its latest air conditioner, and together with Solstice, determined that voice control was a compelling platform for users – specifically on/off functionality and temperature. Solstice recommended using Amazon Alexa and Google Home voice platforms and partnered with TAB to bring together voice development experts.

The team and Electrolux created a roadmap for voice experiences, starting with a first-of-its-kind Amazon Alexa Smart Home Skill for the Frigidaire Gallery Cool Connect Smart Window Air Conditioner.

Phase two consisted of building a companion Google Assistant Action for use on Google Home for the same air conditioner. Electrolux customers can now ask Alexa or Google Home to turn their air conditioner on, increase the temperature, set fan speeds and change modes.

THE APP BUSINESS

Find out more about The App Business: **www.theappbusiness.com**

solstice

Find out more about Solstice **www.solstice.com**

Acquisition continued

Founder and CEO of Solstice

J SCHWAN

When St Ives acquired Solstice in 2015, the Chicago-based business was firmly established as a mobile specialist. Fast-forward two years and the company has harnessed the full spectrum of digital innovation services to great effect.

Founder and CEO J Schwan speaks of a "positive" financial year just gone, with significant revenue growth. This performance has been consistent across Solstice's three pillars: reimagining digital customer interaction; digital product and service innovation for clients; and streamlining digital operations.

Schwan explains: "Dropping the mobile specialism is a big change for us. To solve more pressing strategic problems, we couldn't constrain ourselves to one channel. Every organisation is rethinking what it gives its customers; be that a consumer-facing company considering experiences around the Internet of Things, or a business-to-business firm automating low-value tasks to free up staff for higher-value roles. We've broadened our focus to digital innovation and it's paying off."

The change has been a catalyst to larger, multichannel engagements, allowing Solstice to continue to invest in meeting the challenges of new consumer and technology trends. "We're engineers, not scientists," continues Schwan. "We take platforms built by tech companies and adapt them to bring new capabilities to market."

He cites a push into conversational user experience tools and artificial intelligence as two prime examples of expanding Solstice's services. "These are not novelty projects, but significant investments by large companies to leverage artificial intelligence ('AI') as an additional way to service customers while reducing internal costs. Customers want to be able to interact with brands in a more natural way through their devices: voice, chat, text, messaging."

Solstice is also leading the way in helping vast organisations deal with legacy systems which can trap untapped value in databases. Schwan says: "We're solving the problem with Pivotal, a software partner, to help businesses modernise development capabilities. This is a high-growth area for us, too. We're working on the whole stack, which is another compelling reason for using Solstice to solve big problems."

One key operational change has been the promotion of Kelly Manthey to Chief Strategy Officer, allowing Schwan to spend time devising ways for the business to collaborate with others across the Group. "We've been working much more closely with other Group businesses during the last year. St Ives is very supportive and has provided the investment needed for the growth we're achieving; we couldn't have done that alone," he concludes.

solstice

Find out more about Solstice
www.solstice.com

Co-founders of The App Business

ROB EVANS AND DANIEL JOSEPH

In a market flooded with new entrants, mobile services provider The App Business ('TAB') is finding there's no substitute for experience.

Seven years after launching, and following its acquisition by St Ives in early 2016, the company boasts a market-leading range of capabilities. It's this breadth of expertise that has led to some major client engagements – Transport for London, Tesco, Kingfisher and Unilever to name just a few – and growth of more than 20% across the previous year.

Co-founder Rob Evans believes that the journey from start-up to established business continues to help TAB stand out from the crowd. He explains: "We've been specialising in mobile strategy, design and development for seven years. We built a world-class mobile capability of our own from the ground up. The experience of doing that allows us to be more of a strategic partner than just a delivery partner for our clients.

"As mobile becomes central to all organisations' future prosperity, they can't risk outsourcing all the work and knowledge to a third party. They need to build some capability of their own, and the unique experience of doing this for ourselves is both attractive and impossible to copy."

Evans' co-founder Daniel Joseph further illustrates the differentiation enjoyed by TAB: "Our competitors are either large consultancies that have acquired and mashed together services, or smaller companies that don't have our scale and experience. Our model is unique."

The founders believe mobility is now fundamental to all organisations, from developing and overseeing customer relationships, to managing and motivating staff. Increasingly, this is allowing TAB to build longer-term relationships with clients as they seek to change for a mobile future. Evans adds: "We're being asked to build digital capability alongside innovative products, which leads to more interesting consultative work and a solid income base for us."

Many sectors have a need for TAB's services, but Joseph believes two in particular will be a focus for the current financial year. He says: "Financial services is investing heavily in technology. Many companies feel behind the curve, with new banks like Monzo taking share. We recently won two large clients in the sector, and we believe that a combination of the Group's deep expertise and existing relationships, combined with our specialist financial services mobile experience, provides a huge opportunity. We're similarly excited about leveraging retail and automotive relationships across the Group."

THE APP BUSINESS

Find out more about The App Business: **www.theappbusiness.com**

Internationalisation

The Group's horizons continue to expand. Strategic Marketing revenues from international client work rose to 39% in the most recently completed financial year, increasing from 37% in the previous year's results. St Ives now boasts a truly international footprint, with offices in New York, Chicago, San Francisco, Buenos Aires, Singapore and Shanghai, supplementing our London headquarters and other locations across the UK.

This multi-territory presence means we are able to operate in-market with a dedicated local team, through a 'boots on the ground' approach co-ordinated from a centralised hub. This will give us a firm foundation for continued overseas growth as well as the ability to open new offices when client opportunities arise.

Wildlife Reserves Singapore

WALKING TOWARDS A BETTER VISITOR EXPERIENCE AT SINGAPORE'S WILDLIFE RESERVES

Wildlife Reserves Singapore ('WRS'), an organisation dedicated to the management of world-leading zoological institutions, was seeking to find ways to increase visitor numbers. WRS' four main attractions welcome more than 4.5 million people per year, but the cost of maintaining and developing the reserves meant a revenue boost was required.

Digital engagement was one of the key pillars being explored to increase engagement and footfall. However, there was an issue around the lack of availability of insight detailing the current customer journey or the experience of tourists and local people who interacted with WRS.

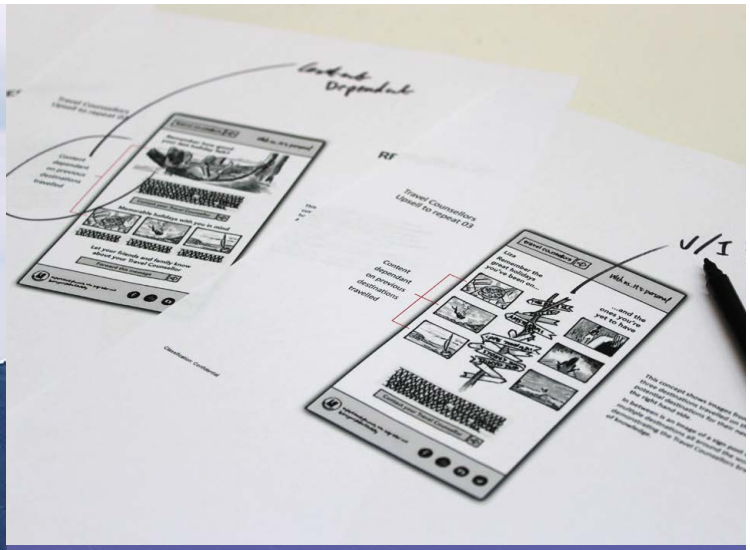
Incite was engaged to help WRS understand more about people's journeys when they visited an attraction. The consultancy devised ethnographic 'walkalongs', in which they accompanied both local residents and tourists from countries including China, Indonesia, Philippines, India, Malaysia and Australia. This allowed the Incite team to fully immerse in the guest journey and discover people's requirements, while considering what was missing from the visitor experience.

The ethnographic study unveiled cultural and behavioural differences, and was supplemented with group discussions to capture pre- and post-visit nuances. Incite was able to determine visitor personae along with clear opportunities to enhance the experience. The work was followed by a workshop to devise creative ideas.

Thanks to Incite's strategy, WRS has identified opportunities across stakeholder teams including marketing, digital, retail, sales, education, and research and development.

incite

Find out more about Incite:
www.incite.com



Travel Counsellors

MAKING JOURNEYS TO REMEMBER WITH CENTRALISED CRM

Travel Counsellors, a global network of more than 1,600 independent travel experts, provide a uniquely personal travel service. In a technology-enabled world, they face the challenge of delivering personalised communications with all the benefits of marketing technology and automation, without sacrificing the personal feel of human interaction.

Response One was appointed to help Travel Counsellors with this challenge. The data experts proposed a new strategy that promised: a single customer view, providing the client's marketing team with greater data visibility; analytics, allowing campaigns to be created based on deep customer insight; a Customer Relationship Management ('CRM') platform for running personalised, triggered campaigns; and CRM consultancy, including a redesign of the customer journey and the development of concepts into powerful marketing campaigns.

Response One spent many hours building its understanding of Travel Counsellors, its challenges and its data, working as a true partner. This allowed the project team to be fluid, reacting to new challenges and ideas from the client. For example, the Preference Centre, which began as a small project on the side, developed into a cornerstone of the new marketing strategy. Response One managed the design and build of the online form, allowing customers to specify their travel preferences. Data is now fed into the CRM platform, where it influences campaigns and prompts information on individuals' requirements to the brand's customer advisers.

Following a successful launch in the UK, Response One and Travel Counsellors are now rolling out the service to Australia, Ireland, The Netherlands, South Africa and United Arab Emirates, tailoring the systems and strategy to each market.

RESPONSE ONE

Find out more about Response One:
www.responseone.com

Net debt reduced by £26 million

Revenue from our Strategic Marketing segment increased by 13% as a result of both strong organic and acquisitive growth.

Overview

During a challenging year, the Group delivered revenue growth of 7%. Due to continued margin pressures within the legacy Marketing Activation and Books segments, the Group's Adjusted operating profit fell from £33.3 million to £27.1 million. However, over this period the Board has worked to strengthen the Group's balance sheet by cutting the proposed dividend by 75% compared to the prior year, and selling three surplus properties.

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

The Group prepares Adjusted results, which, in management's view reflect how the business is managed and show the performance in a manner consistent with the previous year. Adjusted results exclude items such as costs related to restructuring activities, acquisitions made in prior periods, disposal of sites, impairment charges, movement in deferred consideration and St Ives Defined Benefits Pension Scheme charges.

The Group's statutory loss before tax of £44.1 million (2016 – £5.7 million) includes Adjusting Items of £68.2 million (2016 – £36.1 million), of which £66.1 million relates to non-cash items in the current period.

A. Statutory results	52 weeks to 28 July 2017	52 weeks to 29 July 2016
Revenue	**£393.2m**	£367.5m
Statutory loss before interest and tax	**£(40.4)m**	£(1.8)m
Statutory loss before tax	**£(44.1)m**	£(5.7)m
Basic loss per share	**(30.40)p**	(5.93)p

B. Adjusting Items	52 weeks to 28 July 2017 £'m	52 weeks to 29 July 2016 £'m
Loss before tax	**(44.1)**	(5.7)
Add back Adjusting Items:		
(Profit)/loss on disposal of property, plant and equipment	**(2.8)**	1.7
Amortisation of acquired intangibles	**10.0**	9.2
Expenses related to restructuring items	**3.0**	2.6
Impairment of goodwill and other assets	**33.1**	12.7
Costs associated with the acquisition and set-up of subsidiaries	**–**	0.8
Contingent consideration required to be treated as remuneration	**15.6**	8.2
Increase/(decrease) in deferred consideration	**7.4**	(0.8)
Administrative expenses related to St Ives Defined Benefits Pension Scheme	**1.9**	1.7
Adjusted profit before tax	**24.1**	30.4

The analysis of Adjusting Items is set out in table B above.

A non-cash impairment charge of £2.9 million was recorded in the Books segment against non-current assets and inventories due to the loss of the HarperCollins contract. Impairment charges of £29.9 million were recorded against the goodwill and non-current assets of businesses within the Marketing Activation segment. This reflects the continued decline in operating profits and expected future growth rates resulting from lower promotional activity levels within the grocery retail sector. In addition, an impairment charge of £0.3 million was recorded against intangible assets of the Data businesses for obsolete software. The Group recorded a total non-cash impairment charge of £33.1 million during the period. Further details can be found in note 7 on page 93.

Other non-cash Adjusting Items include contingent consideration required to be treated as remuneration of £15.6 million, an increase in deferred consideration of £7.4 million and amortisation of acquired intangibles of £10.0 million.

Revenue

The 7% (£25.6 million) increase in revenue included organic constant currency growth of 4%; acquisition growth of 2% and a 1% positive currency translation impact. Over the course of the full year, revenue grew by 5% in the first half and 9% in the second half. Organic revenue growth at constant currency was 0.2% in the first half and particularly strong growth of 7% in the second half, within the Group's Strategic Marketing segment.

Revenue generated from the Group's overseas business increased from £53.7 million to £66.5 million over the financial year, representing 17% of Group revenues (2016 – 15%).

Revenue from our Strategic Marketing segment increased from £144.1 million to £163.0 million with organic growth contributing 5%; acquisition growth of 4% and currency translation of 4%. Compared to the comparative period last year, first half organic revenue growth was subdued at 3% as the impact of the cancelled work in fourth quarter of FY16 took longer to replace than anticipated. Conversely, second half organic growth compared to

the comparative period was 13% as new clients and projects started to generate additional revenue.

Revenue from the Marketing Activation segment decreased marginally from £154.8 million to £153.7 million, primarily as a result of reduced client spend within the retail grocery market. The revenue impact was mitigated somewhat by the segment's strategy of diversification into new areas such as food and leisure, while the UK general election also provided a one-off boost to revenue.

Revenue from the Books segment, in contrast to recent years, proved to be resilient during the financial year, increasing by 12% from £68.6 million to £76.5 million. However, following the conclusion of our print and distribution contract with HarperCollins in June 2017, we expect the non-renewal to result in a reduction of approximately £11 million in Group revenue, and £3.5 million in Group Adjusted operating profit, in the financial year ending 3 August 2018.

Adjusted gross profit margin and underlying profitability

The Adjusted operating profit decreased from £33.3 million (9% of revenue) to £27.1 million (7% of revenue).

Adjusted operating profit in the Strategic Marketing segment has increased from £19.4 million to £20.2 million with an operating margin of 12% (2016 – 13%). This includes a full year contribution from The App Business ('TAB'). The first half contributed £6.2 million with a margin of 8% compared to the second half of £14.0 million at a margin of 16%. The first half margin was detrimentally impacted by our decision to broadly maintain our skilled workforce, following project cancellations and deferrals in the fourth quarter of the prior year, in anticipation of new client and contract wins. Second half margin improved as these new clients and contracts delivered revenue without the requirement to substantially increase manpower costs.

Adjusted operating profit in the Marketing Activation segment decreased from £8.1 million to £4.3 million with an operating margin of 3% (2016 – 5%). Despite the actions taken to consolidate sites to aid further restructuring and client diversification, margin has continued to be adversely impacted as the grocery retailers reduced their print spend.

Adjusted operating profit in the Books segment decreased from £5.8 million to £2.6 million with an operating margin of 3% (2016 – 9%). Reduced run lengths and an increase in orders continued to impact margin. The loss of the HarperCollins contract from 1 July 2017 has resulted in a number of headcount reductions and redundancy costs of £2.9 million which are recorded as Adjusting Items. The restructuring was completed at the end of July 2017.

Acquisitions

Although no acquisitions were made during the year, Solstice and TAB remain within their earn-out periods. Solstice's final earn-out period is the calendar year ending 31 December 2017 with TAB's final period being 1 May 2017 to 30 April 2018. TAB's second deferred consideration, which was dependent on incremental EBITDA, has been agreed. Subsequent to the year end, a cash payment of £2.2 million and the issue of a loan note of £1.6 million were made to settle the deferred consideration. The loan note is exercisable six months after issue. The Group exercised its option to pay all of the deferred consideration in cash or loan notes rather than by the issuing of shares.

The Group has reassessed the likely extent of any further deferred consideration payments to the previous shareholders of Solstice and TAB. The amount of deferred consideration payable, based upon their budgets and latest forecasts, is set out in table C above.

The expected timings of the cash element of the deferred consideration payments are detailed in table D above.

C. Deferred consideration	Cash £'m	Shares £'m	**Total £'m**
TAB	13.0	3.1	**16.1**
Solstice	16.0	3.9	**19.9**
	29.0	7.0	**36.0**

D. Payment timings	2018 £'m	2019 £'m
TAB	8.0	5.0
Solstice	12.5	3.5
	20.5	8.5

Tax

The total tax credit was £0.7 million (2016 – charge of £2.4 million). A number of Adjusting Items are not deductible for taxation purposes.

The Group's effective tax rate on the Adjusted profit before tax was 20.7% (2016 – 20.8%) compared to the standard rate of tax of 24.0% (2016 – 22.7%) for the Group. The Adjusted tax charge was £ 5.0 million (2016 – £6.3 million).

A net income tax of £0.6 million (2016 – £4.3 million) was paid in the UK, which included payments of £3.3 million in respect of 2016 and 2017 financial periods, partially offset by refunds of £2.7 million in respect of prior periods.

Dividend

The Board is recommending a final dividend of 1.30 pence per ordinary share (2016 – 5.45 pence) giving a total dividend of 1.95 pence (2016 – 7.80 pence). The dividend is covered 6.9 times by Adjusted earnings and will be paid on 18 December 2017 to shareholders on the register at 24 November 2017, with an ex-dividend date of 23 November 2017.

Pensions

The Group closed its Defined Benefits Pension Scheme (the 'Scheme') to new members in 2002 and ceased future accrual within the Scheme in 2008. The Group accounts for post-retirement benefits in accordance with IAS 19 Employee Benefits. The Consolidated Balance Sheet reflects the net deficit on the Scheme at 28 July 2017 based on the market value of the assets at that date and the valuation of liabilities using AA non-gilt bond yields.

On an IAS 19 basis, the net deficit on the Scheme reduced to £16.0 million (2016 – £26.4 million) before the related deferred tax asset. The value of the plan assets increased to £354.5 million (2016 – £344.1 million). Approximately 65% of the plan assets are invested in return seeking assets providing a higher level of return over the longer period. Plan liabilities remained in line with the prior year at £370.5 million (2016 – £370.5 million). In calculating the amount of plan liabilities, an increase in the rate of inflation was offset by an increase in the discount rate and a fall in the rate of increase in life expectancy.

The Scheme's actuarial valuation reviews determine any cash deficit payments by the Group. The Scheme's triennial valuation was as at April 2016 and the Group has reached agreement with the Scheme Trustee for future funding levels. The Group will make deficit funding contributions of £2.6 million per annum and a contribution of £0.4 million per annum (2016 – £0.4 million) towards the costs of administration. The total increased contribution level to £3.0 million will apply from April 2016 and, as the funding level was maintained at £2.4 million until an agreement was reached, the contribution in the year to 3 August 2018 will be £3.8 million and thereafter will revert to £3.0 million per annum.

The charge for the year for the Group's defined contribution schemes was £3.8 million (2016 – £3.9 million).

Cash flow

Cash generated from operations was £30.7 million (2016 – £23.7 million).

Total capital expenditure was as per table E below.

The Group disposed of three surplus properties during the year generating cash of £11.9 million (£11.7 million, net of all costs). Two of the properties together generated net income of £1.0 million per annum and the third property was previously occupied by part of SP, our point of sale business.

Debt

The Group's revolving credit facility, which expires on 23 March 2019, remains at £95.0 million and was supplemented by a term loan of £30.0 million. Subsequent to the year end, the Group reduced its term loan by £5.5 million to £24.5 million.

Net debt decreased during the year from £80.8 million to £54.6 million. At 28 July 2017, St Ives had drawn £80.2 million on its bank credit facility, leaving an unutilised commitment of £44.8 million. The Group had cash and cash equivalents of £25.7 million.

At 28 July 2017, the ratio of net debt to EBITDA before Adjusting Items was 1.61 times (2016 – 1.96 times) as shown in table F below.

Brad Gray
Chief Financial Officer
2 October 2017

E. Capital expenditure	2017 £'m	2016 £'m
Strategic Marketing	**2.1**	3.1
Marketing Activation	**0.8**	1.5
Books	**0.6**	3.0
Total	**3.5**	7.6

F. Gearing ratio	2017 £'m	2016 £'m
Adjusted operating profit	**27.1**	33.3
Depreciation and amortisation	**6.8**	7.9
EBITDA before Adjusting Items	**33.9**	41.2
Net debt	**54.6**	80.8
Net debt to EBITDA before Adjusting Items	**1.61**	1.96

CASE STUDY

Jaguar Land Rover

TEAMING UP TO DRIVE MEMORABLE CUSTOMER EXPERIENCES FOR JAGUAR LAND ROVER

Jaguar Land Rover ('JLR') needed a better understanding of its data to improve Customer Relationship Management ('CRM') and offer premium customer experiences. This meant integrating a new Systems Applications and Products ('SAP') system, so JLR asked St Ives data and technology experts at Occam to take the wheel.

A broad data selection approach across customer and prospecting segments hadn't worked for JLR. A more nuanced strategy was needed to communicate key benefits around new product releases. Occam was tasked to develop the SAP system integration that would maximise the company's use of data, creating the premium, always-on CRM experience its customers expected.

Occam enlisted St Ives' sister businesses Amaze One and Response One to turn 20 existing data systems into 'one version of the truth', shaping JLR's data into a single customer view. This consolidated approach makes understanding and engaging customers easier to implement.

The SAP implementation drove the launch of the Range Rover Velar. The new platform allowed the partner agencies and JLR to operate core CRM principles required in data profiling and targeting to avoid audience cannibalisation, which was a real risk.

Meanwhile, by formulating a targeting landscape of the Velar's exact positioning in the range, as well as a focus on relevant customer journeys, the agencies provided clear direction to JLR such as engagement profiling and post-campaign analysis. More customers were converted from consideration to purchase among key target segments thanks to deep dives into the subtleties of audience profiling, boosting engagement and sales.

JLR's CRM management and the definition of CRM strategy has changed for the better thanks to the SAP system. For the first time, JLR is working from a single customer view, creating real-time simplicity, efficiency and engagement, from campaigns to invoicing. This approach helped to define the strategic direction of vehicle launches in 2017, setting a template for future activity.

Occam

Find out more about Occam: **www.occam-dm.com**

Measuring our performance

Link to strategy key

COLLABORATION

ACQUISITION

INTERNATIONALISATION

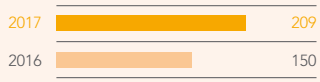
ALL GROWTH DRIVERS

Operational

Collaboration

209

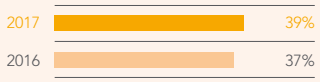
Collaboration within the Group is a key pillar of our organic growth strategy. Clients working with more than one business in the Group rose from 150 to 209 over the course of the year.



Internationalisation

39%

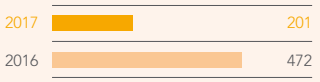
We have seen a growing contribution from our international operations over the past year, with 39% of Strategic Marketing revenue coming from clients based outside of the UK.



Health and Safety

201

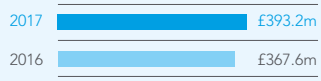
We have seen a decrease from 472 to 201 in the total number of days staff were unable to work due to a work-related accident. See page 31.



Financial

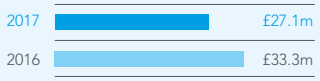
Group revenue

£393.2m



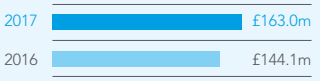
Group Adjusted operating profit*

£27.1m



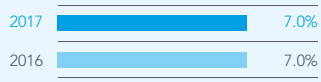
Strategic Marketing revenue

£163.0m



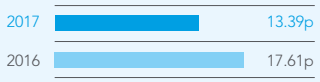
Group revenue growth

7.0%



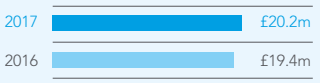
Group Adjusted earnings per share*

13.39p



Strategic Marketing Adjusted operating profit*

£20.2m



* Before Adjusting Items. See note 7 on page 93.

Risk management

Reviewing risk across the Group

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

The Group's risk management framework is discussed on page 34. A Group Risk Register is reviewed and debated by the Board and Audit Committee twice-yearly, abetted by a further open discussion on business risks at the Board's annual strategy day. The Group Risk Register includes risks that are specific to St Ives plc, the holding company, such as corporate financing, and risks escalated from the risk registers of individual subsidiaries where they might have a material effect on the Group as a whole. Risks at subsidiary level are further considered by the Executive Directors during quarterly presentations by each operating business. The presentations include an update on the forecast, current market conditions, strategic direction and a SWOT (strengths, weaknesses, opportunities and threats) analysis provided annually.

The longer-term viability of the Group has been assessed by the Board over a three-year period during the year. Details of this review are on page 63.

Risk appetite

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

The Board seeks to minimise health, safety, liquidity and reputational risks and thereby has a particularly low risk appetite in these areas. Rigorous health and safety policies and procedures are in place and monitored by the Group Health Safety and Environmental Advisor. For liquidity risk, the Group has detailed procedures for monitoring headroom in its bank facility and the associated leverage and interest cover covenants. The investments in material foreign subsidiaries are hedged by drawing on the Group's bank facility in the same foreign currency. In other aspects, such as the securing of longer-term contracts in parts of the Group to facilitate growth and scalability, the Board takes a more balanced approach on risk taking. This degree of appetite is aided by the level of experience gained by the Group within its operating segments and the Group's controls and processes such as its delegated authorities. Thus, the Board has accepted a managed risk profile, whilst attempting to mitigate risks effectively, as it seeks to deliver its strategic goals.

The risk appetite of the Group across its principal risks was not altered materially during the year after consideration by the Board. The Board will continue to assess its risk appetite annually in light of changes to the economic environment, strategic progress and the performance of the businesses.

Principal Risks and Uncertainties

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

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

Where applicable the relevant growth drivers from the Group's business model (see page 5) have been attributed to each principal risk.

Link to strategy key

- COLLABORATION
- ACQUISITION
- INTERNATIONALISATION

Risk rating key

- HIGH
- MEDIUM
- LOW

Risk level change key

- HIGHER
- LOWER
- NO CHANGE
- NEW RISK

RISK	DESCRIPTION	RISK RATING (INHERENT)	CHANGE IN 2017	MITIGATING ACTIVITIES	RISK RATING (RESIDUAL)
Acquisition strategy Acquisitions may not fit in to the Group's strategic direction and may fail to deliver growth and successful integration as a result.	As businesses are acquired as part of the Group's strategic objectives to grow its Strategic Marketing segment, it is fundamental to identify businesses that will enhance the Group's capabilities.		No acquisitions were made during the course of the year. As a result, and whilst acquisitions remain a strategic objective in the medium term, the inherent risk rating is lower than in the prior year.	Stringent selection criteria followed for pursuing acquisitions that fit within the Group's strategy and culture. Detailed due diligence undertaken using external advisers. Board strategic reviews held annually to monitor progress against the business model and to, as necessary, refresh and adapt the Group's strategy for delivering growth. Meetings held with senior management of the subsidiaries to determine cross-selling opportunities.	
Organic growth Organic growth, including overseas expansion, may not be pursued in the right sectors or territories.	Investing in the wrong sectors or territories could result in significant incremental costs to the Group.		Organic growth is a key strategic objective for the business and the risk factors involved are considered to be consistent with the prior year in view of those territories that have been targeted.	Regular discussion of strategy at Board meetings and meetings of representatives from the businesses to develop the Group's proposition, growth opportunities and collaborative behaviour. Detailed budgets and three-year plans submitted to the Board for review.	
Scalability Strategic Marketing businesses may not have sufficient scale within their sectors to secure substantial customer contracts.	Achieving scalability is important within Digital, Data and Insight in order to pursue a high-growth strategy. Whilst included as a risk, achieving greater scalability is also an opportunity for the Group.		NR This risk has been added as a key risk to the Group during the year following discussion by the Board on driving further organic growth. Whilst the residual risk has also been assessed as medium, the Board is encouraged by the progress made within Digital during the second half of the year in achieving greater scalability and with the current trajectory.	Collaboration by businesses such as working on joint pitches. Organic growth of businesses through recruitment drives and opening of new offices. Bringing businesses closer together under a single senior management team (such as in Data) to achieve a greater combined scalable offering. Investment in high-growth Strategic Marketing businesses and greater focus on securing longer-term contracts.	
Legacy businesses Issues arising within Marketing Activation and Books may distract or inhibit the Board's focus on its strategic objectives.	This could, in the short term, impact the growth within the Strategic Marketing segment if the Board encounters issues that emerge in other parts of the Group.		This risk rating has been increased following the further decline in Marketing Activation led by the grocery sector and the loss of the HarperCollins contract in Books. Cost mitigation has been undertaken.	Consolidation of businesses and management within the Marketing Activation segment has created greater synergies with a senior management team across the segment that oversees each of the subsidiaries. Diversification away from the grocery retail. Further restructuring and cost mitigation initiatives.	

Link to strategy key

COLLABORATION
ACQUISITION
INTERNATIONALISATION

Risk rating key

HIGH
MEDIUM
LOW

Risk level change key

HIGHER
LEVEL
LOWER
NEW RISK

RISK	DESCRIPTION	RISK RATING (INHERENT)	CHANGE IN 2017	MITIGATING ACTIVITIES	RISK RATING (RESIDUAL)
Economy Challenging economic conditions may inhibit growth and create uncertainty.	Uncertainty in the economy largely associated with Brexit, could result in marketing campaigns or projects being cancelled or deferred at short notice. Whilst the Group does have long-term contracts with clients, the level of spend is predominantly at the client's discretion rather than being derived from guaranteed sales volumes.	HIGH	This risk rating was increased during the prior year due to the degree of uncertainty in the economy, partly impacted by Brexit. The Board's view is that the risk remains the same.	Diversification into markets that are capable of delivering profit growth with an increasing range of marketing companies. Diversification through growth in the US and opportunities pursued to open overseas offices, where client demand warrants it. Investment in a wider range of services offered to clients. A continual review of the Group's cost base. Secure more long-term relationships and contracts. Seek to increase market share by investing in sophisticated and targeted sales lead generation. A regular review of performance of all businesses against their budgets and implementation of timely remedial action, where needed.	HIGH
Clients Competitive pressure that may result in the loss of a key client.	The Group has a variety of key clients in each of its three business segments. Long-term relationships have been fostered with many of these clients over a number of years.	HIGH	Whilst the financial impact of these key contracts has not increased, the likelihood of the risk, and hence the risk rating, has risen due to a greater appetite seen for clients to carry out full tenders, particularly in the Marketing Activation and Books segments.	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.	MEDIUM
Employees A failure to attract, develop and retain employees with the necessary talent for our businesses.	Retaining staff is a key priority for the Group as it continues to invest in new and existing service-orientated businesses.	HIGH	This risk rating is consistent with the prior year.	Implement appraisals and fulfil training needs where identified. Develop a collaborative culture across the Group's businesses. Operate discretionary share-based incentive schemes, and other benefits. Pay part of consideration in shares to vendor directors of acquired businesses, with 'lock-in' obligations.	MEDIUM

RISK	DESCRIPTION	RISK RATING (INHERENT)	CHANGE IN 2017	MITIGATING ACTIVITIES	RISK RATING (RESIDUAL)
Financing The Group's ability to trade may be compromised by lack of cash funds.	Being able to finance working capital and carry out operations is fundamental to the Group.	▲	(=) This inherent risk is consistent with prior years. The bank facility runs up to 23 March 2019; further details are provided on page 104. Following the January 2017 trading update, the residual risk rating was increased from low to medium at the half year. The risk has since been further mitigated by the disposal of two freehold properties for net proceeds totalling £9.8 million, resulting in the leverage covenant reducing to 1.6 at the year end (see page 112).	Conduct 'going concern' reviews and longer-term viability assessments twice yearly. 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.	■
Pension Scheme The volatility of the St Ives Defined Benefits Pension Scheme (the 'Scheme') deficit.	The volatility of the Scheme's deficit is impacted by the inflation rate, changes in the discount rate derived from gilt yields and changes in actuarial assumptions, such as mortality.	▲	(=) This risk rating associated with the Scheme's deficit remains high. The deficit had increased in recent years primarily due to low interest rates. As at 28 July 2017, the deficit has reduced due to a higher level of return on the Scheme's assets.	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.	■
Reputational Exposure to reputational or financial damage due to accident, unethical trading, non-compliance with legislation or regulation or disputes.	Health and safety is a pre-eminent priority for the Board and is discussed at each Board meeting. Other reputational risks need to be carefully managed as part of the Group's governance procedures.	▲	(=) This risk rating is consistent with the prior year, reflecting the Board's assessment of the associated risk impact.	Ingrain robust health and safety culture throughout the Group, supported by rigorous health and safety and environmental policies. Monitor compliance, measure performance and investigate major incidents. Monitor changes in legislation and regulations, take legal advice and provide training where necessary. Place a strong emphasis on compliance with local taxation rules by embedding the Group's processes and procedures. Apply the Group's policies on Ethical Trading, Share Dealing, Equal Opportunities, Dignity at Work and Whistle-blowing. Have in place business continuity plans and a procedure for dealing with 'leaks' of inside information.	■
Data security Exposure to reputational or financial damage due to corruption or theft of company owned or client-owned data or data breaches arising.	This includes the risk of loss of data, sabotage or disruption to the business, fraud, reputation damage, and possible fines.	■	(=) This risk was added as a key risk for the Group in the prior year due to, in part, the new General Data Protection Regulation ('GDPR') coming into effect in May 2018.	IT functions in place around the Group with responsibility to protect data (e.g. encryption, firewalls, restricted access). Periodic reviews by Internal Audit, utilising in-house IT as well as specialist external consultants. Cyber security and IT questionnaires completed periodically by subsidiaries to highlight areas of potential risk, together with any mitigating actions performed in order to address this risk. The appointment of a new Data Protection Officer for the Group to assist with the Group's GDPR compliance.	●

Sustainable and responsible business

Focus

TAB'S PASSIONATE APPROACH TO STAFF WELLBEING AND DEVELOPMENT

The App Business Limited ('TAB'), St Ives' UK-based mobile solutions company, is passionate about promoting its employees' wellbeing and accelerating their career progression.

Recently, the business has focussed on addressing mental health awareness, collaborating with mental health charity, Mind, in order to provide training to TAB's HR team and line managers. Half-day sessions, facilitated by trained therapists, gave attendees advice on how to support an employee or colleague who may be struggling with mental health, along with useful tips on emotional intelligence and resilience in the workplace.

Additionally, TAB is partnering with CALM – the Campaign Against Living Miserably – to raise £15,000 in support of the charity's national Healthy Mind campaign. CALM is dedicated to fighting depression and suicide amongst men. Fundraising activities to date include weekly social events for staff, film nights and sporting events, including sponsored participation in Virgin Sport's British 10k run and the organisation of an intercompany football tournament in London.

Working at the cutting edge of technology, nurturing and developing the careers of its employees is critical to TAB's continued growth. With this in mind, TAB has recently experimented with updating its approach to career development. One such trial includes the 'Career Zoom Out' – a programme that encourages every employee to use the Kata model to set and drive incremental steps to achieving their goals with line managers and mentors. Brett Thornton, Strategy Lead at TAB, commented: "The 'Career Zoom Out' pushed me to think holistically about my long-term aspirations, and how I can achieve them at TAB. The Kata framework provided an easy way to design and run small personal development experiments, which are already paying dividends for me and for TAB."

Two further initiatives also support employees' ongoing skills development. The first is 'TAB Talks', which invites leading external speakers in technology and product design to share their experience and latest thinking. The second initiative supports on-the-job learning, with bite-sized 'Lunch and Learn' talks by staff. These have included an Internet of Things workshop and a guide to iOS programming for non-technical staff.

The business believes it is important to highlight and celebrate the thought and consideration that TAB employees put into their products every day. To do this, TAB has rolled out 'Product Stories' – a multidisciplinary initiative that sees the whole business come together in order to 'zoom' into the powerful details and subtleties that turn a new product from good to great. 'Product Stories' cover everything from custom iconography and motion design, through to system architecture and low-level optimisation. TAB's Strategic Marketing Lead, Emily Maginess, commented: "'Product Stories' surface and celebrate the craft and care that goes into the smallest detail. These are details that users may never notice explicitly – but they affect how users feel, and unlock value, build trust and create delight in the mobile experience. It's been a mind-blowing reminder of the technical skill level and experience across every discipline of TAB, and continues to deepen my sense of understanding and pride in the exceptional work we deliver."

TAB continues to explore innovative ways to increase the business's corporate social responsibility and is committed to the welfare and ongoing development of its people.

Our relationships with stakeholders

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

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

Clients and suppliers

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

What we are doing

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

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

Suppliers are required to substantiate their insurances and accreditations where applicable, and the Group is focussed on a continuous programme of procurement governance. To facilitate this the Group has invested in a suitable e-sourcing platform. The Group operates a Supplier Performance Management programme to highlight any areas of concern with key suppliers and to allow the supplier the opportunity to improve their scoring. The Group's policies and procedures are underpinned by a robust audit programme, which considers the risk and scale of each supplier. Visits to suppliers' production facilities are also carried out periodically to provide further reassurance.

We are committed to ensuring that there is no slavery or human trafficking within our supply chains and we expect our suppliers to adhere to the Modern Slavery Act 2015 ('MSA'). We have undertaken steps, as far as is reasonable and practicable, to ensure the requirements of the MSA are implemented within our supply chain. Our MSA statement can be found on our website at www.st-ives.co.uk.

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

How we are performing

The average creditor days outstanding at 28 July 2017 for the Group was 79 days (2016 – 86 days). The Company Secretary maintains a Bribery Risk Register which is refreshed annually and then reviewed by the Board together with a report from the Head of Internal Audit and the Company Secretary on how the Group's Anti-corruption and Bribery Policy has been applied during the year. The Internal Audit function will follow up on any high-risk areas identified from this exercise.

Our people

All our employees are central to the Group's success. As at 28 July 2017, we employed 3,220 people including 2,936 full-time and 284 part-time employees. The Group is an equal opportunities employer and no job applicant or employee receives less favourable treatment on the grounds of age, disability, sex, sexual orientation, marital or civil partner status, race, colour, nationality, religion or belief. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with necessary rehabilitation and retraining. Wherever practicable, the Group will modify procedures or equipment so that full use can be made of an individual's ability. The Group promotes staff wellbeing. Initiatives across the Group range from mental health training, as discussed on page 28, to in-house yoga classes.

What we are doing

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

By gender, the Group's employees are made up of 2,184 males and 1,036 females (68% and 32% of employees respectively) (2016 – 2,217 and 1,029, 68% and 32%); and its senior management is made up of 66 males and 32 females (67% and 33% of senior management respectively) (2016 – 60 and 31, 66% and 34%). The Board is currently made up of six males (86%) and one female (14%).

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

How we are performing

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

Charitable donations

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

What we are doing

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

How we are performing

During the year the Group made donations of varying sums to a wide spectrum of charities including: Dementia UK, Mind (a mental health charity); Prostate Cancer UK; the UNCF (an American organisation that funds and promotes minority education); Crisis UK (the UK's national charity for homeless people); the Back Up Trust (which supports people with spinal cord injury); the Children's Sleep Charity and the Lurie Children's Hospital in Chicago.

Shareholder relations

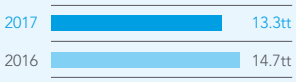
The Board attaches considerable importance to maintaining good relationships with shareholders. Effective two-way communication with institutional shareholders and analysts is established through regular presentations involving the Chief Executive and the Chief Financial Officer.

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 opportunity to meet Non-Executive Directors.

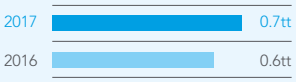
Total Group carbon emissions (thousand tonnes)

13.3tt



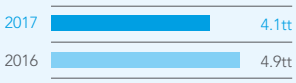
Strategic Marketing carbon emissions (thousand tonnes)

0.7tt



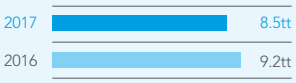
Marketing Activation carbon emissions (thousand tonnes)

4.1tt



Books carbon emissions (thousand tonnes)

8.5tt



Scope 1 – emissions from activities owned or controlled by the Group: 2.8 thousand tonnes (2016 – 3.1).

Scope 2 – emissions associated with our consumption of purchased electricity, heat, steam and cooling: 10.5 thousand tonnes (2016 – 11.6).

CO_2e intensity measure – grams per £ of revenue:

Group: 33.9 (2016 – 40.0)

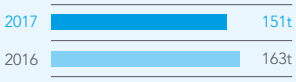
Strategic Marketing: 4.0 (2016 – 4.4)

Marketing Activation: 26.9 (2016 – 31.5)

Books: 111.5 (2016 – 133.9)

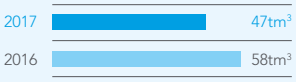
Total Group waste sent to landfill (tonnes)

151t



Total Group water consumption (thousand cubic meters)

47tm^3



How we are performing

The Company's top 20 shareholders, hold approximately 72% (2016 – 68%) of the Company's issued share capital. Those which have an obligation to notify the Company of their voting interests are shown on page 63.

The Annual General Meeting is regarded as an opportunity to communicate directly with shareholders and the chairs 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 and publishes an Environmental Statement each year on its website at: www.st-ives.co.uk.

What we are doing

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

What we report

We report our CO_2e emissions in line with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. In doing so we have adopted the following methodology:

a) An operational boundary approach has been applied on Scope 1 and Scope 2 emissions in the UK using DEFRA's Standard Set conversion factors for 2017.

b) Where actual energy consumption data cannot be obtained we have estimated emissions, pro-rata, based on the data recorded by similar sites in the Group. Using this methodology, the estimated emissions from these sites equate to 0.4% of the Group's total emissions.

c) Scope 3 emissions are not reported on as they are outside our operational control. The Board will, however, keep this under review.

How we are performing

The charts show the Group's Scope 1 and Scope 2 CO_2e emissions and our CO_2e intensity measure (which is grams of CO_2e per £ of revenue). The CO_2e emissions performance of each reporting segment – Strategic Marketing, Marketing Activation and Books – are also disclosed.

The most significant finding is the improvement in the Group's intensity ratio, which has fallen year-on-year by 15% from 40.0 CO_2e/£ revenue to 33.9 CO_2e/£ revenue. This has been driven by two simultaneous factors: the total revenues for the Group have increased by 7% from 2016 to 2017, and in the same period the total carbon emissions for the Group has fallen from 14.7 thousand tonnes of CO_2 emissions to 13.3, a reduction of 9%. The Group is producing less emissions per £ of revenue than in 2016.

The most significant driver of change in the Group's energy profile can be found in electricity, which comprises 79% of the carbon dioxide emitted by the Group. This has fallen to 10,511 tonnes of CO_2 in 2017 from 11,636 in 2016, a reduction of 10%. This single change is responsible for the vast majority of the reduction in the Group's CO_2 emissions. There has also been a reduction in vehicle emissions: the 2017 figure was 1,059 tonnes of CO_2 (a reduction of 12% from 1,208 in 2016) and in natural gas emissions, the 2017 figure was 660 tonnes of CO_2 (a reduction of 5% from 693 in 2016). These reductions in emissions are being driven by a combination of technological change in the Group's manufacturing sites (reducing emissions), and a portfolio-level diversification away from manufacturing towards consultancy (driving revenues).

At a segmental level, Books' electricity usage constitutes 60% of the Group's total electricity (when measured in energy usage), with almost all of this being driven by the site in Bungay. The Bungay site has increased electricity consumption (in kWh) by 8% year-on-year to 21,040,999 kWh in 2017. This increase is broadly in line with the revenue increase in Books during the year. The Group's electricity consumption has increased by 6% to 29,898,070 kWh in 2017. The impact of increased electricity consumption has been reduced by a significant change to the DEFRA electricity conversion factors (from kWh to CO_2).

The improvements in energy efficiency (measured in kWh/£ revenue) seen at Books demonstrate that the overall improvement to the energy intensity ratio observed in 2017 is not being driven solely by

changes in the DEFRA conversion factors, but also by the Group's operational behaviour.

The Strategic Marketing segment shows a year-on-year increase in emissions. This is due to inclusion of The App Business' data this year. All of the businesses in the Group's portfolio are included in this year's report.

Two further charts display that the Group's waste sent to landfill and water consumption continues to fall. This is attributable to a better and more accurate data capture of the waste to landfill and the fact that the Group no longer reports on the water consumption within the Strategic Marketing segment as the volumes had reached a position of immateriality.

The Group's Environmental Policy and further information about the Group's environmental performance during 2016/2017 can be viewed on its website from 31 October 2017.

Health and safety

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

What we are doing

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

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

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

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

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

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

How we are performing

The total number of RIDDOR reportable accidents at the Group's sites for the year ended 28 July 2017 was four (2016 – three). Of the four RIDDOR reportable accidents, three resulted in at least seven days' absence each, with the fourth injury being classified as a major injury with zero days lost (which was a fracture to a small bone in an employee's hand at Clays Limited). The total number of days' lost from all accidents at work was 201 days (2016 – 472). This represents a 57% improvement on last year. All accidents resulted in a review of the causes and action was taken in order to reduce the likelihood of any further accidents arising. The number of 'near miss' events recorded during the year was 1,095 (2016 – 1,410).

The Group continues to strive for improvement in its safety performance and is focussed on a safety culture shift, via the deployment of behavioural-based safety techniques, whilst maintaining compliance with all statutory requirements.

A copy of the Group's Health and Safety Policy and performance data for 2016/2017 will be made available on the Group's website from 31 October 2017.

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

Matt Armitage
Chief Executive
2 October 2017

Focus

AMAZE'S COMMITMENT TO NARROWING THE DIGITAL SKILLS GAP

St Ives' digital marketing, technology and commerce consultancy, Amaze, demonstrates an excellent example of the Group's proactive approach to its employees and to the community that surrounds it.

The business has established partnerships with local schools in order to reimagine how the industry and education work together, and to narrow the digital skills gap between them. One of these initiatives is 'girl.Code', which encourages girls at schools in Manchester and the local area to study computer science.

The initiative was implemented at two schools during the past year, which involved Amaze running four technical in-house learning experiences at each establishment, giving students an insight into opportunities offered by the sector and a career in computer science.

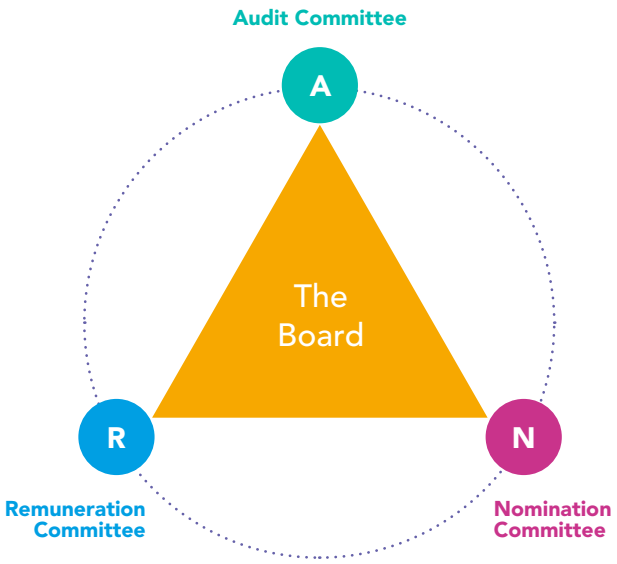
The project was a great success. In total, 50 out of 70 girls involved chose to take up computer science; three times the amount of students who were originally considering the subject. Alongside 'girl.Code', Amaze offers students at its partnering schools the chance to attend technical presentations, consider live briefs and apply for placement opportunities, in order to build greater experience of the technology sector.

Amaze partnered with The Manchester College to create 'Computer Science and Developing Digital Solutions – Certified by Amaze', a unique course that is directly relevant to the digital sector. It gives students the opportunity to enhance their technical knowledge and work on live briefs. The agency decides on the technologies for students enrolled on the course and provides a tailored masterclass every two months. The course is a recognised BTEC National Extended Diploma, and with content chosen by Amaze, students become equipped with the most up-to-date and relevant skills for a career in the industry. Helen Watson, Head of HR at Amaze, said the new programme "provides a challenging and highly rewarding course for students who have what it takes to be among the next generation of digital talent."

Amaze provides students with the opportunity to widen their range of practical design skills and increase their hands-on experience required for becoming a digital innovator within the business, via an internal training programme called 'the Academy'. It offers a fast-track and discipline-specific syllabus to equip graduates with skills they can use immediately. The syllabus includes modules on a wide range of subjects such as content management systems, e-commerce platforms and transactional systems. A number of graduates from the 2017 Academy programme have achieved permanent positions within Amaze and are greatly contributing towards the business.

I am pleased to introduce our Corporate Governance Report for the 52 weeks ended 28 July 2017.

Richard Stillwell
Chairman



Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including: the appropriateness of any judgements and estimates taken in preparing the financial statements; the internal and external audit functions; and internal financial control.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration policy and the application of the policy in relation to the Executive Directors' remuneration, whilst supporting shareholder value and the delivery of the Group's strategic priorities.

Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, including the consideration of skills, knowledge and experience of the Board members. It also manages succession planning and selects potential new Board candidates when appropriate.

2 October 2017

Dear Shareholder

The Board invests a significant amount of time on maintaining high standards of governance, in recognition of the value that sound corporate governance can add to the success and sustainability of the Group's business. I am pleased, therefore, to introduce our Corporate Governance Report for the 52 weeks ended 28 July 2017 ('the period'), which includes individual reports from the Chair of each of the Audit Committee, Nomination Committee and Remuneration Committee on pages 38 to 61.

BOARD OF DIRECTORS AND ITS MEMBERSHIP

The Board's membership throughout the period and the Directors' attendance at pre-arranged meetings of the Board is set out in the table on page 34.

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

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

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

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 ('AGM'). Although not required under the UK Corporate Governance Code (April 2016) ('the Code'), all of the Directors have voluntarily agreed to retire at the 2017 AGM and seek re-election, except for Ben Gordon who gave notice of his intention to resign as Non-Executive Director of the Company with effect from the conclusion of the forthcoming AGM.

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 performance, major customers, sales growth (including cross selling opportunities), risks, knowledge sharing, people issues and procurement initiatives.

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

The areas of focus for the Board during the period were: Health and Safety performance; trading performance; the Group's strategic options and risk; and governance and Board performance. The Board also held an annual strategic review away-day at which, inter alia, presentations were received from the senior executives of five of the Group's Strategic Marketing businesses.

BOARD PERFORMANCE

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

The Board engaged The People Stuff, a third party consultancy, to facilitate a formal evaluation of the effectiveness of the Board. As part of the process, The People Stuff attended and observed a Board meeting and conducted one-to-one interviews with the Directors and Company Secretary. Recommendations following the evaluation will be implemented during 2017/2018 and included:

- improving the review around strategy and risks at Board meetings to achieve greater alignment; and
- restructuring the Board meeting agenda to incorporate all important areas covered in meetings.

The Chairman has arranged one-to-one interviews with each Director to discuss the findings of the evaluation of the effectiveness of the Board.

An evaluation of the Chairman was also carried out by the Non-Executive Directors, led by the Senior Independent Director.

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

BOARD COMMITTEES

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

The Audit Committee Report on pages 38 to 40 discusses the principal activities conducted by the Committee during the period, the significant matters which were considered and how the Committee addressed these issues.

A report on the work of the Nomination Committee is set out on page 41.

A statement from the Chair of the Remuneration Committee and the Directors' Remuneration Report can be found on pages 42 to 61.

A third party consultancy, The People Stuff, as referred to on page 33, also carried out evaluations of the effectiveness of the Board's Committees during the period and the outcome in each case was that they continued to run well and were effectively chaired and supported. This supplemented internal questionnaires sent to the Committees' members during the period to assess Committee effectiveness.

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

BOARD AND COMMITTEE ATTENDANCE

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

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

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Matt Armitage	9/9	–	1/2	–
Mike Butterworth (Senior Independent Director and Chair, Audit Committee)	9/9	3/3	2/2	5/5
Ben Gordon	9/9	3/3	2/2	5/5
Brad Gray	9/9	–	2/2	–
Helen Stevenson (Chair, Remuneration Committee)	9/9	3/3	2/2	5/5
Richard Stillwell (Chair, Nomination Committee)	9/9	–	2/2	–
Nigel Pocklington	9/9	2/3	1/2	4/5

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

As part of the annual budget process, each subsidiary is required to submit an analysis of strengths, weaknesses, opportunities and threats to the Board. Once consolidated by the Group's finance function, the Board's Executive Directors review this detail with senior managers of the subsidiaries, and if necessary, findings from this analysis will be elevated to Board level discussion for further consideration. The Company puts in place a series of forecasting mechanisms in order to receive information from the businesses across the Group and to forecast as efficiently and effectively as possible.

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

The Group recognises that taking and managing risks is inherent in any business and in delivering its strategy. On pages 24 to 27 we set out the principal risks and uncertainties that have been identified from the reporting and risk management framework; their possible impact on the business; and what mitigating actions the Board has approved.

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

The process by which the Board exercises control is by holding (a) nine scheduled Board meetings per annum; (b) an annual Board strategy away day; (c) regular meetings of senior management within each of the Strategic Marketing, Marketing Activation and Books segments which are chaired by an Executive Director; and (d) 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 professional services firms. The work planned for the Internal Audit team to undertake is linked closely to the risk management framework, with the internal audit plan designed to give assurance around key risk areas.

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

During the period the Internal Audit function performed work on the Group's internal controls; reviewing the control environment and conducting testing of key controls. Controls testing of procurement, accounts payable, payroll, accounts receivable and credit control cycles took place at selected sites, including work at the Group's Shared Services Centre which provides centralised accounts payable, credit control and general ledger services to a number of the Group's companies. High risk issues identified within audit reports, together with corrective actions were considered in detail at the meetings of the Audit Committee.

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

COMPLIANCE STATEMENT

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

In the opinion of the Board, the Company has, throughout the period ended 28 July 2017, been in compliance with the Code.

This Corporate Governance Report, together with the reports on pages 38 to 61, describes how the Board has applied the key areas contained in the Code and, where appropriate, where it has adopted elements of corporate governance good practice.

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

Richard Stillwell
Chairman

Matt Armitage
Chief Executive

Appointed: 1 August 2014 | Committee: ●

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

Mike Butterworth
Senior Independent Non-Executive Director

Appointed: 1 August 2010 | Committee: ●●●

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

Other roles: Mike currently holds Non-Executive Directorships, and is Chairman of the Audit Committee, at Cambian Group plc, Johnston Press plc and Stock Spirits Group plc.

Ben Gordon
Independent Non-Executive Director

Appointed: 15 July 2013 | Committee: ●●●

Experience: Ben spent nine years as Chief Executive of Mothercare plc until 2011 and the previous three years as Senior Vice President and Managing Director of Disney Store, Europe and Asia Pacific. Ben had previously held senior positions within WHSmith Group in the UK and USA and with L'Oreal S.A. in France and the UK. Following his resignation, Ben will be stepping down from the Board at the conclusion of the 2017 AGM.

Other roles: Ben is a Non-Executive Director of Britvic plc and a Trustee of the Canal and River Trust.

KEY TO COMMITTEES

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

Brad Gray
Chief Financial Officer

Appointed: 1 August 2014 | Committee: ●

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

Nigel Pocklington
Independent Non-Executive Director

Appointed: 1 June 2016 | Committee: ●●●

Experience: Nigel held a variety of senior management positions within Expedia Inc., including President of eBookers and Chief Marketing Officer of Hotels.com, from 2007 to 2016. He spent a decade of his early career at Pearson plc, including a period leading the digital operations of the Financial Times.

Other roles: Nigel is Managing Director of Travelsupermarket and a member of the management team of Moneysupermarket plc.

Helen Stevenson
Independent Non-Executive Director

Appointed: 1 May 2012 | Committee: ●●●

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

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

Richard Stillwell
Chairman

Appointed: 26 April 2011 | Committee: ●

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

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

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.

2 October 2017

Dear Shareholder

I am pleased to present a report on the role of the Audit Committee and its activities during the period ended 28 July 2017.

CURRENT MEMBERSHIP

I chair the Committee and bring recent and relevant financial experience to it, having served as Chief Financial Officer of a FTSE250 company for eight years until December 2012. Throughout the period under review and the current financial year to date, the other members of the Committee were Ben Gordon, Helen Stevenson and Nigel Pocklington. The Audit Committee as a whole has competence relevant to the sector in which the Company operates.

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

ROLE OF THE COMMITTEE

The Committee carries out the functions required by DTR 7.1.3R of the UKLA Disclosure and Transparency Rules. The principal responsibilities of the Committee are set out in the Committee's terms of reference, which are available from the Group's website (www.st-ives.co.uk).

MAIN ACTIVITIES OF THE COMMITTEE IN 2016/2017

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

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

The Committee was satisfied with the effectiveness of the internal controls within the Group during the period with the exception of certain accounting controls in its Books business, Clays Limited ('Clays'), which related to the quality and review of reconciliations covering inventory and certain accruals. This issue was isolated to Clays and did not impact other businesses in the Group as our subsidiaries operate on a largely autonomous basis. Remedies have been introduced to improve the controls environment at Clays. These include further reviews of detailed reconciliations, resource changes and greater segregation of duties due to more processes being performed by the Group's Shared Services Centre.

ANNUAL REPORT AND ACCOUNTS 2017

During the period, the Financial Reporting Council ('the FRC') reviewed the Company's Annual Report and Accounts 2016. No significant matters were noted, but a number of minor points were raised around the requirement for additional disclosure of certain items in the financial statements, which have been incorporated in this Annual Report. The Committee also undertook a review and assessment of the Annual Report and Accounts 2017 (the 'Annual Report') in order to determine whether, in its opinion, the Annual Report for the period, taken as a whole is fair, balanced and understandable and provides shareholders with the information they need to assess the Group's position, performance, business model and strategy. To provide additional support to the Board in making this assessment, the Committee approved and monitored a detailed review and verification process of the Annual Report undertaken by management and provided confirmation to the Board that this process was both followed and effective. In this respect, the Committee:

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

SIGNIFICANT FINANCIAL MATTERS

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

Significant matters considered	How the Committee addressed these issues
The assessment of the carrying value of goodwill (£108.7 million), property, plant and equipment (£26.2 million) and intangible assets (£42.8 million)	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, terminal growth rates and the future cash flow forecast 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. The Committee considered reports on the carrying value of acquired intangible assets where there were indicators of impairment such as loss of clients, maintenance of proprietary techniques and trademarks. The Committee also reviewed disclosures where a reasonably possible change indicated a material impairment. During the period, the Committee reviewed the impairment assessment of goodwill for Tactical Solutions UK Ltd and SP Group Ltd that was carried out by management, and concluded that an impairment charge of £3.5 million and £21.1 million respectively was required. An impairment charge of £2.8 million was recorded against the property, plant and equipment of SP Group Ltd due to a continued decline in operating profits, as a result of lower promotional activity levels within the grocery retail sector. Following the loss of the HarperCollins contract, an impairment charge of £2.9 million was made against the plant, equipment and inventories in the Books segment. An impairment charge of £0.3 million was made against intangible assets of the Data businesses for obsolete software. Subsequent to the period end, the Group was informed by Sainsbury's that it would not renew its contract for the provision of marketing materials. As a result an impairment charge of £2.5 million has been recorded against the goodwill of Service Graphics in the 2016/2017 financial period. The above charges have been recorded as Adjusting Items in the Consolidated Income Statement (note 7).
The classification of Adjusting Items (£68.2 million)	The Board uses Adjusted results as the measure of the on-going financial performance of the Group's businesses and excludes such items that are considered to distort the comparison of the trading performance of the Group and across its businesses. The Audit Committee assessed the classification of these Adjusting Items according to their nature and value, in line with ESMA Guidance ('APMs'). The Committee reviewed reports outlining the accounting policy on the classification of Adjusting Items and satisfied itself with the treatment applied. The accounting policy on Adjusting Items can be found in note 7 to the consolidated financial statements.
The valuation of the St Ives Defined Benefits Pension Scheme (£16.0 million)	The valuation of the St Ives Defined Benefits Pension Scheme (the 'Scheme') is judgemental mainly due to underlying assumptions used to determine the Scheme's liability. This includes assumptions such as the discount rate, inflation and life expectancy of the Scheme members at the balance sheet date. The Committee reviewed reports from management outlining the assumptions used, and agreed with those assumptions as outlined in note 27. The assumptions presented to the Audit Committee by management are underpinned by actuarial advice. The Audit Committee considered the suitability of the actuary.
The key judgements relating to the assumptions used in accounting for deferred/contingent consideration relating to prior year acquisitions (£22.9 million)	Estimated deferred/contingent consideration is dependent upon the level of EBITDA achieved by the respective businesses. The judgements largely relate to the assumptions used to derive the future EBITDA of the businesses, which is based on the forecasts approved by the Board. The Committee reviewed and assessed future forecasts and the value of deferred/contingent consideration as disclosed in note 11.

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 pages 62 to 63.

VIABILITY

An overview of the viability process undertaken was provided to the Audit Committee and reviewed for completeness. The viability evaluation was then provided to the Board to assist in its assessment of the Company's longer-term viability in order to make the statement found on page 63.

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. As such, a new Lead Audit Partner for the external audit was appointed in 2016/2017.

A full tender process was last conducted by the Company in 2009 which resulted in Deloitte LLP ('Deloitte') being re-appointed. In line with the new EU rules on external audit, another tender will take place by 2019 and the external auditor will be rotated by the end of the 2019/2020 financial year. The Board continues to monitor any legal or regulatory changes proposed or made in the UK which affect small cap companies.

The Committee's policy for determining the level of fees for non-audit services that the external auditor can provide, which was updated during the period to reflect the new FRC EU PIE rules, is as follows:

a) certain types of engagement shall not be undertaken by the external auditor, including services related to the internal audit function and tax;
b) relevant ethical guidance shall be taken into account regarding any proposal to request the Group's external auditors to perform non-audit services;
c) cumulative non-audit fees from 2019/2020 onwards are capped at 70% of the average of the audit fees for the Group for the preceding three year period;
d) subject to (e) below, the Board shall appoint whoever, in its opinion, will provide the most cost effective and timely service for undertaking a particular project; and
e) the Chief Financial Officer is to consult with the Chairman of the Audit Committee in advance of any non-audit work in excess of £25,000 per project that the external auditor may be invited to perform for the Group, so that an agreed view might be taken on whether to put the project out to tender.

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 £140,000 for the period (for services relating to corporate restructuring) and were not considered by the Committee to compromise the objectivity and independence of Deloitte. The Committee agreed to select Deloitte to provide these services due to their inherent knowledge of the Group.

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

A review of the effectiveness of the external audit for the 2015/2016 year end was performed during the period which involved the completion of two questionnaires containing assertions of 'best practice' – one by each member of the Audit Committee containing ten assertions – and another completed by the management of each subsidiary containing 15 assertions. The areas covered included: the audit team expertise and experience; the audit planning process; audit execution; communication; adding value; responsiveness; reporting; timeliness; and focus. Participants were requested to score each assertion between one and four to indicate their level of agreement or disagreement. The results were then reviewed by the Audit Committee and Chief Financial Officer and discussed with the external auditors. The completed questionnaires showed in aggregate that the external audit had achieved a clear majority of the assertions in each area of focus. Areas of improvement that had been noted were addressed at the Audit Committee meeting during the period and continue to be implemented throughout the current external audit.

In the absence of any adverse findings as to the objectivity and independence and effectiveness of Deloitte, the Committee has recommended to the Board that Deloitte be re-appointed for 2017/2018.

Mike Butterworth
Chair of the Audit Committee

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

2 October 2017

Dear Shareholder

On behalf of the Nomination Committee, I am pleased to report to you on the work it undertook during the period ended 28 July 2017.

CURRENT MEMBERSHIP

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

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

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

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

Our disclosure on diversity generally can be found on page 29 within the Strategic Report.

ROLE OF THE COMMITTEE

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

MAIN ACTIVITIES OF THE COMMITTEE IN 2016/2017

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

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

The makeup of the business will continue to develop through organic growth, investment in the acquired businesses and, in the longer term, future acquisitions.

During the period, the Board considered its ongoing succession planning and continues to assess the suitability of the makeup of the Board, in light of the Group's overall strategy.

The Committee discharged its other principal duties by:

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

Richard Stillwell
Chair of the Nomination Committee

I am pleased to present our Directors' Remuneration Report for the year ended 28 July 2017.

Helen Stevenson
Chair of the Remuneration Committee

At a glance:

SUMMARY FOR EXECUTIVE DIRECTORS

PERFORMANCE AND REMUNERATION FOR 2016/2017
- 2016/2017 annual bonus pay-out of 0%
- 2014 LTIP award vesting 0%

IMPLEMENTATION FOR 2017/2018
- 0% salary increase
- bonus of up to 100% salary, based 75% on Adjusted PBT and 25% on strategic/personal objectives
- LTIP vesting 70% on Absolute TSR and 30% on growth in underlying Adjusted operating profit of Strategic Marketing
- LTIP grants at 90% of salary
- LTIP vesting underpinned by Committee discretion
- LTIP holding period of two years post vesting

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. The Committee is mindful of the intense scrutiny around executive remuneration and seeks to adopt best practice where appropriate taking into account its position in the small cap sector.

2 October 2017

Dear Shareholder

On behalf of the Remuneration Committee ('the Committee'), I am pleased to present the Directors' Remuneration Report for the year ended 28 July 2017 covering the remuneration of Executive and Non-Executive Directors.

This report is split into three parts: this Annual Statement, a Policy Report and an Annual Report on Remuneration. As this is the third year of operating our existing remuneration policy, we shall be asking our shareholders to approve a revised policy at the forthcoming Annual General Meeting ('AGM'), in addition to the usual advisory vote on the Annual Report on Remuneration. The background to, and the reasons for, the proposed amendments are set out opposite.

REVIEW OF REMUNERATION POLICY

Our current remuneration policy was approved by shareholders at the 2014 AGM, receiving 99.5% support. In line with the relevant reporting requirements, and as foreshadowed in last year's report, the three-year term of the policy will shortly expire and therefore the Committee has taken the opportunity to review our remuneration arrangements to ensure they remain fit for purpose.

The Committee concluded that the current remuneration structure continues to be largely appropriate, but is proposing a number of changes to performance measurement for future short-term and long-term incentives to aid simplicity, enhance motivational effectiveness and better support our strategy. In finalising these proposals, the Committee consulted with, and has taken on board feedback from, institutional shareholders holding over 50% of the Company's issued share capital and also shared its proposal with two investor representative bodies, the Investment Association and the ISS.

SUMMARY OF PROPOSED CHANGES FOR 2017/2018

Annual bonus

No changes are proposed to the existing policy and 2017/2018 bonuses will continue to be based 75% on financial performance and 25% on strategic/personal objectives. It is intended that the financial element for 2017/2018 bonuses will be based on Adjusted PBT (in place of Adjusted EPS) to ensure we are able to set robust profit targets which are transparent and motivational during a period when the number of shares outstanding could vary due to the potential issuance of shares to fund acquisition related earn-out payments. There is no intention to change the degree of stretch in the targets by using PBT instead of EPS. Additionally, the Committee would note that this is intended as a temporary change and expects to revert to EPS over the longer-term. Strategic/personal objectives are aligned with priorities already communicated to shareholders including the strengthening of the balance sheet and profitable growth from our Strategic Marketing segment. As always, we will review again the performance measures in advance of the next financial year to ensure these remain relevant to the business. Any bonus earned over 50% of salary will continue to be deferred in Company shares for two years and be subject to malus provisions.

LTIP

The Committee proposes to:

- Introduce a two year holding period following LTIP vesting, in line with emerging best practice in remuneration policies, for 2017/2018 grants onwards to Executive Directors. In total, this results in a five year combined vesting and holding period.
- Add flexibility to vary the performance measures for future cycles. The majority of the LTIP will continue to be linked to financial and/or TSR performance.

LTIP grants in recent years vest after three years based 50% on three-year relative TSR, 25% on Adjusted EPS and 25% on the percentage of Group Adjusted operating profit arising from the Strategic Marketing businesses. For 2017/2018 awards, having taken on board feedback from shareholders during our recent consultation, the Committee intends to link vesting 70% to Absolute TSR and 30% to growth in Adjusted operating profit from Strategic Marketing, with overall vesting underpinned by Committee discretion. This change in measures is intended to simplify the plan and support the Group's strategy, whilst recognising the preference expressed by a majority of shareholders to use at least two performance measures. While the Committee considered Relative TSR, it felt that, on balance, Absolute TSR would be more motivational, simpler and provides direct shareholder alignment given the lower share price. LTIP vesting is underpinned by Committee discretion such that for any shares to vest, the Committee must be satisfied with the underlying performance of the business. In making this assessment the Committee will take into account factors such as the strength of the balance sheet, quality of earnings, etc.

LTIP awards are subject to a malus provision and clawback for a period of two years after vesting.

Other elements

Our policy in relation to other areas of remuneration will remain unchanged, and will operate consistently with previous years.

PERFORMANCE AND REWARD FOR 2016/2017

The Group's overall results for the year were impacted by challenges faced in our legacy businesses; however, further progress was made in the strategy to grow our Strategic Marketing segment with organic growth having been achieved. There exists further opportunity for our businesses to work closer together through collaboration following the senior management changes made within Digital and Data.

Targets for Executive Directors' 2016/2017 bonuses were based 75% on Adjusted EPS and 25% on strategic/personal objectives. Neither the EPS condition nor the stretching strategic/personal objectives were achieved which warranted no bonus for either Executive Director. A summary of actual performance against the targets set is included on page 55.

The Annual Report on Remuneration also gives details of LTIP awards granted in November 2014. The Company's 2016/2017 Adjusted basic EPS performance, which acts both as a primary performance condition and as an underpin to the Relative Total Shareholder Return element, did not meet the relevant targets and the awards will therefore lapse. Further details are provided on page 55.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2017/2018

Executive Director salaries remain the same for 2017/2018.

The annual bonus will operate on a similar basis as in 2016/2017. Maximum bonus opportunities remain at 100% of salary, with any amount earned over 50% of salary continuing to be deferred in shares for two years and subject to malus provisions. As outlined above, 75% of the bonus will be based on Adjusted PBT, with the remaining 25% based on the achievement of key strategic/personal objectives.

As with the 2015/2016 financial year, LTIP grant sizes will be reduced from 100% of salary to 90% in light of the lower share price. Vesting will be subject to stretching targets, underpinned by Committee discretion.

Further details of the implementation of our Remuneration Policy for 2017/2018 are provided on page 58.

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

Helen Stevenson
Chair of the Remuneration Committee

This Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Report is also in accordance with the requirements of the Listing Rules and the relevant recommendations contained within the UK Corporate Governance Code (April 2016) ('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 45 and 61, which are subject to audit, have been highlighted.

POLICY REPORT

Directors' Remuneration Policy

This section of the report sets out the Remuneration Policy for Executive and Non-Executive Directors, which shareholders will be asked to approve at the Annual General Meeting ('AGM') on 30 November 2017. The Committee intends that the policy will come into effect from the date of the AGM and is intended to apply for a period of three years.

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 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 polices 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.

The table below sets out 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 2017/2018 financial year is set out in the Annual Report on Remuneration on page 58.

Revised Executive Director Remuneration Policy Table

As described earlier in this report, the Committee undertook a review of the Company's remuneration policy in 2017 and is proposing some minor changes to the Policy to introduce a two year holding period on vested LTIP shares and add flexibility to vary the performance measures for future LTIP cycles. These changes have been introduced to reflect the changing nature of the Group in line with its strategic objectives, with the proviso that the majority of any LTIP award will continue to be linked to financial and/or TSR performance. The Policy for other elements of remuneration remains unchanged.

Basic salary	
Purpose and link to strategy	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.
Operation	Normally reviewed annually with increases effective from 1 August; salaries are paid monthly. In setting salaries, the Committee takes into account the following: • capability of the individual; • any changes in responsibility; • increases awarded across the workforce; • external economic factors such as inflation; and • benchmarking for similar roles in comparable organisations.
Maximum potential value	Executive Directors' salaries effective 1 August 2017 are unchanged, as follows: Chief Executive: £400,000 p.a.; and Chief Financial Officer: £230,000 p.a. No monetary maximum has been set, although increases are generally in line with the range (in percentage of salary terms) awarded across the Group. 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.
Performance metrics	Not applicable.

Benefits	
Purpose and link to strategy	To provide market competitive, yet cost effective, benefits to attract and retain high calibre executives.
Operation	Benefits generally include provision of a car, or cash in lieu of car and fuel allowance, and private medical and life assurance cover. 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. Overseas recruitment or an international assignment may require the benefits package to be more tailored and may include, for example, relocation costs, tax equalisation arrangements, etc., as necessary.
Maximum potential value	The maximum annual car and fuel allowance is £15,520. 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. The values for the year under review, expressed as a cost to the Company of providing the benefits, are described in the Directors' single figure table on page 54.
Performance metrics	Not applicable.

Pension	
Purpose and link to strategy	To provide market competitive, yet cost-effective benefits.
Operation	Only basic salary is pensionable. A Company contribution to a defined contribution pension scheme, a personal pension or provision of a cash payment in lieu of a pension contribution (or combination of such) may be provided at the discretion of the Committee.
Maximum potential value	Up to 15% of salary.
Performance metrics	Not applicable.

Annual bonus	
Purpose and link to strategy	Incentivises achievement of annual objectives which support the short-term performance goals of the Company.
Operation	At the start of each year the Committee determines the choice of annual bonus measures and targets to ensure they reflect the KPIs of the business at that time. Payments under the annual bonus plan are subject to: • 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 malus provisions in the event of a material misstatement of the Company's financial position. Deferred shares will generally be forfeited if a Director leaves the Group (unless in certain good leaver situations or if the Committee determines otherwise). Dividends and/or dividend equivalents are payable on the deferred bonus shares during the two year holding period.
Maximum potential value	100% of basic salary.
Performance metrics	Performance is measured over one financial year. Bonus awards are subject to achievement against a sliding scale of challenging financial targets and may also be subject to challenging strategic/personal objectives. The majority of any bonus will be earned for achieving challenging financial targets aligned with the Company's key performance indicators (e.g. Adjusted PBT or EPS). A minority may be subject to achieving pre-set strategic/personal objectives which reflect the key priorities of the role at the time. Bonuses become payable once a threshold level of performance is achieved against the target(s) which triggers a bonus payment of up to 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 strategic/personal targets are set it may not always be practicable to set these using a sliding scale. Page 58 of the Annual Report on Remuneration provides details of the performance measures and weightings to apply for the year ended 3 August 2018.

Long-term incentives	
Purpose and link to strategy	Incentivises executives to achieve superior financial growth and returns to shareholders over the longer-term. Provides alignment with shareholders through awards of shares. Promotes retention of key individuals.
Operation	The Long-Term Incentive Plan ('LTIP') was approved by shareholders in 2010. Awards can be in the form of an option, a conditional award or a forfeitable award. Eligibility to receive awards is at the discretion of the Committee each year. 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. 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. A two year holding period following LTIP vesting applies to grants from 2017/2018 onwards to Executive Directors. In total, this results in a five year combined vesting and holding period. The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures. 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. All Awards granted after November 2013 are subject to a malus provision and clawback for two years after vesting, in the event of a material misstatement of the Company's financial position.
Maximum potential value	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. The Company operates within a 10% in ten years ABI (new share issue) dilution limit.
Performance metrics	Performance is measured over a three-year period. Performance measures, weightings and targets are determined by the Committee in advance of grant to support Company strategy and provide shareholder alignment. The majority of LTIP awards will continue to be linked to financial and/or TSR performance. Under each measure, threshold performance will result in 25% of maximum vesting for that element (0% vests below this), increasing pro-rata to 100% for maximum performance. 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. LTIP vesting is underpinned by Committee discretion such that for any shares to vest, the Committee must be satisfied with the underlying performance of the business. In making this assessment the Committee will take into account factors such as the strength of the balance sheet, quality of earnings, etc. Page 59 of the Annual Report on Remuneration provides details of the performance measures, targets and weightings to apply for the year ended 3 August 2018.

All-employee share schemes	
Purpose and link to strategy	Encourages long-term shareholding in the Company.
Operation	Invitations made by the Committee under the HMRC Approved Sharesave Scheme. Executive Directors may participate in a monthly savings contract on the same terms as other employees of the Group.
Maximum potential value	As per HMRC limits (e.g. current maximum monthly savings towards share purchases is limited to £500 per calendar month).
Performance metrics	Not applicable.

Share ownership guidelines	
Purpose and link to strategy	To provide alignment between executives and shareholders.
Operation	The Committee operates shareholding guidelines of 200% of salary for the Chief Executive and 150% of salary for other Executive Directors. 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. The Committee may take account of progress towards this target when determining LTIP awards.
Maximum potential value	Not applicable.
Performance metrics	Not applicable.

Notes to the Policy Table

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 an annual bonus vary, based on individual role and local practice;
   - participation in the LTIP is limited to the Executive Directors and certain selected senior managers; and
   - benefits offered to other employees vary by subsidiary to take account of relevant market conditions and local practice.

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. Performance metrics applicable to the LTIP are selected to support Company strategy and provide shareholder alignment. Awards to be made in 2017/2018 will vest based on stretching targets relating to Absolute TSR and growth in Adjusted operating profit from Strategic Marketing, which will simplify the plan, support portfolio reshaping and provide direct shareholder alignment. Targets applying to the annual bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

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.

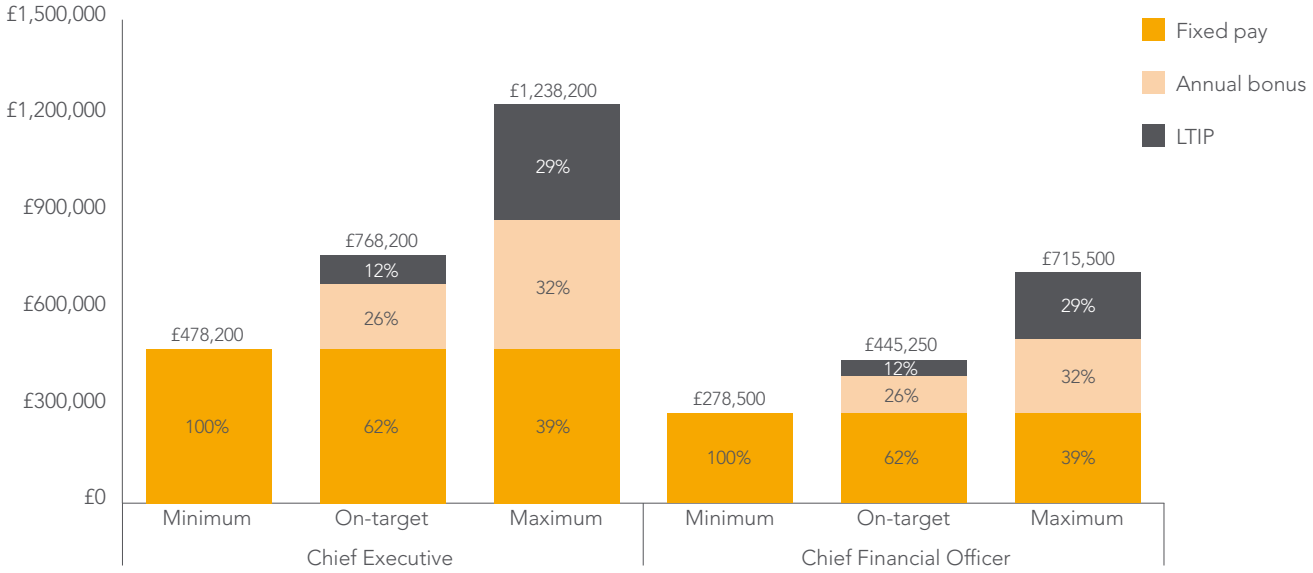
4. For the avoidance of doubt, in approving this Directors' remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting/exercise of past share awards) that have been disclosed to and approved 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 the table above and the respective plan rules;
   - the determination of whether the performance conditions have been met and the resulting vesting/pay out;
   - dealing with a change of control (for example, the timing of testing performance targets) or restructuring of the Group;
   - determining a good or bad leaver for incentive plan purposes, based on the rules of each plan and the appropriate treatment chosen;
   - adjustments required in certain capital events such as rights issues, corporate restructuring, events and special dividends; and
   - the annual review of performance conditions for the annual bonus plan and LTIP.

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

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 2017/2018 basic salary and expected pension contributions, and a value for benefits (using the value for the year ended 28 July 2017 value as a proxy). Incentive opportunities reflect implementation for 2017/2018. The assumptions used in the above at the 'on-target' performance level are: (i) half of maximum bonus is earned; and (ii) 25% of the LTIP award vests which is the level of vesting if each target achieves its minimum threshold. The maximum performance level assumes the full bonus is earned and the LTIP award vests in full. 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 for example, local market norms, local legislation, etc.

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 total maximum variable remuneration that may be awarded in respect of recruitment is 300% of salary (excluding buy-out awards referred to below).

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 potential impact of performance conditions, these factors are 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 held at the registered office and are available for inspection in accordance with Provision B.3.2 of the Code.

	Date of contract	Notice period
Executive		
Matt Armitage	10 July 2014	12 months
Brad Gray	10 July 2014	12 months

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:	Up to 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, a 'good leaver' status may be applied. Under the LTIP, for good leavers, future awards will normally be tested for performance over the full performance period and be reduced pro-rata to reflect the proportion of the performance period actually served, rounded-up to the next complete financial year, with Remuneration Committee discretion to determine that awards vest at an earlier date and/or to disapply time pro-rating. Vested LTIP awards which are subject to an additional holding period will typically be retained and released at the end of the holding period, with Committee discretion to treat otherwise. 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 not accept an appointment outside the Company without prior 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. No Executive Director currently holds an external non-executive appointment.

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

Purpose and link to strategy	To attract and retain high calibre individuals without prejudice to the application of independent views.
Operation	Non-Executive Directors' remuneration is decided by the Executive Directors and the Chairman; the Chairman's fee is set separately by the Committee. 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. Non-Executive Directors may not participate in the Group's cash or share-based incentive arrangements. Non-Executive Directors also receive reimbursement of travel and office related expenses.
Maximum potential value	For 2017/2018, the fees comprise a base fee of £42,500 p.a. plus additional fees of £5,000 p.a. for the Senior Independent Director position and £7,500 p.a. for chairing the Remuneration and Audit Committees. The Chairman's fee is set at £130,000 p.a. 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. The maximum aggregate fees are set in accordance with the Company's articles of association.
Performance metrics	Not applicable.

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 kept at the registered office and are available for inspection in accordance with Provision B.3.2 of the Code. The letters of appointment are summarised as follows:

	Date of letter of appointment	Notice period
Non-Executive		
Mike Butterworth	14 July 2010	3 months
Ben Gordon	4 July 2013	3 months
Nigel Pocklington	25 May 2016	3 months
Helen Stevenson	3 April 2012	3 months
Richard Stillwell	26 April 2011	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 AGM 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 Committee seeks to proactively engage directly with major shareholders and their representative bodies and takes seriously their views. In the event that the Committee wishes to make material changes to the remuneration policy, appropriate dialogue will take place with the Company's major shareholders in advance.

This year the Committee undertook a full review of the remuneration policy ahead of its expiration at the 2017 AGM. Having developed a number of proposed changes, shareholders representing over 50% of St Ives' issued share capital, along with key institutional investors, were invited to provide and discuss feedback on the proposals. The comments received during this stage of the consultation helped the Committee to make changes – including complementing Absolute TSR with an additional measure in the LTIP, which it was agreed would be in the best interests of the Company and help to further focus executives on delivering St Ives' strategy over the next few years. A two year holding period following LTIP vesting has also been introduced, in line with emerging best practice in remuneration policies, for 2017/2018 grants onwards to Executive Directors. In total, this results in a five year combined vesting and holding period.

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 54.

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

The following section provides details of how St Ives' remuneration policy was implemented during 2016/2017.

Membership of the Committee
Mike Butterworth, Ben Gordon, Nigel Pocklington and Helen Stevenson, all independent Non-Executive Directors, served on the Committee throughout the year. Helen Stevenson chaired the Committee throughout the year. The number of meetings held, attendances and a description of the principal matters considered by the Committee in carrying out its duties during the year are described on pages 34 and 53.

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

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

The Committee is mindful of the intense scrutiny around executive remuneration and seeks to keep abreast of and adopt best practice where appropriate taking into account its position in the small cap sector.

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

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

Committee's advisers
During the year, the Committee retained Kepler Associates, a brand of Mercer which is part of the MMC group of companies ('Kepler'), as independent advisers to the Committee. Kepler were selected following a formal tender process conducted in 2015. Kepler is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consulting Group's website at www.remunerationconsultantsgroup.com.

During the year, one of MMC's other companies, Marsh, acted as St Ives' commercial insurance brokers. The fees paid to Kepler in relation to advice provided to the Committee for 2016/2017 were £49,675, on a time and materials basis.

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

Summary of activities
During the year the Committee approved:

- outcomes of bonuses for the Executive Directors in respect of 2015/2016;
- the Directors' Remuneration Report for 2015/2016;
- the Executive Directors' salaries and pension provision for 2017/2018;
- the Chairman's fees for 2017/2018; and
- the grant of awards on 16 November 2016 under the Company's 2010 LTIP to certain senior managers and the performance conditions attached to their vesting.

Additionally, the Committee performed a consultation with the Company's major shareholders on minor changes to the Remuneration Policy wording and on the performance conditions applying to short-term and long-term incentives for the forthcoming year. Following this consultation, the Committee then also:

- approved the structure of the Executive Directors' bonus scheme for 2017/2018; and
- held preliminary discussions on the performance targets to apply to LTIP awards to be granted in late 2017.

Summary of shareholder voting at the AGM in December 2016
The following table shows the results of the advisory vote on the 2015/2016 Remuneration Report at the AGM in December 2016:

Resolution	Votes for (note 1)	% for (note 1)	Votes against	% against	Total votes cast	Votes withheld
Remuneration Report	92,352,330	99.92%	77,289	0.08 %	92,429,619	7,561

Note 1: Includes 'Discretionary' votes.

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

REMUNERATION PAYABLE TO DIRECTORS FOR THE YEAR ENDED 28 JULY 2017

Directors' single figure table (audited)
Set out below, in a single figure, is the total remuneration of all Directors for the financial year:

	Basic salary/fee 2017 £'000	Basic salary/fee 2016 £'000	Taxable benefits (note1) 2017 £'000	Taxable benefits (note 1) 2016 £'000	Bonus 2017 £'000	Bonus 2016 £'000	Share plans vesting (note 2) 2017 £'000	Share plans vesting (note 2) 2016 £'000	Pension benefits (note 3) 2017 £'000	Pension benefits (note 3) 2016 £'000	**Total 2017 £'000**	Total 2016 £'000
Executive												
Matt Armitage	400.0	400.0	18.2	17.8	–	–	–	–	60.0	60.0	**478.2**	477.8
Brad Gray	230.0	230.0	14.0	13.8	–	–	–	–	34.5	47.8	**278.5**	291.6
Non-Executive												
Mike Butterworth	55.0	55.0	–	–	–	–	–	–	–	–	**55.0**	55.0
Ben Gordon	42.5	42.5	–	–	–	–	–	–	–	–	**42.5**	42.5
Nigel Pocklington	42.5	7.1	–	–	–	–	–	–	–	–	**42.5**	7.1
Helen Stevenson	50.0	50.0	–	–	–	–	–	–	–	–	**50.0**	50.0
Richard Stillwell (note 4)	110.0	110.0	–	–	–	–	–	–	–	–	**110.0**	110.0

Notes:
1. Taxable benefits constitute additional payments in lieu of the provision of a company car and fuel benefit and medical expenses insurance cover.
2. Figures for 'share plans vesting' are based on the number of shares vesting for performance periods substantially completed as at year end. The 2014 LTIP award will lapse in full in November 2017. See page 55 for details.
3. Pension benefits were in part paid into a Group Personal Pension Plan and part paid as a cash supplement for Matt Armitage and Brad Gray. Brad Gray participated in the Group's Defined Benefits Pension Scheme (the 'Scheme') until it was discontinued on 1 September 2008. Brad Gray's entitlement to a deferred pension from the Scheme ceased during the year on the payment out of the scheme on 20 December 2016 to a self-managed pension arrangement. The transferred sum of £1.2 million was calculated by the Scheme's actuary after applying a reduction factor agreed by the Trustee and applying generally such calculations to take account of the underfunded position of the Scheme. £13,260 of the pensions benefits figure shown for Brad Gray in 2016 related to the capitalised increase in his defined benefit pension entitlement, calculated in accordance with the reporting requirements.
4. Richard Stillwell has elected to forego £20,000 per annum of his fee of £130,000 per annum. Richard Stillwell's fees are shown above after foregoing this proportion of his fees during 2016/2017. The Company donates this sum so withheld, together with a matching sum from the Company, to registered charities.

INCENTIVE OUTCOMES FOR THE PERIOD ENDED 28 JULY 2017 (audited)

Annual bonus

Executive Directors' bonuses for the year ended 28 July 2017 provided for a payment of up to 100% of salary based 75% on Adjusted EPS performance over the financial year and 25% on personal/strategic objectives. All bonuses in excess of 50% of basic salary are deferred into Company shares in line with the overall remuneration policy. Details of performance against the financial targets set are provided below:

Financial measure	Threshold (25% of salary)	Stretch (75% of salary)	Actual performance	% of salary earned
Adjusted EPS	16.90p	17.90p	13.39p	0%

In addition, each Executive Director could earn up to 25% of salary for the achievement of stretching strategic/personal objectives including areas such as portfolio reshaping and other business priorities. In its assessment, the Committee noted that whilst progress had been made, the stretching strategic objectives had not yet been achieved. Accordingly neither Executive Director will receive an annual bonus payment in respect of 2016/2017. The Board considers the strategic objectives to be commercially sensitive and therefore will not be disclosing these objectives prospectively. However, it is intended that these objectives will be disclosed retrospectively within two years.

2013 LTIP

As reported last year, 2015/2016 Adjusted EPS performance was below threshold against targets set for 2013 LTIP awards and accordingly this element lapsed in November 2016. Relative TSR performance would have been assessed over the three-year period to 12 November 2016; however since the EPS underpin applying to this element of the awards was also not met, the full award lapsed in November 2016. Accordingly, the value of 2013 LTIP awards vesting included in the single figure table above for 2016 is £Nil.

2014 LTIP

Vesting of the 2014 LTIP awards is dependent on two equally-weighted measures over a three-year period; Adjusted EPS and TSR relative to the FTSE All-Share Media sector (excluding FTSE100 companies). Further details, including vesting schedules and performance against each of the metrics are provided in the table below:

Measure	Weighting	Targets	Outcome	Vesting %
Adjusted EPS in 2016/2017	50%	0% vesting below 21.0p 25% vesting for 21.0p 100% vesting for 24.0p or more Straight-line vesting between these points	13.39p	0%
TSR relative to the All-Share Media sector (excl. FTSE100 companies)	50%	0% vesting below median performance 25% vesting for performance in line with median 100% vesting for upper quartile performance or greater Straight-line vesting between these points	Performance period ends in November 2017, however EPS underpin not met	0%
Total vesting				0%

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

The TSR portion of the award is measured over three years from the date of the award and so is not due to be measured until 12 November 2017. However, the EPS underpin of 20.0 pence applying to the TSR portion was not met, and accordingly the full award will lapse in November 2017.

Summary of long-term incentives vesting in November 2017 (audited)
The total number of shares which vested in relation to the performance period substantially completed as at year end, and which are reflected in the single figure table on page 54, is as follows:

	Date of grant	Total number of shares	% shares vesting for performance (note 1)	Number of awards vesting	Share price on vesting (pence)	Total value on vesting (£)	Transfer of award/earliest vesting date
Matt Armitage	12 Nov 2014	179,718	0%	0	n/a	0	12 Nov 2017
Brad Gray	12 Nov 2014	102,696	0%	0	n/a	0	12 Nov 2017

Notes:
1. EPS underpin in respect of 2014 awards was not met and accordingly all shares will lapse in November 2017.

Scheme interests awarded during the 2016/2017 financial year (audited)
In November 2016, Matt Armitage and Brad Gray were granted awards under the Company's LTIP, as follows:

	Date of grant	Shares over which awards granted	Value of shares awarded (£)*	% of salary awarded
Matt Armitage	16 Nov 2016	280,920	£360,000	90%
Brad Gray	16 Nov 2016	161,529	£207,000	90%

*Face value is based on a share price of 128.15 pence (the market value at the time of grant).

As disclosed in last year's report, to reflect the fall in the share price, following the April 2016 Trading Update, LTIP grant sizes for 2016/2017 were reduced from 100% of salary to 90% of salary. Awards granted vest on Adjusted EPS, relative TSR and Adjusted operating profit from the Strategic Marketing segment, each measured over three years and with overall vesting underpinned by Committee discretion.

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

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

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

Statement of change in remuneration of Chief Executive compared with other employees

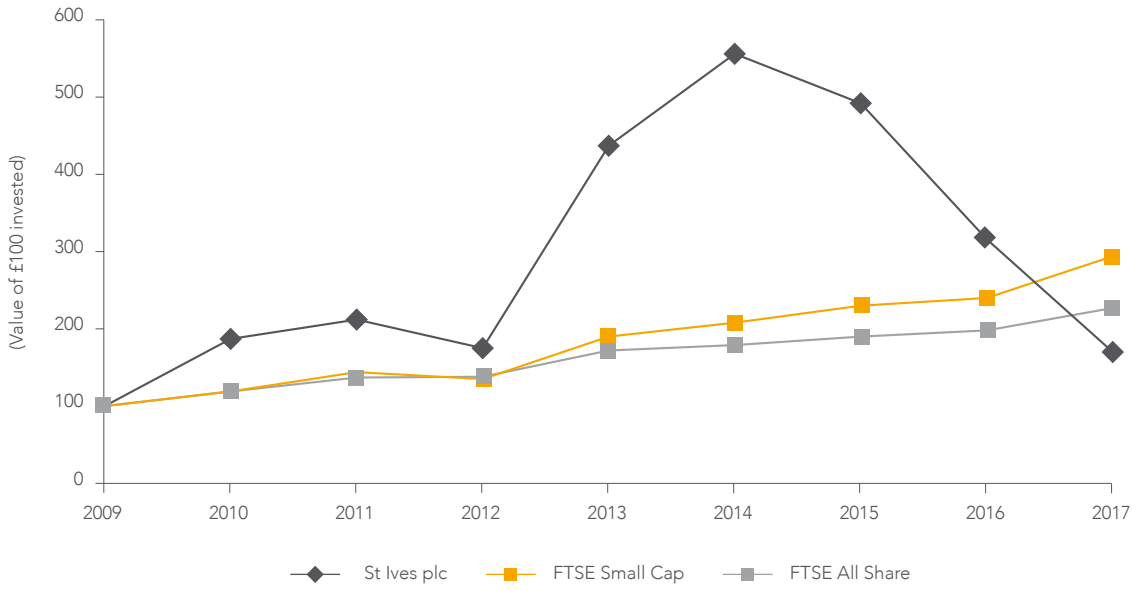
	Chief Executive 2017 £'000	Percentage change vs 2016	All employees percentage change vs 2016 (note 1)
Salary	**400**	0%	1.9%
Benefits in kind	**18.2**	1.7%	2.7%
Annual bonus	**0**	0%	100%

Notes:
1. Reflects the change in average pay for Group Head Office employees employed in both 2016 and 2017. This subset of employees is felt to be the most appropriate comparator to the Chief Executive as they have a similar remuneration structure.

Review of past performance

The chart below illustrates the Company's Total Shareholder Return for the eight years ended 28 July 2017, relative to the performance of the FTSE Small Cap Index and FTSE All Share Index. Both the FTSE Small Cap and the FTSE All Share represent a broad equity indices of which the Company is a constituent member and therefore have been selected as comparators for this reason.

Source: DataStream



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

	2010 Patrick Martell	2011 Patrick Martell	2012 Patrick Martell	2013 Patrick Martell	2014 Patrick Martell	2015 Matt Armitage	2016 Matt Armitage	**2017 Matt Armitage**
Total remuneration £'000	725.3	802.0	1,246.6	1,335.0	1,648.4	1,133.5	477.8	**478.2**
Annual bonus as a percentage of maximum	100.0	100.0	100.0	96.3	100.0	69.7	Nil	**Nil**
LTIP vesting as a percentage of maximum	Nil	Nil	100.0	93.9	98.5	100.0	Nil	**Nil**

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

	2017 £'000	2016 £'000	Percentage change
Overall expenditure on pay	**168,118**	150,717	9.8%
Dividends paid in the year	**8,705**	10,934	–20.4%
Capital expenditure	**3,465**	7,612	–54.5%

Exit payments made in the year (audited)
No exit payments were made in the year.

Payments to past Directors (audited)
No payments to past Directors were made in the year.

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2017/2018

Basic salary
Following the annual review and taking into account business circumstances, it was determined that there would be no increase in the salaries of the Chief Executive and Chief Financial Officer for 2017/2018. Salary levels will remain as follows:

		From 1 August 2017	From 1 August 2016	% increase
Matt Armitage	Chief Executive	£400,000	£400,000	0%
Brad Gray	Chief Financial Officer	£230,000	£230,000	0%

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

Annual bonus
The annual bonus for the 2017/2018 financial year will operate on broadly the same basis as in 2016/2017. Bonus opportunities for Executive Directors remain at 100% of salary, with any amount earned over 50% of salary deferred in shares for two years and subject to malus provisions in the event of material misstatement. As described earlier in the report, 75% of the bonus opportunity will be based on Adjusted PBT (previously Adjusted EPS) performance, with the remaining 25% based on the achievement of key strategic/personal objectives aligned with the business's strategy and priorities that have been communicated to shareholders.

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

Measure	Weighting
Adjusted PBT	75%
Strategic/personal objectives	25%

In the event of any material acquisition or divestment the Committee would adjust the PBT targets for the acquisition/divestment plan. The Board considers the targets for the annual bonus measures to be commercially sensitive and therefore will not be disclosing these objectives prospectively. However, it is intended that retrospective disclosure, including any such adjustment of targets, will be provided in the Directors' Remuneration Report within two years. In setting Adjusted PBT targets for the year, the Committee reviewed a range of internal and external reference points to ensure that targets are appropriately stretching yet achievable.

Long-term incentives
LTIP awards to be made to Executive Directors in late 2017 are anticipated to be 90% of salary, and may vest subject to performance over a three-year period, with vested shares subject to a two year holding period. As described in the letter from the Chair of the Remuneration Committee, the Committee is proposing to link vesting of these awards 70% to Absolute TSR targets and 30% to growth in Adjusted operating profit from Strategic Marketing, with overall vesting underpinned by Committee discretion. For any shares to vest, the Committee must be satisfied with the underlying performance of the business. In making this assessment the Committee will take into account factors such as the strength of the balance sheet, quality of earnings, etc. The Committee believes that this will help to simplify the plan and support portfolio reshaping. While the Committee considered relative TSR, it felt that, on balance, Absolute TSR would be more motivational, simpler and provides direct shareholder alignment given the reduced share price.

A summary of performance targets for the forthcoming grant, which are on the basis that the policy is voted for at the 2017 AGM, are included in the table below:

Measure	Weighting	Targets	Performance measurement period
Absolute TSR (share price plus rolled up dividends)	70%	0% vesting below 110p 25% vesting for 110p 100% vesting for 170p or more Straight-line vesting between these points	Three-month average to 31 July 2020
Growth in Adjusted operating profit from Strategic Marketing	30%	0% vesting below 6% 25% vesting for 6% 100% vesting for 14% or more Straight-line vesting between these points	Adjusted operating profit from Strategic Marketing in 2019/2020 as compared to 2016/2017
In the event of any material acquisition or divestment the Committee would adjust the operating profit targets to ensure only out-performance of the acquisition/divestment plan is rewarded. Vesting of awards is subject to overall Committee discretion.			

The Absolute TSR performance range for 2017/2018 LTIP awards of 110p to 170p corresponds to c.75% to 170% growth from the trailing three-month average share price on 28 September 2017, the date of Committee approval of the performance range.

Implementation of Non-Executive Director remuneration policy for 2017/2018
Base fee levels for the Chairman and Non-Executive Directors are currently £130,000 p.a. and £42,500 p.a. respectively, with an additional fee for the Audit and Remuneration Committee chairs of £7,500 p.a. and a fee for acting as the Senior Independent Director of £5,000 p.a. There will be no increases to these fees for 2017/2018. The Chairman continues to forego £20,000 p.a., which the Company donates, together with a matching sum from the Company, to registered charities.

Share ownership guidelines and Directors' interests in the share capital of the Company (audited)
Shareholding guidelines are in place that require Executive Directors to acquire a holding equivalent to 200% of basic salary for the Chief Executive and 150% of basic salary for the Chief Financial Officer. These levels are considered appropriate to ensure that there is robust long-term alignment achieved between Executive Directors and shareholders. 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. Directors' share dealings must be conducted in accordance with the Company's Share Dealing Policy.

Interests of Directors and their connected persons in 10 pence ordinary shares (fully paid) of the Company at 28 July 2017 were as follows:

	Unvested share options	Unvested LTIP awards (subject to performance conditions)	Unvested deferred bonus share awards (note 1)	**Beneficial holding 28 July 2017**	Beneficial holding 30 July 2016	Expressed as a percentage of annual basic salary (note 2)
Executive						
Matt Armitage	–	677,205	19,654	**504,717**	466,931	104%
Brad Gray	–	419,882	11,231	**59,767**	59,767	25%
Non-Executive						
Mike Butterworth	–	–	–	**26,000**	26,000	–
Ben Gordon	–	–	–	**25,000**	25,000	–
Helen Stevenson	–	–	–	**22,000**	22,000	–
Richard Stillwell	–	–	–	**90,000**	90,000	–
Nigel Pocklington	–	–	–	**10,000**	10,000	–

Notes:
1. Unvested deferred bonus share awards relate entirely to the 2014/2015 bonus award.
2. 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 2 October 2017 (79.5 pence); and the Director's annual rate of basic salary.

There have been no changes to any of the Directors' shareholdings between 28 July 2017 and 2 October 2017.

Directors' outstanding share incentive awards (audited)

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

	Date of award	Market price per share at date of award	Balance at 30 July 2016	Exercised during year	Lapsed during year	Awarded during year	**Balance at 28 July 2017**	Vesting date	Expiry date
Matt Armitage	12 Nov 2013	184.25p	150,000	–	150,000	–	**–**	12 Nov 2016	12 Nov 2023
	12 Nov 2014	192.00p	179,718	–	–	–	**179,718**	12 Nov 2017	12 Nov 2024
	12 Nov 2015	184.70p	216,567	–	–	–	**216,567**	12 Nov 2018	12 Nov 2025
	16 Nov 2016	128.15p	–	–	–	280,920	**280,920**	16 Nov 2019	16 Nov 2026
			546,285	–	150,000	280,920	**677,205**		
Brad Gray	12 Nov 2014	192.00p	102,696	–	–	–	**102,696**	12 Nov 2017	12 Nov 2024
	12 Nov 2015	184.70p	155,657	–	–	–	**155,657**	12 Nov 2018	12 Nov 2025
	16 Nov 2016	128.15p	–	–	–	161,529	**161,529**	16 Nov 2019	16 Nov 2026
			258,353	–	–	161,529	**419,882**		

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

Absolute Adjusted basic EPS

	12 November 2014 Award	12 November 2015 Award	16 November 2016 Award
Performance measurement period	EPS for 2016/2017 financial year	EPS for 2017/2018 financial year	EPS for 2018/2019 financial year
Weighing (% of award)	50%	25%	25%
100% vesting	24.0p or more	25.23p or more	20.0p or more
Between 25% and 100% vesting	From 21.0p to 24.0p	From 22.23p to 25.23p	From 18.5p to 20.0p

Relative TSR

	12 November 2014 Award	12 November 2015 Award	16 November 2016 Award
Performance measurement period	1 Aug 2014 to 28 Jul 2017	1 Aug 2015 to 3 August 2018	29 Jul 2016 to 2 Aug 2019
Comparator group	FTSE AllShare Media (excl. FTSE100 companies)	FTSE AllShare Media (excl. FTSE100 companies)	FTSE AllShare Media (excl. FTSE100 companies)
Weighing (% of award)	50%	50%	50%
100% vesting	Upper quartile or above	Upper quartile or above	Upper quartile or above
Between 25% and 100% vesting	Between median and upper quartile	Between median and upper quartile	Between median and upper quartile
Underpin	Adjusted basic EPS of 20.0p in the 2016/2017 financial year	Adjusted basic EPS of 21.73p in the 2017/2018 financial year	Committee discretion

Proportion of operating profit from Strategic Marketing

	12 November 2014 Award	12 November 2015 Award	16 November 2016 Award
Performance measurement period	–	Operating profit from Strategic Marketing as compared to total Group operating profit in 2017/2018	Operating profit from Strategic Marketing as compared to total Group operating profit in 2018/2019
Weighing (% of award)	–	25%	25%
100% vesting	–	65% or more	85% or more
Between 25% and 100% vesting	–	Between 55% and 65%	Between 75% and 85%
Underpin	–	Adjusted basic EPS of 21.73p in the 2017/2018 financial year	Committee discretion

The market price of St Ives plc ordinary shares of 10 pence each at 28 July 2017 was 55.88 pence and the range during the financial year 2016/2017 was 37.50 pence to 152.00 pence.

Share options – Sharesave Scheme (audited)

	Date of grant	Balance at 30 July 2016	Exercised during year	Lapsed during year	Granted during year	**Balance at 28 July 2017**	Exercise price pence	Date from which exercisable	Expiry date
Matt Armitage	23 Apr 2013	6,596	–	6,596	–	**Nil**	108.60	1 Jun 2016	1 Dec 2016
Brad Gray	23 Apr 2013	6,596	–	6,596	–	**Nil**	108.60	1 Jun 2016	1 Dec 2016

During the period, the Executive Directors' options under the 2013 Sharesave Scheme lapsed and there were no further Sharesave options granted to the Directors.

Dilution

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

As at 28 July 2017, excluding lapsed options and options exercised and satisfied from utilising existing issued shares, options over 8,759,794 shares (6.1% of the Company's issued share capital) have been exercised through new shares or remain outstanding under all share plans and so count towards this limit.

Approved by the Board and signed on its behalf by

Helen Stevenson
Chair of the Remuneration Committee

2 October 2017

The Directors present their Directors' Report and the audited financial statements for the period ended 28 July 2017. The Corporate Governance Report set out on pages 32 to 35 also forms part of this report.

Details of significant events since the balance sheet date are contained in note 39 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the Strategic Report.

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

STRATEGIC REPORT, FUTURE DEVELOPMENT AND GREENHOUSE GAS EMISSIONS

The Strategic Report which the Company is required under law to prepare can be found on pages 2 to 31. The Strategic Report includes disclosures regarding likely future developments in the business of the Group, carbon emissions and information on the Group's employment policies.

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

DIRECTORS AND THEIR SHARE INTERESTS

The present membership of the Board is set out on pages 36 and 37.

The Directors' interests in ordinary shares of the Company are set out in the table on page 59 within the Directors' Remuneration Report.

RESULTS AND DIVIDENDS

The Group's statutory loss before taxation for the year amounted to £44,068,000 (2016 – £5,714,000). The Directors propose a final dividend of 1.30 pence for each ordinary share payable on 18 December 2017 to holders on the register as at 24 November 2017. If approved, the final dividend will make total dividends for the year of 1.95 pence per ordinary share:

	£'000
Ordinary dividends	
Interim	928
Proposed final	1,857

EMPLOYMENT POLICIES, EQUAL OPPORTUNITIES, EMPLOYEE COMMUNICATION AND DIVERSITY

The Group is committed to providing equal opportunities with regard to employment, free from discrimination and harassment and in a healthy and safe working environment. Details of how we deliver on these commitments and communicate with our employees are provided in the Corporate and Social Responsibility Report on pages 28 to 31.

HUMAN RIGHTS

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

During the period, the Company published its first Modern Slavery Act Statement in accordance with section 54 of the Modern Slavery Act 2015 ('MSA'). The Company is completely opposed to any form of slavery and human trafficking and the Group will not knowingly do business with any organisation or body involved in slavery and human trafficking. More information on the Group's approach to modern slavery can be found in the Corporate Social Responsibility section of the Strategic Report on pages 28 to 31. The Company's MSA Statement can be found on its website at: www.st-ives.co.uk.

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 29 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 31.

During the period the Group has reduced its revolving credit facility to £95 million supplemented by a term loan of £30 million and increased its maximum leverage covenant condition (net debt to Adjusted EBITDA) for the remaining duration of the facility. Subsequent to the period end, the Group reduced its term loan by £5.5 million to £24.5 million.

As highlighted in note 28 to the financial statements, the Group meets its day-to-day working capital requirements through an overdraft facility of £15 million that is part of an overall funding facility of £125 million which falls due for renewal on 23 March 2019.

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

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

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the Company's viability over a three-year period, having taken account of the Company's current situation and principal risks. A three-year assessment period, which is in alignment with our medium-term planning horizon, was selected as this gives management and the Board sufficient visibility of the future and is consistent with the average duration of contracts with key clients. Visibility is very limited beyond this horizon because of the fast changing nature of many of the markets in which the Company's businesses operate.

The analysis was performed by running a number of potentially stressful, yet plausible, scenarios against a base high level financial forecast over the three-year period starting from the end of the 2016/2017 financial year. The events reflected in the stress scenarios with the greatest financial impact included the potential closure of an operating site resulting from competitive pressure and a general decline in sales volumes of 10% due to challenging or uncertain economic conditions. The related scenarios reflected the estimated financial impact of the events associated with the principal risks outlined in the Principal Risks and Uncertainties Report from pages 24 to 27, and included mitigating actions where these would be under the Company's control. Other scenarios were also modelled, including a weakening of the Pound Sterling against the US Dollar to 1:1.20, and the payment of the maximum possible remaining contingent consideration for The App Business.

In addition to an assessment of the impact the individual risks could have on the Company's debt leverage and level of debt, the impact of a combination of the risks' impacts occurring simultaneously was also modelled to test the results of a particularly high stress, combined scenario. To support the final conclusion on viability, the assessment also took account of potential mitigations available to the business in the event of the combined scenario. Additionally, the revolving credit facility is expected to be renewed within the three-year assessment period.

Based on this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due up to July 2020.

In making this statement, the Directors have also made key assumptions which they consider to be reasonable, for example on sales volumes and pricing, and on the availability of financing beyond the end of the term of the current bank credit facility in March 2019.

ACQUISITION OF THE COMPANY'S OWN SHARES

At the 2016 Annual General Meeting, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 14,249,966 shares. This authority ends on the date of the next Annual General Meeting. Since the year end, no ordinary shares have been purchased by the Company therefore, at the date of this Report, 90,637 ordinary shares are held in treasury.

MAJOR INTERESTS IN SHARES

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:

	As at 28 July 2017		As at 2 October 2017	
	Number of voting rights	**Percentage of issued share capital carrying voting rights***	Number of voting rights	Percentage of issued share capital carrying voting rights*
Allianz Global Investors GmbH	**7,612,064**	**5.33%**	–	–
NN Group N.V.	**11,200,000**	**7.84%**	–	–
Prudential plc	**7,719,887**	**5.40%**	–	–
Standard Life Aberdeen plc	**–**	**–**	10,827,447	7.58%
FIL Limited	**–**	**–**	7,432,590	5.20%

*Percentage based on ordinary shares in issue, excluding treasury shares, as at 28 July 2017 and as at 2 October 2017 respectively.

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 30 November 2017. 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 40.

Each of the Directors of the Company as at 2 October 2017 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 period (2016 – £Nil) and the Board has no intention to seek shareholders' approval to permit the Board to make political donations.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors (on identical terms) who served during the period, to the extent permitted by law and the Company's articles of association, in respect of liabilities incurred by virtue of their office. Qualifying third party provisions for the benefit of its Directors (as defined by Section 234 of the Companies Act 2006) were in force during the period ended 28 July 2017 and continue to be in force at the date of this Report.

DIRECTORS' CONFLICT OF INTEREST

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

CHANGE OF CONTROL

The Group has a revolving credit facility of £95 million supplemented by a term loan of £24.5 million, which falls due for renewal on 23 March 2019. The terms of the revolving credit facility and term loan stipulate that consent of the lenders to continue the overall facility is required, should there be a change of control of the Company.

ADDITIONAL INFORMATION

The Company's share capital consists of ordinary shares, as set out in note 30 to the financial statements on page 112. The shares carry no rights to fixed income. All members who hold ordinary shares are entitled to attend and vote at the Annual General Meeting. On a show of hands at a general meeting every member present in person and every duly appointed proxy shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held or represented. The Notice of Meeting specifies deadlines for exercising voting rights and each share carries the right to one vote at general meetings. All shares are fully paid. There are no specific restrictions on the size of a shareholding nor on the transfer of shares, which are both covered by the provisions of the articles of association and prevailing. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights.

Details of employee share schemes are set out in note 35. Shares held by the Employee Benefit Trust abstain from voting.

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

ANNUAL GENERAL MEETING

The thirty-sixth Annual General Meeting of the Company will be held on Thursday, 30 November 2017. The Notice of Meeting is included in a separate document sent to shareholders.

CORPORATE GOVERNANCE

The corporate governance statement as required by the UK Financial Conduct Authority's Disclosure and Transparency Rules (DTR 7.2) comprises the Additional Information section of the Directors' Report above and the Corporate Governance Report on pages 32 to 35 of this Annual Report.

DIRECTORS' REPORT

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

Listing Rule requirement	Location in Annual Report
Details of any long-term incentive schemes as required by LR 9.4.3 R.	Directors' Remuneration Report on pages 42 to 61
Details of any arrangements under which a Director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking. Where a Director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	No such waivers
Details required in the case of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the Company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders. The information required under this paragraph (LR 9.8.4 paragraph 7) must be given for any unlisted major subsidiary undertaking of the Company.	No such share allotments

By order of the Board

Daniel Fattal
Company Secretary

2 October 2017

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 year.

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

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

In preparing the parent company financial statements, the Directors are required to:

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

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

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

Directors' responsibility statement:

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 2 October 2017 and is signed on its behalf by

Matt Armitage
Chief Executive

Brad Gray
Chief Financial Officer

2 October 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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 28 July 2017 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of St Ives plc (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the related notes 1 to 40 of the Consolidated financial statements; and
- the related notes 1 to 19 of the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework'.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the prior year were: • Goodwill and intangible assets • Retirement benefit obligations • Valuation of Strategic Marketing revenue • Classification and disclosure of Adjusting Items • Acquisition Accounting (Deferred and Contingent Consideration) No new matters have arisen in the current period and contingent acquisition accounting had been identified as a key audit matter in prior years reflecting the acquisitive nature of the Group. In the current year we have focused the risk to deferred and contingent consideration relating to previous acquisitions.
Materiality	The materiality that we used in the current year was £1,197,000 which was determined on the basis of Adjusted profit before tax.
Scoping	Our scope last year comprised of a full audit for all main UK trading companies as well as an audit of specified account balances for Solstice in Chicago, due to the size and importance of this division to the Group. In the current year audit we have classified Solstice as a full scope audit and performed specified activities on a few of the smaller entities as detailed further below in our opinion. The percentage covered is similar year on year and explained in more detail further below.
Significant changes in our approach	There were no changes in our audit approach apart from the matters described above.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Strategic Report.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures (on pages 24 to 27) that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 65 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation (on page 63) as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the Directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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

There are no new matters arising in the current year.

Goodwill and intangible assets	
Key audit matter description	The assessment of the carrying value of goodwill at £108.7 million (FY16 – £135.6 million) and acquired intangible assets of £42.2 million (FY16 – £52.0 million) involves considerable judgement due to the challenges in accurately forecasting future cash flows in the changing market environment. Data Marketing, Hive, Amaze, Service Graphics and Tactical Solutions were the most sensitive to changes in key assumptions and with the lowest headroom therefore we focused our testing on these entities. In the current year the impairments to goodwill totalled £27.1 million (FY16 – £12.3 million). Impairment charges of £21.1 million, £2.5 million and £3.5 million were recorded against SP Group, Service Graphics and Tactical Solutions' respective assets. Key assumptions in management's analysis include short and long-term growth rates and the discount rate applied to the future cash flows. Management disclose this as a key source of estimation uncertainty in note 2 to the consolidated financial statements and this is detailed in note 16, and considered within the significant financial matters section of the Audit Committee report.
How the scope of our audit responded to the key audit matter	We challenged management's assumptions used in their impairment assessment of the Group's goodwill and intangible assets. Our procedures included: • assessing the short-term cash flow projections against recent performance, historical forecasting accuracy and gaining an understanding and challenging the key assumptions involved in the forecasts from management, including finance and those outside of finance along with agreeing the amounts to contract where available; • comparing the long-term forecasts against long-term economic growth rates from external data; • comparing the discount rate applied against a broad comparator group as well as involving our internal valuation specialists to assess the key components of the discount rate calculation; • considering the reasonableness of, and recalculating, the sensitivity assessment applied by management, and reviewing the sensitivity disclosure included in the Annual Report and Accounts; • performing further sensitivity analysis of our own on the impairment model; and • assessing the carrying value of the intangibles with specific focus on the ongoing use of the proprietary techniques and corroborating that the customer relationships remained in place.
Key observations	We believe that the impairments recorded in the period are appropriate in light of the revised forecasts provided by management and are materially accurate. Following these impairment's these CGU's are supportable but sensitive to short term forecasts which has been appropriately disclosed in note 16. We concur with management that a reasonably possible change in projected revenue growth for Service Graphics, Tactical Solutions, Data Marketing and Hive would indicate impairment and it is appropriate for additional disclosure to be provided. Whilst the remaining CGU's are dependent on both short and long-term growth assumptions we conclude that the assumptions applied in the impairment models, taken in aggregate, are within our acceptable range.

Retirement benefit obligations	
Key audit matter description	Pension assets in FY17 is £354.5 million (FY16 – £344.1 million) and pension liabilities is £370.5 million in both FY17 and FY16. Therefore, the net pension deficit on the Consolidated Balance Sheet is £16.0 million (FY16 – £26.4 million). There is significant judgement involved in the valuation of the retirement benefit obligations. Therefore our key audit matter relates to the pension liability assumptions with the key assumptions being inflation rate and discount rate. Management has acknowledged this as a key source of estimation uncertainty in the accounting policy in note 2 and detailed in note 27, and considered within the significant financial matters section of the Audit Committee report.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this risk included: • meeting with the Group's pensions advisors and management to discuss the valuation approach applied and the assumptions used in the valuation; • using internal specialists to consider and challenge the actuarial assumptions adopted by the Group for the valuation of its retirement benefit obligations. This includes benchmarking the assumptions against a relevant comparator group.
Key observations	We are satisfied that the methodology and assumptions applied in relation to determining the pension valuation, when taken in aggregate, fall within an acceptable range.

Valuation of Strategic Marketing revenue	
Key audit matter description	We pinpointed the key audit matter relating to strategic marketing revenue as the revenue related to incomplete projects at year end. This totalled £11.9 million in FY17 (FY16 – £11.4 million). In the strategic marketing businesses there are projects where revenue is recognised on a percentage of completion basis as noted in the revenue recognition policy in note 2 to the consolidated financial statements and detailed in note 3, we have also raised this as a key issue to the audit committee. There is a risk that revenue may be misstated due to the degree of judgement exercised by management in estimating future costs. We also note that revenue recognition carries with it a fraud risk.
How the scope of our audit responded to the key audit matter	We have considered management's application of revenue recognition policies to assess compliance with IAS 18 'Revenue'. In particular, this involved: • reviewing the underlying contracts to assess whether revenue was correctly recognised in line with the contract; and • pinpointing the key audit matter to projects not complete at period-end and challenging management on the percentage of revenue recognised for different projects and corroborating the judgements made to supporting information.
Key observations	We have not identified any issues or exceptions relating to revenue recognised over our reporting threshold.

Classification and disclosure of Adjusting Items	
Key audit matter description	Adjusting Items amount to £68.2 million (pre-tax) (FY16 – £36.1 million). This balance is made up of £3.0 million restructuring costs, £1.9 million pension costs and £66.1 million costs related to acquisitions made in the prior periods offset by £2.8 million income recognised from the sale of Property, Plant and Equipment. The increase from the prior period is due to higher impairment costs year on year. There is a risk that items relating to the ongoing business are being disclosed as adjusting and that items are not being split out in line with the Group accounting policy, which could distort the information presented to shareholders. Adjusting Items is detailed in the significant accounting policies in note 2 and detailed in note 7, and considered within the significant financial matters section of the Audit Committee report.
How the scope of our audit responded to the key audit matter	We challenged the appropriateness of the classification of Adjusting Items. Our procedures included: • assessing whether there is sufficient justification for items to be classed as adjusting, particularly in the context of management's accounting policy, as described in note 2; • challenging management on how they have complied with the guidelines issued by ESMA on the APMs; and • reviewing the Adjusting Items disclosure in note 7 of the accounts in line with IAS 1 'Presentation of financial statements'.
Key observations	We are satisfied that the Adjusting Items have been classified in line with management's accounting policy and that appropriate disclosure has been provided around the nature and quantum of each material item.

Acquisition Accounting (Deferred/Contingent Consideration)	
Key audit matter description	Total deferred and contingent consideration on the balance sheet for FY17 is £15.9 million (FY16 – £1.8 million) and there is a risk that the treatment of amounts paid to former shareholders of acquired businesses is accounted for incorrectly. Post-acquisition, the risks relate to the EBITDA estimates for the earn-out targets and ensuring that the amounts classified as remuneration is correctly distributed over the period in which they relate. The EBITDA estimates directly impact the future deferred and contingent consideration expected to be paid and variances between forecasts and actuals can lead to significant variances in the timing of when deferred and contingent consideration is accounted for. Deferred and contingent consideration is detailed in the significant accounting policies in note 2 and detailed in note 11, furthermore we have raised this to the audit committee as a key issue.
How the scope of our audit responded to the key audit matter	We challenged management's assumptions used in their deferred and contingent consideration workings by performing the following procedures: • reviewing the IFRS 3 workings which calculate the split between consideration and remuneration; • assessing the forecast EBITDA estimates to ensure they align with the budgets used within goodwill impairment work, to ensure consistency of approach; and • reviewing the amended workings for Solstice in light of the variation to the Membership Interest Purchase Agreement.
Key observations	We consider that the accounting for deferred and contingent consideration has been performed correctly and that management have appropriately disclosed within the key sources of estimation uncertainty in note 2, the key sensitivities that exist.

OUR APPLICATION OF MATERIALITY

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£1,197,000 (2016 – £1,430,000)
Basis for determining materiality	5% of Adjusted profit before tax (£23.6 million). Statutory loss before tax was adjusted to add back other pension costs classified as Adjusting Items by the Group (£0.5 million).
Rationale for the benchmark applied	In the past we have assessed that statutory income before tax was too variable to use as the sole benchmark for our materiality determination, and therefore as has occurred in prior periods we have considered a range of benchmarks using Revenue and profit before tax measures as a basis.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £59,000 (FY16 – £70,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

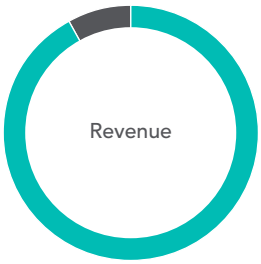
AN OVERVIEW OF THE SCOPE OF OUR AUDIT

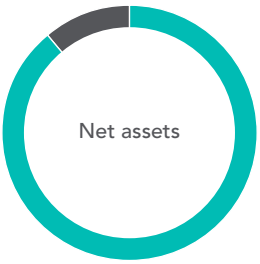
Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, and at the request of management and the Audit Committee, the following divisions were subject to full scope audit – Books, SP Group, Service Graphics, St Ives Management Services, Occam, Response One, Incite, Amaze, Realise, The App Business and Solstice. These locations represent the principal business units and account for 92% of the Group's revenue, 92% of the Group's Adjusted operating profit and 89% of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. We performed analytical procedures on Hive, Tactical Solutions, Branded3, FSP and Pragma (representing the remaining 8% of both revenue and the Group's Adjusted operating profit and 11% of the Group's net assets). Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £178,000 to £1,014,000 (FY16 – £114,000 to £715,000).

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

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

During the course of the audit, the audit partner visited SP Group, St Ives Management Services, Response One and Occam. The audit manager also visited Incite.





92% Full audit scope
8% Review at Group level

92% Full audit scope
8% Review at Group level

89% Full audit scope
11% Review at Group level

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

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 in respect of these matters.

Other matters

Auditor tenure
Following the recommendation of the audit committee, we were appointed by the audit committee on 1 December 2016 to audit the financial statements for the year ending 28 July 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is in excess of 20 years.

Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Sukhbinder Kooner (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

2 October 2017

		52 weeks to 28 July 2017			52 weeks to 29 July 2016		
	Note	**Adjusted Results £'000**	**Adjusting Items (note 7) £'000**	**Statutory Results £'000**	Adjusted Results (restated note 38) £'000	Adjusting Items (note 7) £'000	Statutory Results (restated note 38) £'000
Revenue	3	**393,154**	**–**	**393,154**	367,546	–	367,546
Cost of sales		**(284,342)**	**–**	**(284,342)**	(262,468)	–	(262,468)
Gross profit		**108,812**	**–**	**108,812**	105,078	–	105,078
Selling costs		**(26,843)**	**–**	**(26,843)**	(25,011)	–	(25,011)
Administrative expenses		**(55,277)**	**(70,278)**	**(125,555)**	(46,832)	(33,472)	(80,304)
Share of results of joint arrangement		**355**	**–**	**355**	(122)	–	(122)
Other operating income/(expense)		**58**	**2,760**	**2,818**	167	(1,651)	(1,484)
Operating profit/(loss)	5	**27,105**	**(67,518)**	**(40,413)**	33,280	(35,123)	(1,843)
Net pension finance expense	8	**–**	**(638)**	**(638)**	–	(972)	(972)
Other finance expense	9	**(3,017)**	**–**	**(3,017)**	(2,899)	–	(2,899)
Profit/(loss) before tax		**24,088**	**(68,156)**	**(44,068)**	30,381	(36,095)	(5,714)
Income tax (charge)/credit	10	**(4,984)**	**5,694**	**710**	(6,322)	3,931	(2,391)
Net profit/(loss) for the period		**19,104**	**(62,462)**	**(43,358)**	24,059	(32,164)	(8,105)
Attributable to:							
Shareholders of the parent company		**19,104**	**(62,462)**	**(43,358)**	24,059	(32,164)	(8,105)
Basic earnings/(loss) per share (p)	13	**13.39**	**(43.79)**	**(30.40)**	17.61	(23.54)	(5.93)
Diluted earnings/(loss) per share (p)	13	**13.39**	**(43.79)**	**(30.40)**	17.49	(23.38)	(5.89)

	52 weeks to 28 July 2017 £'000	52 weeks to 29 July 2016 £'000
Loss for the period	**(43,358)**	(8,105)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial profit on defined benefits pension scheme	**8,958**	83
Tax charge on items taken through other comprehensive income	**(1,584)**	(545)
	7,374	(462)
Items that may be reclassified subsequently to profit or loss:		
Transfers of losses on cash flow hedges	**302**	127
Losses on cash flow hedges	**(138)**	(302)
Foreign exchange gain	**369**	409
	533	234
Other comprehensive income/(expense) for the period	**7,907**	(228)
Total comprehensive expense for the period	**(35,451)**	(8,333)
Attributable to shareholders of the parent company	**(35,451)**	(8,333)

	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 £'000**	**Total £'000**
Balance at 31 July 2015	**13,089**	55,521	–	(820)	6,773	427	**61,901**	**57,892**	**132,882**
Loss for the period	**–**	–	–	–	–	–	**–**	**(8,105)**	**(8,105)**
Other comprehensive income/(expense)	**–**	–	–	–	–	234	**234**	**(462)**	**(228)**
Comprehensive income/(expense)	**–**	–	–	–	–	234	**234**	**(8,567)**	**(8,333)**
Dividends	**–**	–	–	–	–	–	**–**	**(10,934)**	**(10,934)**
Issue of shares	**775**	12,716	(135)	–	–	–	**12,581**	**–**	**13,356**
Acquisitions	**365**	1,334	–	657	–	–	**1,991**	**(528)**	**1,828**
Recognition of share-based contingent consideration deemed as remuneration	**–**	–	–	–	5,143	–	**5,143**	**–**	**5,143**
Transfer of share-based contingent consideration deemed as remuneration	**–**	97	–	–	(3,295)	–	**(3,198)**	**3,382**	**184**
Purchase of own shares	**–**	–	(395)	–	–	–	**(395)**	**–**	**(395)**
Recognition of share-based payments	**–**	–	–	–	(236)	–	**(236)**	**–**	**(236)**
Settlement of share-based payments	**15**	127	530	–	(1,431)	–	**(774)**	**868**	**109**
Tax on share-based payments	**–**	–	–	–	(231)	–	**(231)**	**255**	**24**
Balance at 29 July 2016	**14,244**	69,795	–	(163)	6,723	661	**77,016**	**42,368**	**133,628**
Loss for the period	**–**	–	–	–	–	–	**–**	**(43,358)**	**(43,358)**
Other comprehensive income	**–**	–	–	–	–	533	**533**	**7,374**	**7,907**
Comprehensive income/(expense)	**–**	–	–	–	–	533	**533**	**(35,984)**	**(35,451)**
Dividends	**–**	–	–	–	–	–	**–**	**(8,705)**	**(8,705)**
Recognition of share-based contingent consideration deemed as remuneration	**–**	–	–	–	6,969	–	**6,969**	**–**	**6,969**
Transfer of share-based contingent consideration deemed as remuneration	**–**	225	–	–	(5,676)	–	**(5,451)**	**5,754**	**303**
Recognition of share-based payments	**–**	–	–	–	70	–	**70**	**–**	**70**
Settlement of share-based payments	**40**	398	–	–	(123)	–	**275**	**123**	**438**
Tax on share-based payments	**–**	–	–	–	(63)	–	**(63)**	**16**	**(47)**
Balance at 28 July 2017	**14,284**	**70,418**	**–**	**(163)**	**7,900**	**1,194**	**79,349**	**3,572**	**97,205**

*Additional paid-in capital includes share premium, merger reserve and capital redemption reserve (note 31).

	Note	28 July 2017 £'000	29 July 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	**26,235**	35,559
Investment property	15	**–**	6,203
Goodwill	16	**108,676**	135,633
Other intangible assets	16	**42,792**	53,234
Available for sale asset	17	**3**	3
Investment in joint arrangements	18	**517**	94
Deferred tax assets	26	**375**	232
Other non-current assets	20	**13**	374
		178,611	231,332
Current assets			
Inventories	19	**6,253**	7,482
Trade and other receivables	20	**91,063**	90,761
Derivative financial instruments	21	**45**	–
Income tax receivable		**124**	1,246
Assets held for sale	15	**11**	1,481
Cash and cash equivalents	20	**25,651**	11,835
		123,147	112,805
Total assets		**301,758**	344,137
Liabilities			
Current liabilities			
Trade and other payables	22	**79,539**	76,486
Derivative financial instruments	21	**17**	535
Income tax payable		**1,461**	–
Deferred consideration payable		**15,920**	1,772
Deferred income	24	**7,141**	6,206
Provisions	25	**388**	31
		104,466	85,030
Non-current liabilities			
Loans	23	**80,245**	92,595
Retirement benefits obligations	27	**16,041**	26,394
Other non-current liabilities		**682**	814
Provisions	25	**1,823**	2,185
Deferred tax liabilities	26	**1,296**	3,491
		100,087	125,479
Total liabilities		**204,553**	210,509
Net assets		**97,205**	133,628
Equity			
Capital and reserves			
Share capital	30	**14,284**	14,244
Other reserves		**79,349**	77,016
Retained earnings		**3,572**	42,368
Total equity		**97,205**	133,628

These financial statements were approved by the Board of Directors on 2 October 2017 and signed on its behalf by

Matt Armitage
Chief Executive

Brad Gray
Chief Financial Officer

	Note	**52 weeks to 28 July 2017 £'000**	52 weeks to 29 July 2016 £'000
Operating activities			
Cash generated from operations	33	**30,686**	23,650
Interest paid		**(3,017)**	(2,899)
Income taxes paid		**(587)**	(6,286)
Net cash generated from operating activities		**27,082**	14,465
Investing activities			
Purchase of property, plant and equipment		**(3,154)**	(7,124)
Purchase of other intangibles		**(311)**	(488)
Proceeds on disposal of property, plant and equipment		**11,770**	3,315
Acquisition of subsidiaries, net of cash acquired		**–**	(20,937)
Deferred consideration paid for acquisitions made in prior periods	11	**(663)**	(5,790)
Net cash generated from/(used in) investing activities		**7,642**	(31,024)
Financing activities			
Proceeds on issue of shares		**438**	13,356
Dividends paid	12	**(8,705)**	(10,934)
Purchase of treasury shares		**–**	(395)
(Decrease)/increase in bank loans		**(15,000)**	10,000
Net cash (used in)/generated from financing activities		**(23,267)**	12,027
Net increase/(decrease) in cash and cash equivalents		**11,457**	(4,532)
Cash and cash equivalents at beginning of the period		**11,835**	16,392
Effect of foreign exchange rate changes		**2,359**	(25)
Cash and cash equivalents at end of the period	33	**25,651**	11,835

1. GENERAL INFORMATION

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

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

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.

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

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

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

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

IAS 7 (amendments)	Disclosure initiative; this standard is mandatory for accounting periods beginning on or after 1 January 2017
IAS 12 (amendments)	Deferred Tax; this standard is mandatory for accounting periods beginning on or after 1 January 2017
IFRS 9	Financial Instruments; this standard is mandatory for accounting periods beginning on or after 1 January 2018
IFRS 15	Revenue from Contracts with Customers; this standard is mandatory for accounting periods beginning on or after 1 January 2018
IFRS 2 (amendments)	Share-based Payment Transactions; this amendment is mandatory for accounting periods beginning on or after 1 January 2018
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments; this amendment is mandatory for accounting periods beginning on or after 1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration; this amendment is mandatory for accounting periods beginning on or after 1 January 2018
IFRS 16	Leases; this standard was issued in January 2016 to replace IAS 17; this standard is mandatory for accounting periods beginning on or after 1 January 2019

In addition, 'Annual Improvements 2014-2016 Cycle' includes amendments to a number of Standards and Interpretations including IFRS 1, IFRS 12, and IAS 28. The effective date of the IFRS 1 and IAS 28 amendments is for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 is for annual periods beginning on or after 1 January 2017.

It is not practicable to provide a reasonable estimate of the effects of IFRS 9 until a detailed review has been completed. Further details related to IFRS 15 and IFRS 16 are discussed below.

1. GENERAL INFORMATION CONTINUED

IFRS 15

The standard replaces IAS 18 'Revenue' and specifies how and when an entity shall recognise revenue as well as providing users of financial statements with more informative and relevant disclosures. The Group is currently assessing the impact of the accounting changes that will arise under IFRS 15; however, the Group does expect that changes in the new standard relating to the treatment of incentive-based revenues and revenue recognised in respect of license fees will impact the timing of the revenue recognition for a number of the Group's subsidiaries.

IFRS 16

The standard will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or lease loan obligation is recognised.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and is not expected to have a material impact for the Group.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the following changes to lessee accounting will have a material impact as follows:

Right-of-use assets will be recorded for assets that are leased by the Group; currently no lease assets are included on the Group's consolidated statement of financial position for operating leases.

Liabilities will be recorded for future lease payments in the Group's consolidated statement of financial position for the "reasonably certain" period of the lease, which may include future lease periods for which the Group has extension options. Currently liabilities are generally not recorded for future operating lease payments, which are disclosed as commitments. The amount of lease liabilities will not equal the lease commitments reported on 31 July 2019, but may not be dissimilar.

Lease expenses will be for depreciation of right-of-use assets and interest on lease liabilities; interest will typically be higher in the early stages of a lease and reduce over the term. Currently operating lease rentals are expensed on a straight-line basis over the lease term within operating expenses.

Operating lease cash flows are currently included within operating cash flows in the consolidated statement of cash flows; under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

A high volume of transactions will be impacted by IFRS 16 and material judgements are required in identifying and accounting for leases. Therefore, the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 16 and cannot reasonably estimate the impact; however, the changes highlighted above will have a material impact on the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows after the Group's adoption on 2 August 2019.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on pages 62 to 64.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

(b) Adjusting Items
Statutory results ('Statutory Results') presented in the Consolidated Income Statement include Adjusting Items.

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

- Redundancies, restructuring costs and empty property costs
  Redundancies and restructuring costs that occur as one-off costs in the individual businesses, that in aggregation can be significant in size, are recorded as Adjusting Items. Careful consideration is applied by management in assessing whether these costs relate to the restructure of a business within the Group or redundancies in the normal course of business which are not treated as Adjusting Items. Redundancies and restructuring costs related to the closure or disposal of a site are recorded within this caption. Empty property costs comprise expenses relating to the maintenance and security of leasehold property or property owned by the Group from which no on-going activity takes place. The costs do not relate to the continuing operations of the Group and are therefore recorded as Adjusting Items.

- Operating results of a site arising after a formal decision on its closure
  Operating losses from non-continuing sites, where that site does not meet the definition of a discontinued operation under IFRS 5 – Non Current Assets Held for Sale and Discontinued Operations, include revenue, operational and overhead expenses incurred after a formal decision on a site's closure has been taken. These items also include settlement of onerous leases, costs related to the transfer of assets and professional fees related to closure of the site. The above items are recorded as Adjusting Items on the basis that they do not form part of the on-going trading activities of the Group.

- St Ives Defined Pension Benefits Scheme income/expense
  The Scheme was closed to new entrants in April 2002 and to the accrual of future benefits in August 2008. Given the substantial change in the composition of the Group over the last seven years, with a significant number of site closures and disposal of businesses which employed Scheme members, the number of scheme members still employed by the Group has declined substantially and stood at 161 as at 28 July 2017, representing less than 5% of the total Scheme membership. After the closure of the Scheme, all the in-service members at that time were transferred to a defined contribution scheme. Payments to the defined contribution scheme are expensed to the Consolidated Income Statement and are treated as part of on-going activities and not as an Adjusting Item. Therefore the Group classifies the income or expenses relating to the Scheme as an Adjusting Item.

- Non-cash impairment charges related to goodwill and other assets
  Impairment charges relate to non-current and current assets are non-cash items, do not occur in the normal course of business and tend to be significant in size and irregular in nature. The presentation of this item as an Adjusting Item further enhances the understanding of the on-going performance of the Group.

- Costs related to acquisitions made in prior periods
  The Group has grown both organically with the development of new operating subsidiaries and through acquisition. However, there is significant inconsistency between the accounting treatment of the goodwill and intangibles associated with the acquisition of businesses and those generated internally. The treatment of acquired goodwill and intangibles is further complicated by the differences in accounting rules prevailing at the time of various acquisitions (pre and post introduction of IFRS 3 'Business Combinations'). On an unadjusted basis, a business acquired under IFRS 3 would report substantially lower operating profits and a lower return on capital than a business acquired prior to the introduction of IFRS 3 and also to those businesses which have been developed by the Group, thus making comparison of performance of the businesses and segments difficult.

  Therefore the following items are recorded as Adjusting Items to provide a more realistic and comparable view of the businesses and enhance the clarity of the performance of the Group and its businesses to the readers of the accounts:

  (i) Amortisation charges related to intangible assets identified through acquisition accounting;
  (ii) Expenses related to contingent consideration required to be treated as remuneration for acquired businesses;
  (iii) Charges and credits arising from the re-estimation of deferred consideration payable in respect of acquisitions; and
  (iv) Charges related to the acquisition of businesses or the setting up of new subsidiaries.

- Gain or loss associated with disposal of trade, subsidiaries or assets
  The gain or loss on disposal of trade, subsidiaries or assets tends to be significant in size and irregular in nature. The disposal of property, plant and equipment is primarily associated with closed sites or businesses that have been disposed of by the Group. Therefore the gain or loss on the disposal of these assets is treated as an Adjusting Item.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Revenue recognition

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

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

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

Revenue for service is recognised as services that 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:

- Services performed as a percentage of total services
- Costs incurred to date as a proportion to the estimated total cost of the transaction such as market research fees.
- Services performed, on time basis, i.e. where the terms of contract have provision for licensing the product on a subscription basis, revenue is recognised over the subscription period on a straight-line basis.
- Services that are linked to delivering goods to fulfil the contract, the revenue is recognised when the goods are delivered to the customer. The goods can be delivered in full or in-part quantities.

The Group uses two main inputs in the measurement of the services performed and the total services:

(i) Time spent by staff:
The stage of completion is determined by the time incurred by operational staff to date compared to the total estimated on an individual project basis.

(ii) Progress against contracted outputs:
Where applicable, the value of time spent by staff is further validated against the relevant output measures such as project milestones achieved as contracted, number of reports delivered to the customer compared to the total reports contracted.

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

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

(d) Intangible assets

Goodwill
Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of the acquisition. Fair value is finalised within twelve months of the date of the acquisition. Goodwill is not amortised but reviewed for impairment annually in accordance with the impairment of goodwill policy set out in note 2 (g) 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 less amortisation and impairments. These assets are amortised over their estimated useful lives, which are 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 are generally two to ten years.

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

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

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Inventories

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

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

(i) Tax

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

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

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

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

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

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

Current tax and deferred tax for the year

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

(j) Provisions

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

Provisions for repairs

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

Provisions for restructuring costs

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

(k) Foreign currencies

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

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

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

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

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

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

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

The Group classifies its investments in the following categories:

Financial instrument category	Note	Classification	Measurement	Fair value measurement hierarchy*
Investment property	15	Investment property	Amortised cost	2
Available for sale investments	17	Available-for-sale financial assets	Fair value through profit and loss	3
Trade and other receivables	20	Loans and receivables	Amortised cost	N/A
Cash and cash equivalents	20	Loans and receivables	Amortised cost	N/A
Trade and other payables	22	Other financial liabilities	Amortised cost	N/A
Derivative financial instruments	21	Derivative instrument	Fair value through profit and loss	2
Deferred consideration payable	11	Other financial liabilities	Fair value through profit and loss	3
Bank borrowings	23	Other financial liabilities	Amortised cost	N/A

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(l) Financial instruments continued

Trade and other payables

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

Investment properties

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

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

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

Derivative financial instruments and hedge accounting

The Group'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 subsidiaries, goods and services denominated in foreign currencies and the sale of goods and services 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 transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Consolidated Income Statement.

Those derivatives which are not 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.

Deferred/contingent consideration payable

Deferred/contingent consideration payable and consideration required to be treated as remuneration are typically determined based on a multiple of future incremental EBITDA, and the related amounts are based on forecasts that have been derived from the most recent budgets and forecasts. Any change in the fair value of the outcome is recognised in the Consolidated Income Statement as an Adjusting Item. The deferred consideration payable and accrued contingent consideration required to be treated as remuneration are recognised as financial liabilities, where amounts are expected or required to be cash settled. Where amounts are payable in the issuance of future PLC shares amounts required to settle the liability are recorded in equity.

The Directors consider that the carrying value of all financial assets and liabilities is approximately equal to their fair value, except for investment properties, which are recorded at amortised cost. Further details are provided in note 28.

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

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

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

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

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

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

Defined benefit income and expenses are split into three categories:

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

The Group presents the first two components of the Scheme's costs within Adjusting Items in its Consolidated Income Statement and the re-measurement costs within the Consolidated Statement of Comprehensive Income. Past service costs are recognised as an Adjusting Item in the Consolidated Income Statement

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Business combinations

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

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

Contingent consideration payable to selling shareholders who continue to be employed by the Group, but which is automatically forfeited upon termination of employment, is classified as remuneration for post-combination services and is recorded in the Consolidated Income Statement. The contingent consideration is satisfied in cash and equity instruments equivalent to the mid-market share price on the date of the consideration payable.

The cash-settled contingent consideration treated as remuneration for post-combination services is recognised in accordance with IAS 19 (revised) Employee Benefits and has been recorded as deferred consideration payable in the Consolidated Balance Sheet. At each balance sheet date, the Group revises its estimate for the contingent consideration payable which is to be settled in cash. The impact of the revision, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Consolidated Balance Sheet.

The equity settled contingent consideration treated as remuneration for post-combination services is recognised in accordance with IFRS 2 Share-Based Payments and is recorded in equity reserves. Further details can be found in the share-based payments accounting policy. At each balance sheet date, the Group revises its estimate of the consideration payable which is to be settled in shares. The impact of the revision, if any, is recognised in the Consolidated Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

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

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

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

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

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

(q) Joint arrangements

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

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

(r) Non-current assets held for sale

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

(s) Critical accounting judgements and key sources of estimation uncertainty
In the course of applying the Group's accounting policies the following estimations and accounting judgements have been made which could have a significant effect on the results of the Group were they subsequently found to be inappropriate.

Critical accounting judgements
In certain cases judgement is required in assessing whether amounts payable on acquisition and subsequently should fall to be treated as consideration or subsequent remuneration.

Based on the substance of the agreement and historical experience of settlement the third tranche of deferred/contingent consideration payable for Solstice of £19,903,000 is treated as contingent consideration required to be treated as remuneration. £11,610,000 is recognised in the consolidated income statement in the current period and the remaining amount of £8,293,000 will be charged to the Consolidated Income Statement in future financial periods. The total amount is contingent on the achievement of the incremental EBITDA and on the continued employment of certain Group employees.

Based on the substance of the agreement and historical experience of settlement the third tranche of deferred/contingent consideration for TAB of £16,087,000 is treated as contingent consideration required to be treated as remuneration. £7,277,000 is recognised in the Consolidated Income Statement in the current period and the remaining amount of £8,810,000 will be charged to the Consolidated Income Statement in future financial periods. The total amount is contingent on the achievement of the incremental EBITDA and on the continued employment of certain Group employees.

The key sources of estimation uncertainty in relation to the estimated deferred/contingent consideration payable can be found below.

Key sources of estimation uncertainty
Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units for which goodwill has been identified. In arriving at the value in use the forecast of future cash flows of cash-generating units and selection of appropriate discount rates is required to calculate present values, a process which involves estimation. The recoverability analysis indicates that, other than as indicated in note 16, the carrying amount of goodwill will be recovered in full. The situation will be monitored closely should future developments indicate that adjustments are appropriate. The carrying value of goodwill at the balance sheet date was £108.7 million (2016 – £135.6 million). A sensitivity analysis can be found in note 16.

Impairment of acquired intangibles and property, plant and equipment
The Group considers the recoverability of acquired intangibles and property, plant and equipment which are included within the Consolidated Balance Sheet at £42.8 million and £26.2 million respectively. The key areas of judgement when assessing the recoverability of these assets are in relation to the discount rates, terminal growth rates, budgets and forecasts to be applied to forecast cash flows. A sensitivity analysis can be found in note 16.

Retirement benefits obligations
The calculation of retirement benefits obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net deficit in the Consolidated Balance Sheet for the retirement benefits scheme was £16.0 million (2016 – £26.4 million). A sensitivity analysis can be found in note 27.

Deferred/contingent consideration payable
Estimated deferred/contingent consideration for Solstice and TAB of £15.5 million – excluding the working capital consideration payable, recorded at the balance sheet date, is dependent upon the incremental level of EBITDA to be achieved by the respective businesses, which are based on the forecasts approved by the Board. The critical accounting judgement in relation to the estimated deferred/contingent consideration payable can be found above.

Further details and a sensitivity analysis can be found in note 11.

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

	2017 £'000	2016 £'000
Sale of goods	**230,206**	223,391
Rendering of services	**162,948**	144,155
Revenue from the sale of goods and rendering of services	**393,154**	367,546

4. SEGMENT REPORTING

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

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

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

Business segments

	52 weeks to 28 July 2017			
	Strategic Marketing £'000	**Marketing Activation £'000**	**Books £'000**	**Total £'000**
Revenue				
External sales	**161,196**	**154,258**	**77,700**	**393,154**
Group sales	**3,807**	**11,215**	**77**	**15,099**
Intercompany eliminations	**(2,055)**	**(11,732)**	**(1,312)**	**(15,099)**
Total revenue	**162,948**	**153,741**	**76,465**	**393,154**
Operating profit before Adjusting Items	**20,214**	**4,310**	**2,581**	**27,105**
Adjusting Items	**(33,427)**	**(28,455)**	**(5,636)**	**(67,518)**
Statutory loss from operations	**(13,213)**	**(24,145)**	**(3,055)**	**(40,413)**
Net pension finance expense				**(638)**
Other finance expense				**(3,017)**
Statutory loss before tax				**(44,068)**
Income tax credit				**710**
Statutory net loss for the period				**(43,358)**

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

Other information

	52 weeks to 28 July 2017			
	Strategic Marketing £'000	**Marketing Activation £'000**	**Books £'000**	**Total £'000**
Capital additions	**2,131**	**627**	**618**	**3,376**
Depreciation and amortisation charges	**12,434**	**2,011**	**2,328**	**16,773**
Impairment charges	**241**	**29,939**	**2,878**	**33,058**

	52 weeks to 29 July 2016			
	Strategic Marketing £'000	Marketing Activation £'000	Books £'000	Total £'000
Capital additions	3,161	1,358	2,244	6,763
Depreciation and amortisation charges	10,928	3,130	3,159	17,217
Impairment charges	–	12,712	–	12,712

Balance sheet

	52 weeks to 28 July 2017			
	Strategic Marketing £'000	**Marketing Activation £'000**	**Books £'000**	**Total £'000**
Assets				
Segment assets	**190,860**	**54,460**	**30,660**	**275,980**
Unallocated corporate assets				**25,778**
Consolidated total assets				**301,758**
Liabilities				
Segment liabilities	**46,019**	**39,691**	**19,800**	**105,510**
Unallocated corporate liabilities				**99,043**
Consolidated total liabilities				**204,553**

	52 weeks to 29 July 2016			
	Strategic Marketing £'000	Marketing Activation £'000	Books £'000	Total £'000
Assets				
Segment assets	199,813	87,041	44,199	331,053
Unallocated corporate assets				13,084
Consolidated total assets				344,137
Liabilities				
Segment liabilities	32,209	41,188	14,632	88,029
Unallocated corporate liabilities				122,480
Consolidated total liabilities				210,509

4. SEGMENT REPORTING CONTINUED

Reconciliation of segment assets and liabilities

	28 July 2017 £'000	29 July 2016 £'000
Unallocated corporate assets comprise:		
Financial assets	**3**	3
Income tax receivable	**124**	1,246
Cash and cash equivalents	**25,651**	11,835
Unallocated assets as per balance sheet	**25,778**	13,084
Unallocated corporate liabilities comprise:		
Deferred tax liabilities	**1,296**	3,491
Current tax payable	**1,461**	–
Loans and bank overdrafts (non-current)	**80,245**	92,595
Retirement benefits obligations	**16,041**	26,394
Unallocated liabilities as per balance sheet	**99,043**	122,480

Geographical segments

The Strategic Marketing, Marketing Activation and Books segments operate primarily in the UK; the Group derives 83% of the total revenue from customers located in the UK and 13% of the total revenue from customers located in the US.

	28 July 2017 £'000	29 July 2016 £'000
United Kingdom	**326,702**	313,817
United States of America	**49,813**	36,575
Rest of the world	**16,639**	17,154
Total revenue	**393,154**	367,546

The largest customer of the Group accounted for £30.0 million (2016 – £25.9 million) of revenue in the current period.

5. PROFIT/(LOSS) FROM OPERATIONS

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

	2017 £'000	2016 £'000
Auditors' remuneration		
Audit fees:		
– Audit of the Company accounts	**143**	135
– Audit of the accounts of the Company's subsidiaries	**331**	312
Other assurance	**37**	37
Non-audit fees:		
Tax compliance services	**–**	19
Corporate finance services	**140**	5
	651	508
Staff costs (note 6)	**183,738**	155,624
Depreciation of property, plant and equipment (note 14)	**5,959**	7,003
Depreciation of investment property (note 15)	**190**	198
Impairment of goodwill and intangible assets (note 16)	**27,438**	12,712
Amortisation of intangible assets (note 16)	**10,624**	10,016
Operating lease rentals		
– land and buildings	**4,628**	4,954
– plant and equipment	**1,119**	107
– other	**1,056**	1,805
Profit on disposal of property, plant and equipment (Adjusted results)	**(58)**	(167)
(Profit)/loss on disposal of property, plant and equipment (Adjusting Items)	**(2,760)**	1,651

6. STAFF COSTS

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

	2017 Number	2016 Number
Operations	**2,641**	2,546
Sales	**407**	396
Administration	**460**	476
	3,508	3,418

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	**149,990**	134,149
Social security costs	**13,013**	12,660
Other pension costs	**5,115**	3,908
	168,118	150,717
Contingent consideration deemed as remuneration	**8,581**	3,077
Share-based payment	**7,039**	4,907
	183,738	158,701

7. ADJUSTING ITEMS

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

Expense/(income)	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Restructuring items				
Redundancies and other charges	**3,003**		1,612	
Costs associated with empty properties	**–**		976	
		3,003		2,588
St Ives Defined Benefits Pension Scheme costs				
Administrative costs	**756**		582	
Curtailment credit	**–**		(198)	
Other	**497**		327	
		1,253		711
Costs related to acquisitions made in prior periods				
Amortisation of acquired intangibles	**9,953**		9,237	
Impairment of goodwill and other assets	**33,058**		12,712	
Costs associated with prior period acquisitions and setup of subsidiaries	**99**		785	
Contingent consideration required to be treated as remuneration	**15,550**		8,220	
Increase/(decrease) in deferred consideration	**7,362**		(781)	
		66,022		30,173
Adjusting Items in administrative expenses		**70,278**		33,472
(Profit)/loss on disposal of property, plant and equipment		**(2,760)**		1,651
Adjusting Items before interest and tax		**67,518**		35,123
Net pension finance expense in respect of defined benefits pension scheme		**638**		972
Adjusting Items before tax		**68,156**		36,095
Income tax credit		**(5,694)**		(3,931)
Adjusting Items after tax		**62,462**		32,164

7. ADJUSTING ITEMS CONTINUED

Restructuring items

Current period

The restructuring items in the current period include redundancy and restructuring costs of £1,505,000 relating to the Books segment and £1,306,000 relating to the Marketing Activation segment. During the period, redundancy costs of £192,000 relating to the restructuring of Digital businesses were incurred in the Strategic Marketing segment.

The profit on disposal of property, plant and equipment of £2,760,000 relates to the sale of the Group's properties in Burnley, Peterborough and Roche. These items are recorded in the Marketing Activation segment.

Prior period

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

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

St Ives Defined Benefits Pension Scheme costs

Current period

The Scheme charges include service costs of £756,000, a net pension finance charge of £638,000 and costs in relation to running the scheme of £497,000. These items are recorded in the Books segment.

Prior period

In the prior period, the St Ives Defined Benefits Pension Scheme charges include service costs of £582,000, a net pension finance charge of £972,000 and other costs of £327,000, partially offset by a curtailment credit of £198,000. These items were recorded in the Books segment.

Costs related to acquisitions made in current and prior periods

Current period

Charges relating to the amortisation of acquired customer relationships, proprietary techniques and software intangibles of £9,747,000 and £206,000 are recorded in the Strategic Marketing and Marketing Activation segments respectively.

The impairment charge of £33,058,000 includes impairments to goodwill of £27,130,000, impairments to property, plant and equipment of £4,974,000, impairments to software of £308,000 and impairments to inventory of £646,000.

The impairment charge is recorded against the following assets within the businesses:

	2017 £'000	2017 £'000
SP Group		
Goodwill	**21,130**	
Property, plant and equipment	**2,741**	
Software	**67**	
		23,938
Service Graphics – Goodwill		**2,500**
Tactical Solutions – Goodwill		**3,500**
Books		
Inventory	**646**	
Property, plant and equipment	**2,233**	
		2,879
Occam – Software		**241**
Total Impairment Charge		**33,058**

Impairment charges of £23,938,000 and £3,500,000 are recorded against SP Group and Tactical Solutions respective assets due to continued decline in operating profit as a result of a lower level of promotional activities in the grocery retail sector. Subsequent to the period end, the Group was informed by Sainsbury's that it would not renew its contract for the provision of marketing materials. As a result an impairment charge of £2,500,000 has been recorded against the goodwill of Service Graphics in the 2017 financial period. These charges have been recorded in the Marketing Activation segment.

Following the loss of the HarperCollins contract, an impairment charge of £2,879,000 was recorded against non-current assets and inventories in the Books segment.

An impairment charge of £241,000 relating to obsolete software was recorded within the Strategic Marketing segment.

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

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

The Group incurred costs related to the acquisitions of FSP and TAB of £135,000 and £496,000 respectively, together with other costs of £60,000 related to acquisitions made in prior periods. Setup costs of £94,000 relate to new offices. These items are recorded in the Strategic Marketing segment.

Tax
In the current period, the tax credit of £5,694,000 (2016 – £3,931,000) relates to the items discussed above. This tax credit includes an adjustment of £786,000 relating to the disposal of a subsidiary in a prior period.

8. PENSION FINANCE CHARGE

	2017 £'000	2016 £'000
Investment income on defined benefit pension scheme assets (note 27)	**(8,436)**	(11,348)
Interest costs on defined benefit pension scheme obligations (note 27)	**9,074**	12,320
	638	972

9. OTHER FINANCE COSTS

	2017 £'000	2016 £'000
Interest on bank overdrafts and loans	**(3,017)**	(2,899)

10. TAX

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

	2017 £'000	2016 £'000
Total current tax charge:		
Current period	**(4,512)**	(5,468)
Adjustments in respect of prior periods	**682**	(27)
Total current tax charge	**(3,830)**	(5,495)
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	**4,761**	3,181
Adjustments in respect of prior periods	**(221)**	(77)
Total deferred tax credit (note 26)	**4,540**	3,104
Total income tax credit/(charge)	**710**	(2,391)

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

	2017 £'000	2016 £'000
Tax charge on Adjusted profit before tax	**(4,984)**	(6,322)
Tax credit on Adjusting Items	**5,694**	3,931
Total income tax credit/(charge)	**710**	(2,391)

The blended tax rate used above of 24.02% is based predominantly upon UK Corporation Tax (19.67%), US Federal Tax (35%) and US State taxes. Taxation for other jurisdictions is calculated at the statutory rates prevailing in the respective jurisdictions.

10. TAX CONTINUED

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

	2017 £'000	2016 £'000
Loss before tax	**(44,068)**	(5,714)
Tax calculated at a rate of 24.02% (2016 – 22.66%)	**10,585**	1,295
Non-deductible charges on impairment of assets	**(5,336)**	(2,469)
Expenses not deductible for tax purposes	**(7,486)**	(2,675)
Effect of tax deductible goodwill	**634**	423
Effect of change in United Kingdom corporate tax rate	**(287)**	538
Credit on research and development activities	**307**	214
Other foreign taxes	**–**	(150)
Movement in deferred tax on industrial buildings	**1,824**	430
Utilisation of tax losses not previously recognised	**9**	107
Adjustments in respect of prior periods	**460**	(104)
Total income tax credit/(charge)	**710**	(2,391)

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

	2017 £'000	2016 £'000
United Kingdom corporation tax credit at 19.67% (2016 – 20%)	**548**	415
Deferred tax on origination and reversal of temporary differences (note 26)	**(2,132)**	(960)
Total income tax charge	**(1,584)**	(545)

The Finance Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. In the Finance Act 2016, the Government announced further reductions in the main tax rate down to 17% effective from 1 April 2020, which was substantively enacted on 6 October 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

11. ACQUISITIONS

Solstice Consulting LLC

In March 2015, the Group acquired 100% of the equity stock of Solstice Consulting LLC ('Solstice'). The deferred consideration is payable in three tranches dependent upon the level of EBITDA achieved by Solstice for the calendar years ending 2016, 2017 and 2018.The estimated deferred consideration payable for the third tranche is £19,903,000.

The App Business Limited

In January 2016, the Group acquired 100% of the share capital in The App Business Limited ('TAB'). The deferred consideration is payable in four tranches dependent upon the level of EBITDA achieved by TAB for the years ending 30 April 2016, 30 April 2017, 30 April 2018 and 30 April 2019. The estimated deferred consideration for the second, third and fourth tranches is £16,087,000. A further £424,000 of deferred consideration payable is relation to the working capital of The App Business Limited. This is payable based on the submission of tax returns.

The estimated deferred consideration is treated as follows:

	Deferred consideration payable as at 28 July 2017 £'000	Deferred consideration accrued as share based payment in current and prior periods £'000	Deferred consideration treated as remuneration in future periods £'000	Total £'000
Solstice	9,670	1,940	8,293	19,903
TAB	5,826	1,451	8,810	16,087
TAB – working capital	424	–	–	424
	15,920	**3,391**	**17,103**	**36,414**

As at 28 July 2017, deferred/contingent consideration of £15,920,000 has been recorded in the Group's Consolidated Balance Sheet.

The movement in deferred consideration is as follows:

	£'000
Deferred consideration as at 29 July 2016	**1,772**
Amounts paid in current period	**(663)**
Deferred consideration charged in current period	**14,811**
Deferred consideration as at 28 July 2017	**15,920**

Sensitivity analysis
The significant unobservable input used in the fair value measurement of the deferred/contingent consideration payable is future incremental EBITDA of the acquired entity. Significant increases in incremental EBITDA would result in an increase in deferred consideration payable.

As at the balance sheet date the Group has recorded the maximum possible level of deferred consideration in respect of Solstice. A sensitivity analysis in respect of deferred/contingent consideration payable for TAB is as follows:

	TAB £'000
Maximum remaining deferred/contingent consideration payable	**24,031**
% increase in CGU's current EBITDA required to achieve maximum deferred/contingent consideration payable	**27%**

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

	2017 £'000
TAB – working capital	**469**
Hive – working capital	**194**
	663

12. DIVIDENDS

	Per share	2017 £'000	2016 £'000
Final dividend paid for the 52 weeks ended 31 July 2015	5.55p	**–**	7,515
Interim dividend paid for the 26 weeks ended 29 January 2016	2.35p	**–**	3,419
Final dividend paid for the 52 weeks ended 29 July 2016	5.45p	**7,777**	–
Interim dividend paid for the 26 weeks ended 27 January 2017	0.65p	**928**	–
Dividends paid during the period	–	**8,705**	10,934
Proposed final dividend at the period end of 1.30p per share (2016 – 5.45p per share)	1.30p	**1,857**	–

The proposed final dividend is subject to the approval by shareholders at the 2017 Annual General Meeting and has not been included as a liability in these financial statements.

13. EARNINGS PER SHARE
The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

Number of shares

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**142,642**	136,633
Effect of dilutive potential ordinary shares:		
Share options	**–**	930
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**142,642**	137,563

13. EARNINGS PER SHARE CONTINUED

Earnings per share

	2017		2016	
	Earnings/(loss) £'000	**Earnings/(loss) per share pence**	Earnings/(loss) £'000	Earnings/(loss) per share pence
Earnings/(loss) and basic earnings/(loss) per share				
Adjusted earnings and Adjusted basic earnings per share	**19,104**	**13.39**	24,059	17.61
Adjusting Items	**(62,462)**	**(43.79)**	(32,164)	(23.54)
Loss and basic loss per share	**(43,358)**	**(30.40)**	(8,105)	(5.93)
Earnings/(loss) and diluted earnings/(loss) per share				
Adjusted earnings and Adjusted diluted earnings per share	**19,104**	**13.39**	24,059	17.49
Adjusting Items	**(62,462)**	**(43.79)**	(32,164)	(23.38)
Loss and diluted loss per share	**(43,358)**	**(30.40)**	(8,105)	(5.89)

14. 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 31 July 2015	36,718	4,425	88,291	8,357	137,791
Acquisitions	–	216	87	65	368
Additions	134	1,150	3,800	1,193	6,277
Disposals	(6,367)	(150)	(2,886)	(731)	(10,134)
Reclassification – investment property	(13,241)	–	–	–	(13,241)
Reclassification – software	–	–	–	(222)	(222)
Foreign exchange	–	30	47	105	182
At 29 July 2016	17,244	5,671	89,339	8,767	121,021
Additions	–	256	2,283	526	3,065
Disposals	(6)	(150)	(1,939)	(154)	(2,249)
Reclassification – investment property	(1,733)	–	–	–	(1,733)
Reclassification – freehold property	179	(179)	(14)	14	–
Foreign exchange	–	3	(5)	3	1
At 28 July 2017	**15,684**	**5,601**	**89,664**	**9,156**	**120,105**
Accumulated depreciation and impairment:					
At 31 July 2015	11,051	2,292	70,107	6,100	89,550
Charge for the period	411	627	5,195	770	7,003
Disposals	(2,122)	(145)	(2,788)	(729)	(5,784)
Reclassification – investment property	(5,359)	–	–	–	(5,359)
Foreign exchange	–	(8)	17	43	52
At 29 July 2016	3,981	2,766	72,531	6,184	85,462
Charge for the period	297	572	4,053	1,037	5,959
Impairment	–	217	4,350	407	4,974
Disposals	(2)	(137)	(1,913)	(142)	(2,194)
Reclassification – freehold property	180	(180)	–	–	–
Reclassification – investment property	(321)	–	–	–	(321)
Foreign exchange	–	(2)	(8)	–	(10)
At 28 July 2017	**4,135**	**3,236**	**79,013**	**7,486**	**93,870**
Net book value:					
At 28 July 2017	**11,549**	**2,365**	**10,651**	**1,670**	**26,235**
At 29 July 2016	13,263	2,905	16,808	2,583	35,559

The Group has freehold land, included within property, plant and equipment, with a net book value of £2,165,000 (2016 – £3,934,000), which has not been depreciated. The amount of fully depreciated property, plant and equipment is £61,990,000 (2016 – £47,772,000).

Impairments to property, plant and equipment are detailed in note 7.

15. INVESTMENT PROPERTY

	Investment Property £'000
Cost or valuation:	
At 29 July 2016	11,346
Reclassification from freehold property	1,733
Reclassification to assets held for sale	(21)
Disposal	(13,058)
At 28 July 2017	**–**
Accumulated depreciation and impairment:	
At 29 July 2016	5,143
Charge	190
Reclassification from freehold property	321
Reclassification to assets held for sale	(10)
Disposals	(5,644)
At 28 July 2017	**–**
Net book value:	
At 28 July 2017	**–**
At 31 July 2016	6,203

As at 29 July 2016, the fair value of investment properties was £9,550,000. This was arrived at on the basis of a valuation carried out by Matthews & Goodman, independent valuers not connected with the Group. The valuation conforms to International Valuation Standards.

An amount in relation to rental income from investment properties of £926,925 (2016 – £909,000) has been recorded in the Consolidated Income Statement.

16. GOODWILL AND OTHER INTANGIBLE ASSETS

	£'000
Cost and carrying amount of goodwill:	
At 31 July 2015	137,488
Acquisitions	9,046
Impairment	(12,347)
Foreign exchange	1,446
At 29 July 2016	135,633
Impairment	(27,130)
Foreign exchange	173
At 28 July 2017	**108,676**

The goodwill impairment charge in the current period is detailed in note 7. The impairment charge of £12,347,000 in the prior year comprises £10,192,000 in respect of SP Group and £2,155,000 in respect of Tactical Solutions. The exchange rate movement of £173,000 is related to Solstice's goodwill, which is denominated in US Dollars.

16. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

Goodwill is allocated amongst the following cash-generating units ('CGUs'):

	2017 £'000	2016 £'000
Amaze	**11,551**	11,551
Branded3	**7,774**	7,774
Data Marketing	**15,748**	15,748
Fripp Sandeman and Partners	**668**	668
Hive	**15,062**	15,062
Incite	**601**	601
Pragma	**218**	218
Realise	**19,743**	19,743
Service Graphics	**12,452**	14,952
SP Group	**–**	21,130
Solstice	**14,449**	14,276
The App Business	**8,378**	8,378
Tactical Solutions	**2,032**	5,532
	108,676	135,633

SP Group, Service Graphics and Tactical Solutions are reported within the Marketing Activation segment. All other CGUs are reported within the Strategic Marketing segment. The Data Marketing CGU represents Occam and Response One.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Current period

The recoverable amounts of the CGUs are determined using a value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding discount rates, terminal growth rates and cash flow forecasts in the medium term. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The Group prepares cash flow forecasts derived from five year forecasts. These include Board approved two year forecasts for the financial periods 2018 and 2019 and forecasts based on a revenue growth rate of 2.6% for the financial periods 2020, 2021 and 2022. In addition, a terminal value has been included in the value-in-use calculation for each CGU.

The terminal growth rate used for each entity, and the growth rate used for the financial periods 2020, 2021 and 2022 was 2.6%, except for SP Group and Tactical Solutions, where Nil terminal growth was assumed. The terminal growth rate for CGUs other than SP and Tactical Solutions is calculated using a growth rate of 0.6% and a long-term inflation rate of 2.0% (in line with the Bank of England's target for this measure), giving a nominal growth rate of 2.6%.

The key assumptions used in the value-in-use calculations and the sensitivities to the short-term growth, key revenue growth and pre-tax discount rate assumptions are detailed below.

	Amaze	Branded3	Data Marketing	Hive	Incite	Pragma	Realise	Service Graphics	Solstice	Tactical Solutions	The App Business	Fripp Sandeman & Partners
Value-in-use assumptions:												
Pre-tax discount rate	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	11.8%	10.7%	10.7%	10.7%
Excess of value-in-use over carrying value (£'000)	9,145	13,414	2,089	4,593	27,473	11,680	8,845	–	87,051	–	44,931	6,099
Sensitivity of value-in-use to changes in key growth assumption:												
Cumulative revenue decline in five year forecast calculation resulting in potential impairment	6.3%	21.1%	1.1%	6.7%	139.7%	151.6%	5.0%	0.0%	27.3%	0.0%	24.1%	39.4%
Increase to pre-tax discount rate resulting in potential impairment	5.2%	14.1%	0.5%	3.5%	70.0%	80.2%	2.8%	0.0%	28.1%	0.0%	19.9%	43.2%

The goodwill in respect of SP Group has been fully impaired in the current period.

Reasonably possible changes in key assumptions
The projected revenue growth for Service Graphics is highly dependent on a limited number of key clients and is subject to the risk of pricing pressure exerted by retail clients. In event of the further loss of a key customer, this could result in a further impairment of between £4,500,000 and £6,500,000.

The projected revenue growth for Tactical Solutions is highly dependent on a limited number of key clients and is subject to the risk of further pricing pressure exerted by retail clients. A number of contracts are currently being re-tendered and the loss of a key customer could result in the full impairment of the goodwill and other intangible assets.

During the period the Data Marketing businesses were consolidated under a single management team in order to best support the expanding digital and data requirements of customers. The current priority within our Data Marketing businesses is to ensure that our offerings are fully compliant with, and so able to benefit from, the new General Data Protection Regulation ('GDPR') being implemented from May 2018. The impact of these new rules could have the potential to negatively impact the sector and so affect our five year forecasts and projected revenue growth rates. As outlined in the table above, the value-in-use calculation is highly sensitive to changes in forecast revenue and a reasonably possible reduction in revenue growth rates is likely to result in an impairment in goodwill and other intangible assets. At the present time, the impact of the introduction of GDPR cannot be quantified.

The US operations for the Hive CGU are currently at an early stage and are growing organically, as such the forecasts and projected revenue growth rates are very sensitive. As outlined in the table above, anything more than a 6.7% cumulative reduction in the five year growth forecast of Hive could result in an impairment of the Hive goodwill.

Prior period
The terminal revenue growth rate used for each entity in the prior period was 2.6%, except for SP Group, where a terminal growth of Nil was assumed. The pre-tax discount rate used in the prior period for Solstice, a US based subsidiary, was 10.01%. The pre-tax discount rate used for all the other entities was 10.23%.

Other intangible assets

	Computer software £'000	Customer relationships £'000	Proprietary techniques £'000	Trademarks £'000	Total £'000
Cost:					
At 31 July 2015	10,465	34,993	31,235	1,999	78,692
Acquisitions	125	1,192	13,187	1,073	15,577
Additions	486	–	–	–	486
Reclassifications	222	–	–	–	222
Disposals	(290)	–	–	–	(290)
Foreign exchange	38	281	1,493	159	1,971
At 29 July 2016	11,046	36,466	45,915	3,231	96,658
Additions	311	–	–	–	311
Disposals	(207)	–	–	–	(207)
Foreign exchange	–	23	121	13	157
At 28 July 2017	**11,150**	**36,489**	**46,036**	**3,244**	**96,919**
Accumulated amortisation and impairment:					
At 31 July 2015	9,148	17,752	5,989	151	33,040
Charge for the period	847	3,938	4,954	277	10,016
Impairment (note 7)	–	365	–	–	365
Disposals	(253)	–	–	–	(253)
Foreign exchange	25	70	147	14	256
At 29 July 2016	9,767	22,125	11,090	442	43,424
Charge for the period	675	3,769	5,834	346	10,624
Impairment (note 7)	308	–	–	–	308
Disposals	(207)	–	–	–	(207)
Foreign exchange	–	(7)	(14)	(1)	(22)
At 28 July 2017	**10,543**	**25,887**	**16,910**	**787**	**54,127**
Net book value:					
At 28 July 2017	**607**	**10,602**	**29,126**	**2,457**	**42,792**
At 29 July 2016	1,279	14,341	34,825	2,789	53,234

Impairments to other intangibles are detailed in note 7.

16. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

Other intangible assets continued

Customer relationship assets include customer contracts, order backlogs and non-contractual customer relationships. Proprietary techniques include models, algorithms and processes that are used to generate revenue from customers. These assets are recorded at fair value at the date of acquisition and are amortised over their estimated useful lives. Material customer relationships and proprietary techniques are disclosed below.

	Remaining amortisation period (months)	**2017 £'000**	2016 £'000
Customer relationships:			
Amaze	56	**2,249**	2,730
Incite	31	**2,553**	3,541
Response One	49	**4,398**	5,477
TAB	6	**298**	894
Solstice	19	**755**	1,217
Other customer relationships		**349**	482
		10,602	14,341

	Remaining amortisation period (months)	**2017 £'000**	2016 £'000
Proprietary techniques:			
Hive	21	**3,026**	4,754
Pragma	62	**1,244**	1,485
Realise	79	**5,768**	6,644
Solstice	91	**7,679**	8,589
TAB	102	**10,450**	11,680
Other proprietary techniques		**959**	1,673
		29,126	34,825

17. AVAILABLE FOR SALE ASSETS

	2017 £'000	2016 £'000
Carried at fair value:		
Unlisted shares	**3**	3
	3	3

As at 28 July 2017, the Group held a non-controlling interest of 9.0% in Ebeltoft Corporation Limited. These shares are not held for trading and accordingly are classified as available for sale. The Company previously also held a held a non-controlling interest of 10.0% in Wiforia Limited at £Nil, Wiforia Limited was dissolved during the period.

18. INVESTMENT IN JOINT ARRANGEMENT

	Net assets of joint arrangement £'000
Balance at 29 July 2016	94
Additions	156
Settlement	(63)
Share of results of joint arrangement	355
Foreign exchange	(25)
Balance at 28 July 2017	**517**

The Group holds a 50% interest in Loop LLC, incorporated in Chicago, USA. The principal operation of the Company is a commerce consultancy specialising in Hybris software integration. During the period, the Group loaned additional funds of £156,000 to Loop LLC.

19. INVENTORIES

	2017 £'000	2016 £'000
Raw materials	**3,762**	5,170
Work-in-progress	**1,927**	2,235
Finished products	**564**	77
	6,253	7,482

An impairment of £646,000 to raw materials was recorded in the Books segment following the loss of the HarperCollins contract. There were no material write-downs of inventories in the prior period.

20. OTHER FINANCIAL ASSETS

Trade and other receivables

	2017 £'000	2016 £'000
Amounts receivable for the sale of goods and services	**72,501**	70,153
Allowance for doubtful debts	**(1,991)**	(1,326)
Trade receivables	**70,510**	68,827
Accrued income	**11,905**	11,374
Other receivables	**2,396**	4,103
Prepayments and other assets	**6,252**	6,457
	91,063	90,761

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Non-current assets

	2017 £'000	2016 £'000
Other receivables	**13**	374

Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	**25,651**	11,835

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets

	2017 £'000	2016 £'000
Forward foreign currency contracts	**45**	–

Derivative financial liabilities

	2017 £'000	2016 £'000
Forward foreign currency contracts	**17**	535

All forward foreign currency contracts are designated and effective as hedging instruments.

22. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	**41,733**	40,259
Accruals for goods and services	**14,860**	16,048
Other taxes, social security and employee related liabilities	**16,981**	13,078
Other payables	**5,965**	7,101
	79,539	76,486

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

23. LOANS

	2017 £'000	2016 £'000
Bank loans (all repayable within six months)	**80,245**	92,595

Bank loans
During the current period the Group reduced its revolving credit facility to £95 million supplemented by a term loan of £30 million and increased its maximum leverage covenant condition (net debt to Adjusted EBITDA) for the remaining duration of the facility. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.65% and 2.60%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

As at 28 July 2017, the Group's outstanding loans within this facility were £80.2 million (2016 – £92.6 million). The undrawn portion of this facility at 28 July 2017 was £44.8 million (2016 – £32.4 million).

Subsequent to the period end the Group reduced its term loan facility by £5.5 million to £24.5 million.

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

24. DEFERRED INCOME

	2017 £'000	2016 £'000
Advance billings and other deferred income – current	**7,141**	6,206

25. PROVISIONS

	Provision for repairs £'000	Provision for reorganisation £'000	Other £'000	Total £'000
Balance at 31 July 2015	1,969	71	100	2,140
Charged to the Consolidated Income Statement	93	–	38	131
Acquisitions	216	–	–	216
Utilised during the period	(93)	(40)	(138)	(271)
Balance at 29 July 2016	2,185	31	–	2,216
Charged to the Consolidated Income Statement	106	850		956
Utilised during the period	(80)	(881)	–	(961)
Balance at 28 July 2017	**2,211**	**–**	**–**	**2,211**
Current	388	–	–	388
Non-current	1,823	–	–	1,823
	2,211	**–**	**–**	**2,211**

Provision for repairs
Where the Group is committed under the terms of a lease to make repairs to leasehold premises, a provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between 2018 and 2025.

Provision for reorganisation
The provision for reorganisation related primarily to the remaining costs in respect of plant closures and reorganisation and comprises redundancy payments, plant relocation, onerous property and other costs, and was settled by the end of the 2017 financial period.

26. DEFERRED TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 17% for UK operations (2016 – 18%) and 40% for US operations (2016 – 40%).

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

	2017 £'000	2016 £'000
At the beginning of the period	**3,259**	2,679
Acquisitions	**–**	2,684
Credit to the Consolidated Income Statement (note 10)	**(4,540)**	(3,104)
Items taken to Other Comprehensive Income (note 10)	**2,132**	960
Items taken directly to equity	**63**	231
Foreign exchange	**7**	(191)
At the end of the period	**921**	3,259

The individual movements in deferred tax liabilities/(assets) are as follows:

	Accelerated tax depreciation £'000	Retirement benefits obligations £'000	Rolled over capital gains £'000	Short-term timing differences £'000	Share options £'000	Acquired intangible assets £'000	Total £'000
Balance at 31 July 2015	2,660	(5,520)	80	(815)	(749)	7,023	2,679
Acquisitions	65	–	1		–	2,619	2,685
(Credit)/charge to the Consolidated Income Statement	(820)	(191)	–	(3)	411	(2,502)	(3,105)
Items taken directly to Other Comprehensive Income	–	960	–	–	–	–	960
Items taken directly to equity	–	–	–	–	231	–	231
Foreign Exchange	(30)	–	–	–	–	(161)	(191)
Balance at 29 July 2016	1,875	(4,751)	81	(818)	(107)	6,979	3,259
(Credit)/charge to the Consolidated Income Statement	(2,078)	(108)	(12)	(242)	14	(2,114)	(4,540)
Items taken directly to Other Comprehensive Income	–	2,132	–	–	–	–	2,132
Items taken directly to equity	–		–	–	63	–	63
Foreign Exchange	2	–	–	–	–	5	7
Balance at 28 July 2017	**(201)**	**(2,727)**	**69**	**(1,060)**	**(30)**	**4,870**	**921**

Deferred tax assets and liabilities are classified in the balance sheet as follows:

	2017 £'000	2016 £'000
Deferred tax assets	**(375)**	(232)
Deferred tax liabilities	**1,296**	3,491
	921	3,259

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:

	2017 £'000	2016 £'000
Unrecognised deferred tax in respect of trading losses	**401**	401
Unrecognised deferred tax in respect of capital losses	**1,833**	1,643
	2,234	2,044

27. RETIREMENT BENEFITS

Defined contribution schemes

The Group operates defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under control of the trustees. Payments to the schemes are expensed to the Consolidated Income Statement as they fall due. The total expense recognised in the Consolidated Income Statement for continuing operations of £3,826,000 (2016 – £3,859,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 28 July 2017, contributions of £628,000 (2016 – £615,000) due in respect of the 2017 reporting period had not been paid over to the schemes. The amounts were paid over subsequent to the balance sheet date, within the requisite time limits.

St Ives Defined Benefits Pension Scheme

The Group operates the St Ives Defined Benefits Pension Scheme (the 'Scheme') with assets held in separate trustee administered funds. Pension benefits are linked to a member's final salary at retirement and their length of service. The Scheme was closed to new entrants from 6 April 2002, and closed to future benefit accruals with effect from 31 August 2008.

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

The Scheme was established from 30 September 1988 under trust and is governed by the Scheme's trust deed and rules dated 23 April 1991 and subsequent amendments. The Directors of St Ives Pension Scheme Trustees Limited ('the Trustees') are responsible for the operation and the governance of the Scheme, including making decisions regarding the Defined Benefits Pension Scheme's funding and investment strategy in conjunction with the Company.

The most recent full actuarial valuations of the scheme assets and the present value of the defined benefits obligations were carried out as at April 2016 by Jonathan Punter, Fellow of the Institute of Actuaries, of Punter Southall & Co Limited, who is independent of the Group. The valuation was updated as at 28 July 2017, and has been calculated on the method and principles agreed for the 6 April 2016 valuation but allowing for the market prices and yields at 28 July 2017 and updated membership data as at 28 July 2017.

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:

	2017 Per annum	2016 Per annum
Discount rate	**2.60%**	2.50%
Expected rate of inflation	**3.05%**	2.60%
Expected rate of salary increases	**nil**	nil
Future pension increases	**2.90%**	2.55%

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

	2017		2016	
	Male	**Female**	Male	Female
Members retiring immediately	**21.5**	**23.4**	21.7	23.5
Members retiring in 20 years' time	**22.9**	**24.9**	23.2	25.1

The amount recognised in the Consolidated Balance Sheet in respect of the Scheme's liabilities is as follows:

	2017 £'000	2016 £'000
Present value of funded obligations	**370,535**	370,472
Fair value of scheme assets	**(354,494)**	(344,078)
Retirement benefits obligations	**16,041**	26,394

Amounts recognised in the Consolidated Income Statement in respect of the Scheme as Adjusting Items are as follows:

	2017 £'000	2016 £'000
Scheme administrative costs (note 7)	**756**	582
Settlement credits (note 7)	**–**	(198)
Interest costs on defined benefit pension scheme obligations (note 8)	**9,074**	12,320
Investment income on defined benefit pension scheme assets (note 8)	**(8,436)**	(11,348)
	1,394	1,356

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the Scheme are as follows:

	2017 £'000	2016 £'000
Net measurement – losses – financial	**14,225**	52,091
Net measurement – gains – experience	**(2,440)**	(21,129)
Net measurement – gains – demographic	**(5,687)**	–
Return on assets, in excess of interest income, recorded in the Consolidated Income Statement	**(15,056)**	(31,045)
	(8,958)	(83)

Changes in the present value of the Scheme obligations are as follows:

	2017 £'000	2016 £'000
Opening Scheme obligations	**370,472**	338,634
Interest cost	**9,074**	12,320
Net measurement – losses – financial	**14,225**	52,091
Net measurement – gains – demographic	**(5,687)**	–
Net measurement – gains – experience	**(2,440)**	(21,129)
Settlement adjustments	**–**	(1,333)
Benefits paid	**(15,109)**	(10,111)
Closing Scheme obligations	**370,535**	370,472

No additional liability is recognised in respect of the recovery plan as the Group has an unconditional right to a refund of any surplus in the Defined Benefits Pension Scheme at the end of the Scheme's duration.

Changes in the fair value of the Scheme assets are as follows:

	2017 £'000	2016 £'000
Opening fair value of Scheme assets	**344,078**	311,037
Interest income on Scheme assets	**8,436**	11,348
Return on asset, in excess of interest income, recorded in the Consolidated Income Statement	**15,056**	31,045
Contributions by employer	**2,789**	2,476
Benefits paid	**(15,109)**	(10,111)
Settlement adjustments	**–**	(1,135)
Scheme administrative cost	**(756)**	(582)
Closing fair value of Scheme assets	**354,494**	344,078

27. RETIREMENT BENEFITS CONTINUED

St Ives Defined Benefits Pension Scheme continued

The fair value of the Scheme assets at the balance sheet date is analysed as follows:

	Value at 28 July 2017 £'000	Value at 29 July 2016 £'000
Equity instruments	**196,080**	183,789
Bonds	**151,381**	151,948
Other	**7,033**	8,341
	354,494	344,078

The Scheme's assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The Scheme exposes the Group to actuarial risks such as market (investment) risk, interest rate risk, inflation risk and longevity risk. The Scheme does not expose the Group to any unusual scheme-specific or company-specific risk.

Investment risk: the Scheme holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long-term, any short-term volatility could cause additional funding to be required. Derivative contracts are used from time to time which would limit losses in the event of a fall in equity markets.

Interest rate risk: the Scheme's liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised as an Adjusting Item in the Consolidated Income Statement is also calculated using the market rate of interest. The Scheme's swap investments are expected to provide a degree of protection from any movement in the market rate of interest.

Inflation risk: a significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a hedge against inflation over the long term, rising inflation over the short-term could lead to an increase in the deficit. The Scheme's swap investments are expected to provide a degree of protection from any short-term inflationary movements.

Mortality risk: in the event that members live longer than assumed the liabilities may be understated, and thus increasing any deficit.

A sensitivity analysis of the principal assumptions used to measure the Scheme's obligation as at 28 July 2017 is analysed as follows:

	Change in assumption	Impact on the defined benefits pension obligation
Discount rate	**Increase by 0.5%**	Decrease by 9%
Rate of Inflation ('RPI')	**Increase by 0.5%**	Increase by 7%
Assumed life expectancy at age 65	**Increase by 1 year**	Increase by 4%

The Scheme's investment strategy is to invest broadly 65% in return-seeking assets and 35% in matching assets (mainly government bonds). The strategy reflects the Scheme's liability profile and the Trustees' and Group's attitude to risk.

As at 28 July 2017 55% of the plan assets are quoted in active markets and 45% are un-quoted.

The last funding valuation of the Scheme was as at 6 April 2016 and revealed a funding deficit of £42,800,000. The Company has agreed to pay £3,400,000 over the year to 31 March 2018 and then £2,600,000 per year with a view to eliminating the shortfall by August 2026. The Company has also agreed to pay £400,000 per year towards the cost of running the Scheme.

The liabilities of the Scheme are based on the current value of expected benefit payment cash flows to members of the Scheme over the next 75 years. The average duration of the liabilities is approximately 20 years.

28. FINANCIAL INSTRUMENTS

The fair value measurement hierarchy for financial instruments is as follows:

Financial instrument category	Note	Classification	Amortised cost £'000	Fair value through profit and loss £'000
Investment property	15	Investment property	–	–
Available for sale investments	17	Available-for-sale financial assets	–	3
Trade and other receivables	20	Loans and receivables	91,063	–
Cash and cash equivalents	20	Loans and receivables	25,651	–
Trade and other payables	22	Other financial liabilities	79,539	–
Derivative financial instruments – Assets	21	Derivative instrument	–	45
Derivative financial instruments – Liabilities	21	Derivative instrument	–	17
Deferred consideration payable	11	Other financial liabilities	–	15,920
Bank borrowings	23	Other financial liabilities	80,245	–

29. FINANCIAL RISK MANAGEMENT

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

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

As at 28 July 2017, the Group's borrowings consisted of various loan drawdowns under the Group's revolving multicurrency banking facility. All of the Group's borrowings were repayable within three months and so were set to mature within twelve months of the period end.

The loan drawdowns are interest bearing and are recorded on an undiscounted basis. Under the terms of the current facility the Group has the right to renew these borrowings until the expiration of the facility.

Interest rate risk

The Group carries a cash flow risk where there are changes in the interest rate levied on the Group's borrowings as currently interest on the Group's borrowings is at floating rates. The Group finances its operations through a mixture of retained earnings and bank borrowings. Group policy is to constantly review the exposure risk to interest rate fluctuations in relation to the risk as a proportion of Group earnings and wherever possible with matching short-term deposits of surplus funds. The Group is not subject to fair value interest rate risk as the majority of debt is at floating rates.

Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk by currency is set out below:

Financial assets subject to interest rate risk

	2017 £'000	2016 £'000
Sterling	**18,341**	5,262
US Dollar	**5,563**	3,716
Euro	**1,477**	2,734
Singapore Dollar	**68**	50
Argentine Peso	**106**	72
Chinese Yuan	**96**	1
	25,651	11,835

The Group's financial assets comprise cash and cash equivalents, all of which attract interest at the relevant base rate.

Financial liabilities subject to interest rate risk

	2017 £'000	2016 £'000
Sterling bank loans	**65,000**	70,000
US Dollar bank loans	**15,245**	22,595
	80,245	92,595

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.

29. FINANCIAL RISK MANAGEMENT CONTINUED

Interest rate sensitivity analysis

The analysis shows the additional charge to the Consolidated Income Statement assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the entire period.

	2017 £'000	2016 £'000
100% movement in Sterling LIBOR	**230**	457

The changes would not have impacted other equity reserves as all interest bearing financial assets and liabilities are subject to floating interest rates and their fair values do not fluctuate with changes in interest rates.

Foreign exchange risk

From time to time the Group enters into contracts to supply goods and services to customers trading in following regions:

- Europe at prices denominated in Euros
- USA at prices denominated in US Dollars
- Singapore at prices denominated in Singapore Dollars
- China at prices denominated in Chinese Yuan

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.

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 28 July 2017, 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 £28,000. It is anticipated that the sales receipts will occur in the twelve months following the balance sheet date.

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	Notional value £'000
Sell US Dollars (up to 12 months)	1.28	1,531	1,195	1,167
Sell Euros (up to 12 months)	1.13	841	742	742

Exchange rate sensitivity analysis

As at 28 July 2017, $20 million dollars were drawn in US Dollars on the revolving credit facility. The cash element of the third tranche of the deferred/contingent consideration payable in respect of Solstice (up to £19,903,000), is likely to be settled between March 2018 and August 2018 and is payable in US Dollars and St Ives ordinary shares. Both of these liabilities are subject to exchange rate risk.

If the value of Sterling were to decrease by 4% versus the US Dollar the amount payable would change as follows:

	£'000
US Dollar bank loan	15,855
Solstice deferred/contingent consideration	20,290

Subsequent to the period end, the Group is highly likely to increase the maximum deferred/contingent consideration payable for the third tranche for Solstice acquisition at £19,903,000. The Group entered into a combination of forward contracts and options to hedge the currency risk associated with the deferred/contingent consideration estimated which is to be settled in St Ives ordinary shares and cash in US Dollars.

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's credit risk is relatively low as the Group maintains credit insurance for all of its UK and US operations up to a maximum aggregate claim in any one year of £15 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 £6.0 million (2016 – £7.2 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

	2017 £'000	2016 £'000
Between 0 and 59 days	**318**	85
Between 60 and 89 days	**3**	662
Between 90 and 119 days	**332**	161
120 days and above	**1,338**	418
	1,991	1,326

Movement in the allowance for doubtful debts

	2017 £'000	2016 £'000
Balance at the beginning of the period	**1,326**	1,408
Impairment losses recognised	**1,126**	208
Amounts written off as uncollectible	**(319)**	(205)
Impairment losses reversed	**(142)**	(85)
Balance at the end of the period	**1,991**	1,326

In determining the recoverability of a trade receivable the Group considers any change in the quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated, and being covered by credit insurance arrangements. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of past due but not impaired receivables

	2017 £'000	2016 £'000
Ageing of past due but not impaired:		
Between 0 and 59 days	**4,826**	6,353
Between 60 and 89 days	**1,108**	885
Between 90 and 119 days	**100**	–
	6,034	7,238

Liquidity risk
The Group's policy is to maintain flexibility with respect to its liquidity position, by utilising short-term cash deposits and, where necessary, short-term bank borrowings for working capital and longer-term borrowings for capital expenditure requirements. The Group renegotiated its revolving multicurrency facility from £115 million to £125 million in the prior period. The agreement includes an overdraft facility of £15 million to fund short-term working capital requirements. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 23.

29. FINANCIAL RISK MANAGEMENT CONTINUED

Capital risk management

The Group manages its capital to ensure that entities in the Group will each be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Board have reviewed and discussed the Group's funding requirements and concluded that the Group is well served by its current funding arrangements and do not see any need to adjust the Group's capital in order to meet its objectives.

During the current period the Group reduced its revolving credit facility to £95 million supplemented by a term loan of £30 million and increased its maximum leverage covenant condition (net debt to Adjusted EBITDA) for the remaining duration of the facility. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.65% and 2.60%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

Subsequent to the period end the Group reduced its term loan facility by £5.5 million to £24.5 million.

The Group is subject to covenants on its borrowings (further discussed in the financial review on page 21) which could be considered an externally imposed capital requirement. The Board continually monitor the Group's performance against its banking covenants and undertake monthly reviews of working capital, cash forecast, deferred/contingent consideration and headroom on banking covenants. At the period end the Group's leverage ratio was 1.6 times and interest cover of 9 times. The Group has fully complied with the requirement of these covenants during the period under review and expects to continue to do so.

30. SHARE CAPITAL

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid:		
At 29 July 2016	142,440,923	14,244
Issued in the period	403,753	40
At 28 July 2017	**142,844,676**	**14,284**

All authorised and issued share capital is represented by equity shareholdings. The number of issued St Ives plc ordinary shares as at 2 October 2017 was 142,844,676.

The 403,753 shares issued during the period were in relation to the exercise of SAYE options, as detailed in note 35.

31. ADDITIONAL PAID-IN CAPITAL

	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Total £'000
Balance at 31 July 2015	46,996	7,287	1,238	55,521
Issue of share capital	12,716	–	–	12,716
Acquisitions	–	1,334	–	1,334
Transfer of contingent consideration deemed as remuneration	–	97	–	97
Recognition of share-based payments	127	–	–	127
Balance at 29 July 2016	59,839	8,718	1,238	69,795
Transfer of contingent consideration deemed as remuneration	–	225	–	225
Settlement of share-based payments	398	–	–	398
Balance at 28 July 2017	**60,237**	**8,943**	**1,238**	**70,418**

The additional paid in capital includes share premium, the capital redemption reserve and the merger reserve. The capital redemption reserve represents the buyback of the St Ives plc ordinary shares in prior periods. The merger reserve was derived from acquisitions made in prior periods.

32. OTHER RESERVES

Other reserves in the Consolidated Statement of Changes in Equity is made up of additional paid in capital as detailed in note 31 opposite along with the following:

ESOP reserve representing St Ives ordinary shares held in the Group's Employee Benefit Trust.

A portfolio of treasury shares consisting of 90,637 St Ives plc ordinary shares held by the Company as at 28 July 2017 (2016 – 90,637 St Ives plc ordinary shares).

Share option reserve representing cumulative charge related to the options granted to Group's employees on St Ives plc ordinary shares.

Hedging and translation reserve which includes amounts relating to foreign translation differences arising on the retranslation of reserves due to the Group's presentation in Sterling.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of cash generated from operations

	2017 £'000	2016 £'000
Loss from continuing operations	**(40,413)**	(1,843)
Adjustments for:		
Depreciation of property, plant and equipment	**6,149**	7,201
Share of (profit)/loss from joint arrangement	**(355)**	122
Impairment losses	**33,058**	12,712
Amortisation of intangible assets	**10,624**	10,016
(Profit)/loss on disposal of property, plant and equipment	**(2,818)**	1,484
Share-based payment charge/(credit)	**70**	(238)
Settlement of share-based payments	**–**	108
Net increase in derivative liabilities	**–**	(175)
Decrease in Defined Benefits Pension Scheme obligations (note 27)	**(2,789)**	(2,278)
Re-measurement of deferred consideration	**7,362**	(781)
Charge for contingent consideration required to be treated as remuneration	**15,550**	8,220
(Decrease)/increase in provisions	**(5)**	55
Operating cash inflows before movements in working capital	**26,433**	34,603
Increase in receivables	**(130)**	(9,572)
Decrease/(increase) in inventory	**583**	(880)
Increase in payables	**2,852**	3,992
Increase/(decrease) in deferred income	**948**	(912)
Net decrease in provision for deemed remuneration	**–**	(3,581)
Cash generated from operations	**30,686**	23,650

Analysis of net debt

	29 July 2016 £'000	Cash flow £'000	Foreign exchange gains/(losses) £'000	**28 July 2017 £'000**
Cash and cash equivalents	11,835	11,457	2,359	**25,651**
Bank loans	(92,595)	15,000	(2,650)	**(80,245)**
	(80,760)	26,457	(291)	**(54,594)**

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

At 28 July 2017, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2017 Land and buildings £'000	**2017 Other £'000**	2016 Land and buildings £'000	2016 Other £'000
Within one year	**7,920**	**1,902**	6,124	1,116
Between one and five years	**18,433**	**4,668**	16,945	1,593
After five years	**2,277**	**179**	2,543	–
	28,630	**6,749**	25,612	2,709

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 11 November 2013 that did not vest before 31 July 2004 as detailed below:

Long-Term Incentive Plan 2010 ('LTIP')

Executive Directors and certain members of senior management have been granted nil-cost share options under the Company's long term incentive plan. Details of the LTIP are included on page 48 of the Directors' Remuneration Report.

	2017 '000	2016 '000
Number of options		
Outstanding at the beginning of the period	**2,643**	2,961
Granted during the period	**1,536**	1,208
Lapsed during the period	**(949)**	(92)
Exercised during the period	**–**	(1,434)
Outstanding at the end of the period	**3,230**	2,643
Exercisable at the end of the period	**–**	–
Estimated % of options vesting over next three years	**0%**	0%

The fair value of the options granted in the current period under the LTIP scheme were measured using a Black-Scholes option pricing model. The inputs to the model are:

	LTIP
Weighted average mid-market share price	£1.30
Weighted average exercise price	£Nil
Expected life	3 years
Expected volatility	28.31%
Risk free rate	2.00%
Dividend yield	5.00%
Weighted average fair value of the options	£1.13

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 49 of the Directors' Remuneration Report.

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

	Number of options		Weighted average exercise price	
	2017 '000	2016 '000	**2017 £**	2016 £
Outstanding at the beginning of the period	**680**	835	**1.09**	1.03
Granted during the period	**1,335**	–	**1.18**	–
Lapsed during the period	**(282)**	(48)	**1.09**	1.05
Exercised during the period	**(404)**	(107)	**1.09**	0.69
Outstanding at the end of the period	**1,329**	680	**1.18**	1.09
Exercisable at the end of the period	**–**	680	**–**	1.09

In addition, the Group recognised a charge of £70,000 (2016 – credit of £236,000) relating to equity-settled share-based payments other than in the context of acquisitions. The exercise price of options outstanding at 28 July 2017 ranges between £Nil and £1.18.

Share-based contingent consideration required to be treated as remuneration
The Group recognised a share-based charge of £6,969,000 (2016 – £5,143,000) relating to contingent consideration for the acquisition of Strategic Marketing businesses, which is recorded as part of deemed remuneration in Adjusting Items (note 7).

The Group acquired several entities in prior periods for which consideration was paid partly in the form the of St Ives ordinary shares. The shares were contingent on continuous employment of certain former shareholders and are treated as share-based payment, in accordance with IFRS 2. These are as described as follows:

Realise Limited

	2017 '000	2016 '000
Number of options		
Outstanding at the beginning of the period	**1,042**	1,495
Exercised during the period	**(769)**	(453)
Outstanding at the end of the period	**273**	1,042
Exercisable at the end of the period	**–**	–
Estimated % of options vesting over next three years	**100%**	100%

The fair value of the options granted were measured using a Black-Scholes option pricing model. The inputs to the model were:

	2017
Weighted average mid-market share price	**£1.82**
Weighted average exercise price	**£Nil**
Expected life	**24-36 months**
Expected volatility	**28.31%**
Risk free rate	**2%**
Dividend yield	**0%**
Weighted average fair value of the options	**£1.82**

35. SHARE-BASED PAYMENTS CONTINUED

The Health Hive Group Limited

	2017 '000	2016 '000
Number of options		
Outstanding at the beginning of the period	**1,358**	1,941
Lapsed during the period	**(6)**	–
Exercised during the period	**(968)**	(583)
Outstanding at the end of the period	**384**	1,358
Exercisable at the end of the period	**–**	–
Estimated % of options vesting over next three years	**100%**	100%

The fair value of the options granted were measured using a Black-Scholes option pricing model. The inputs to the model were:

	2017
Weighted average mid-market share price	**£1.72**
Weighted average exercise price	**£Nil**
Expected life	**24-36 months**
Expected volatility	**28.31%**
Risk free rate	**2%**
Dividend yield	**0%**
Weighted average fair value of the options	**£1.72**

Solstice Consulting LLC

	2017 '000	2016 '000
Number of options		
Outstanding at the beginning of the period	**7,873**	8,220
Exercised during the period	**(815)**	(347)
Outstanding at the end of the period	**7,058**	7,873
Exercisable at the end of the period	**–**	–
Estimated % of options vesting over next three years	**100%**	100%

The fair value of the options granted were measured using a Black-Scholes option pricing model. The inputs to the model were:

	2017
Weighted average mid-market share price	**£0.73**
Weighted average exercise price	**£Nil**
Expected life	**24-48 months**
Expected volatility	**28.31%**
Risk free rate	**2%**
Dividend yield	**0%**
Weighted average fair value of the options	**£0.73**

Fripp, Sandeman & Partners Limited

	2017 '000	2016 '000
Number of options		
Outstanding at the beginning of the period	**274**	–
Granted during the period	**–**	274
Exercised during the period	**(68)**	–
Outstanding at the end of the period	**206**	274
Exercisable at the end of the period	**–**	–
Estimated % of options vesting over next three years	**100%**	100%

The fair value of the options granted were measured using a Black-Scholes option pricing model. The inputs to the model were:

	2017
Weighted average mid-market share price	**£1.80**
Weighted average exercise price	**£Nil**
Expected life	**24-36 months**
Expected volatility	**28.31%**
Risk free rate	**2%**
Dividend yield	**0%**
Weighted average fair value of the options	**£1.80**

The App Business Limited

	2017 '000	2016 '000
Number of options		
Outstanding at the beginning of the period	**7,587**	–
Granted during the period	**–**	7,587
Exercised during the period	**(603)**	–
Outstanding at the end of the period	**6,984**	7,587
Exercisable at the end of the period	**–**	–
Estimated % of options vesting over next three years	**100%**	100%

The fair value of the options granted were measured using a Black-Scholes option pricing model. The inputs to the model were:

	2017
Weighted average mid-market share price	**£0.93**
Weighted average exercise price	**£Nil**
Expected life	**24-48 months**
Expected volatility	**28.31%**
Risk free rate	**2%**
Dividend yield	**0%**
Weighted average fair value of the options	**£0.93**

36. HEDGING AND TRANSLATION RESERVES

Hedging reserve and translation reserve

The reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges and the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being Sterling.

Gains and losses transferred from the hedging and translation reserves into Consolidated Income Statement during the period are included in the following line items in the Consolidated Income Statement:

	2017 £'000	2016 £'000
Revenue	**(138)**	127

37. 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.

No other executive officers of the Company or their associates had material transactions with the Group during the period.

The Group earned revenue of £805,000 from Loop Integration LLC and the Group incurred £Nil charges for services received. At the reporting date, Loop Integration LLC owed the Group £26,000.

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2017 £'000	2016 £'000
Short-term employee benefits	**962**	926
Post-employment benefits	**95**	108
	1,057	1,034

38. RESTATEMENT

Previously the Group reported the employee costs of the Insight businesses, part of Strategic Marketing segment, under administrative expenses. The Group's accounting policy is to include these types of costs within cost of sales and, accordingly, the comparatives have been re-stated to ensure consistency.

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

	52 weeks to 29 July 2016		
	Before Adjustments £'000	Adjustments £'000	Restated £'000
Adjusted Results:			
Cost of sales	249,730	12,738	262,468
Administrative expenses	59,570	(12,738)	46,832
Statutory Results:			
Cost of sales	249,730	12,738	262,468
Administrative expenses	93,042	(12,738)	80,304

There is no impact on the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet or Consolidated Cash Flow for the comparatives.

39. POST BALANCE SHEET EVENT

Subsequent to the period end, the Group reduced its term-loan by £5.5 million to £24.5 million.

In addition, the Group was informed by Sainsbury's that it would not renew its contract for the provision of marketing materials, as a result an impairment charge of £2,500,000 has been recorded against goodwill in the Marketing Activation segment in the 2017 financial period.

40. LIST OF UNDERTAKINGS

The principal trading subsidiaries of the Company, held directly or indirectly, as at 28 July 2017 are shown below:

		Nature of business	Location	Place of incorporation
Amaze Limited	a	Strategic Marketing	Manchester & other UK sites	England and Wales
Amaze Europe Limited	a	Strategic Marketing	Manchester & other UK sites	England and Wales
Amaze Communication Services Limited	a	Strategic Marketing	Manchester & other UK sites	England and Wales
My Bench Limited	a	Strategic Marketing	Chilcompton	England and Wales
Branded3 Search Limited	a	Strategic Marketing	Leeds	England and Wales
Clays Limited	a	Books	Bungay	England and Wales
eBee Limited	a	Strategic Marketing	London	England and Wales
Flare Limited	a	Strategic Marketing	Flintshire	England and Wales
Fripp, Sandeman and Partners Limited	a	Strategic Marketing	High Wycombe	England and Wales
Incite Marketing Planning Limited	a	Strategic Marketing	London	England and Wales
Incite Marketing Planning (Shanghai) Co. Ltd	b	Strategic Marketing	Shanghai	China
Incite Marketing Planning Singapore PTE. LTD	c	Strategic Marketing	Singapore	Singapore
Incite New York LLC	d	Strategic Marketing	New York	United States of America
Occam DM Limited	a	Strategic Marketing	Chilcompton	England and Wales
Pollen Health Limited	a	Strategic Marketing	London	England and Wales
Pragma Consulting Limited	a	Strategic Marketing	London	England and Wales
Realise Limited	e	Strategic Marketing	Edinburgh	Scotland
Response One Limited	a	Strategic Marketing	Bath	England and Wales
Service Graphics Limited	a	Marketing Activation	London & other UK sites	England and Wales
Solstice Consulting LLC	f	Strategic Marketing	Illinois	United States of America
Solstice Mobile Argentina Srl	g	Strategic Marketing	Buenos Aires	Argentina
SP Group Limited	a	Marketing Activation	Redditch	England and Wales
St Ives Management Services Limited	a	Marketing Activation	London	England and Wales
The App Business Limited	a	Strategic Marketing	London	England and Wales
The Health Hive Limited	a	Strategic Marketing	London	England and Wales
The Health Hive (US) LLC	a	Strategic Marketing	New York	United States of America
Tactical Solutions UK Limited	a	Marketing Activation	Flintshire	England and Wales

In addition, the Company held, directly or indirectly, a number of non-trading companies as at 28 July 2017:

Amaze (Holdings) Limited	a	St Ives Direct Edenbridge Limited	a
Amaze Communication Services (Holdings) Limited	a	St Ives Direct Leeds Limited	a
Amaze Technology Limited	a	St Ives Financial Limited	a
Okana Systems Limited	a	St Ives Holdings Limited	a
Pragma Holdings Limited	a	St Ives Illinois LLC	a
Realise Holdings Limited	e	St Ives Marketing Services (Delaware) LLC	a
Response One Holdings Limited	a	St Ives Marketing Services Limited	a
Solstice Consulting Argentina LLC	f	St Ives Pension Scheme Trustees Limited	a
Solstice Consulting Latin America LLC	f	St Ives Westerham Press Limited	a
SouthWest Mailing Limited	a	Pollen Health (US) LLC	a
St Ives Blackburn Limited	a	The Health Hive Group Limited	a
St Ives Direct Limited	a		

a – Registered office; One Tudor Street, London EC4Y 0AH, United Kingdom
b – Registered office; Room 2207B, 22/F, Tower III, No. 1228 Middle Yan An Road, Jing An District, Shanghai, People's Republic of China
c – Registered office; 36 Armenian Street #04-02 Singapore 179934
d – Registered office; 125 Park Avenue, New York, NY10017, United States of America
e – Registered office; Quay House, 142 Commercial Street, Edinburgh EH6 6LB, United Kingdom
f – Registered office; 111 N Canal St, Suite 500, Chicago, IL 60606, United States of America
g – Registered office; Solstice Argentina, Aguirre 1169, Ciudad Autonoma de Buenos Aires, Argentina

	Note	**28 July 2017 £'000**	29 July 2016 £'000
Fixed assets			
Tangible assets	5	**506**	673
Intangible assets	6	**305**	425
Investment property	7	**11,617**	19,265
Investments	8	**277,595**	291,834
		290,023	312,197
Current assets			
Debtors			
Due within one year	9	**6,495**	9,667
Due after more than one year	9	**1,762**	2,642
Assets held for sale		**147**	1,481
		8,404	13,790
Creditors: amounts falling due within one year			
Trade and other creditors	11	**(42,410)**	(52,492)
Derivative financial instruments	10	**(17)**	(522)
Net current liabilities		**(34,023)**	(39,224)
Total assets less current liabilities		**256,000**	272,973
Creditors: amounts falling due after more than one year			
Bank loans and overdrafts	11	**(80,245)**	(92,595)
Provision for repairs	13	**(60)**	(85)
Retirement benefits obligations	13	**(16,041)**	(26,394)
Net assets		**159,654**	153,899
Capital and reserves			
Share capital	14	**14,284**	14,244
Share premium account	14	**60,237**	59,839
Other reserves		**17,918**	16,516
Profit and loss account		**67,215**	63,300
Total equity		**159,654**	153,899

These financial statements were approved by the Board of Directors on 2 October 2017 and signed on its behalf by

Matt Armitage
Chief Executive

Brad Gray
Chief Financial Officer

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging reserve £'000	Profit and loss account £'000	**Total £'000**
Balance at 31 July 2015	13,089	46,996	7,287	1,238	–	(820)	6,773	(54)	59,242	**133,751**
Profit for the period	–	–	–	–	–	–	–	–	11,477	**11,477**
Other comprehensive income										
Items that will not be reclassified subsequently to profit or loss										
Actuarial profit on defined benefits pension scheme	–	–	–	–	–	–	–	–	83	**83**
Tax charge on items taken directly to other comprehensive income	–	–	–	–	–	–	–	–	(545)	**(545)**
Total comprehensive income	–	–	–	–	–	–	–	–	11,015	**11,015**
Issue of shares	775	12,716	–	–	(135)	–	–	–	–	**13,356**
Acquisitions	–	–	–	–	–	–	–	–	(10,934)	**(10,934)**
Recognition of share-based contingent consideration deemed as remuneration	365	–	1,334	–	–	657	–	–	(528)	**1,828**
Transfer of share-based contingent consideration deemed as remuneration	–	–	–	–	–	–	5,143	–	–	**5,143**
Purchase of own shares	–	–	97	–	–	–	(3,295)	–	3,382	**184**
Recognition of share-based payments	–	–	–	–	(395)	–	–	–	–	**(395)**
Tax on share-based payments	–	–	–	–	–	–	(236)	–	–	**(236)**
Gains on cash flow hedges	15	127	–	–	530	–	(1,431)	–	868	**109**
Transferred to underlying hedged items	–	–	–	–	–	–	(231)	–	255	**24**
Arising on forward currency contracts	–	–	–	–	–	–	–	54	–	**54**
Balance at 29 July 2016	14,244	59,839	8,718	1,238	–	(163)	6,723	–	63,300	**153,899**
Loss for the period	–	–	–	–	–	–	–	–	(648)	**(648)**
Other comprehensive expense										
Items that will not be reclassified subsequently to profit or loss										
Actuarial profit on defined benefits pension scheme	–	–	–	–	–	–	–	–	8,958	**8,958**
Tax charge on items taken directly to other comprehensive income	–	–	–	–	–	–	–	–	(1,568)	**(1,568)**
Total comprehensive income	–	–	–	–	–	–	–	–	6,742	**6,742**
Dividends	–	–	–	–	–	–	–	–	(8,705)	**(8,705)**
Recognition of share-based contingent consideration deemed as remuneration	–	–	–	–	–	–	6,969	–	–	**6,969**
Transfer of share-based contingent consideration deemed as remuneration	–	–	225	–	–	–	(5,676)	–	5,754	**303**
Recognition of share-based payments	–	–	–	–	–	–	70	–	–	**70**
Settlement of share-based payments	40	398	–	–		–	(123)	–	124	**439**
Tax on share-based payments	–	–	–	–	–	–	(63)	–	–	**(63)**
Balance at 28 July 2017	**14,284**	**60,237**	**8,943**	**1,238**	**–**	**(163)**	**7,900**	**–**	**67,215**	**159,654**

1. ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS) 100 issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Financial Reporting Standard 101 – reduced disclosure exemptions

The Company has taken advantage of the applicable disclosure exemptions permitted by FRS 101 in its financial statements, which are summarised below:

Standard	Disclosure exemption
IFRS 2, 'Share-based Payment'	• Para 45(b) – number and weighted average exercise prices of share options • Para 46-52 – fair value disclosures for share options
IFRS 7, 'Financial Instruments: Disclosures'	• Full exemption
IFRS 13, 'Fair Value Measurement'	• Para 91-99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1, 'Presentation of the Financial Statements'	• Para 10(d) – statement of cash flows • Para 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective statement of items in its financial statements, or when it reclassifies items in its financial statements • Para 16 – statement of compliance with all IFRS • Para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1 • Para 38A – requirement for minimum of two primary statements, including cash flow statements • Para 38B-D – additional comparative information • Para 40A-D – requirements for a third statement of financial position • Para 111 – cash flow statement information • Para 134-136 – capital management disclosures
IAS 7, 'Statement of Cash Flows'	• Full exemption
IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'	• Para 30 & 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
IAS 24, 'Related Party Disclosures'	• Para 17 and 18A – key management compensation • The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The disclosures are given in the consolidated financial statements on pages 74 to 119 and notes 1 to 40.

The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 62.

(a) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2. PROFIT FROM OPERATIONS

As permitted by Section 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The loss for the financial period for the Company was £0.6 million (2016 – profit of £11.5 million).

3. AUDITORS' REMUNERATION

Fees paid to the auditors in respect of their audit of the Company were £143,000 (2016 – £135,000).

4. EMPLOYEE INFORMATION

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

	2017 Number	2016 Number
Sales	**2**	1
Administration	**67**	66
	69	67

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	**2,253**	3,107
Social security costs	**380**	366
Other pension costs	**75**	103
Share-based payment	**70**	(236)
	2,778	3,340

Disclosure of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those elements specified for audit by the Financial Conduct Authority are shown in the tables in the Remuneration Report on pages 45 to 61 and form part of these parent company financial statements. Further details of share-based payments are contained in note 35 in the notes to the consolidated financial statements.

5. TANGIBLE FIXED ASSETS

	Land and buildings Short leases £'000	Plant and machinery £'000	Asset under construction £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost or valuation:					
At 31 July 2015	660	2,301	75	307	3,343
Additions	–	1	219	28	248
Disposals	(1)	(19)	–	–	(20)
Transfer to Intangible Assets – Software	–	–	(220)	–	(220)
Transfer from Asset under construction	–	74	(74)	–	–
Transfers from subsidiaries	–	–	–	(16)	(16)
At 29 July 2016	659	2,357	–	319	3,335
Additions	–	49	–	–	49
Disposals	–	(450)	–	–	(450)
At 28 July 2017	**659**	**1,956**	**–**	**319**	**2,934**
Accumulated depreciation and impairment:					
At 31 July 2015	263	2,051	–	158	2,472
Charge	66	87	–	41	194
Disposals	–	(3)	–		(3)
At 29 July 2016	329	2,135	–	199	2,663
Charge	66	93	–	41	200
Disposals	–	(435)	–	–	(435)
At 28 July 2017	**395**	**1,793**	**–**	**240**	**2,428**
Net book value:					
At 28 July 2017	**264**	**163**	**–**	**79**	**506**
At 29 July 2016	330	222	–	120	673

6. INTANGIBLE ASSETS

	Software £'000
Cost or valuation:	
At 31 July 2015	2,093
Additions	155
Transfer from tangible fixed assets	220
At 29 July 2016	2,468
Additions	50
Disposals	(201)
At 28 July 2017	**2,317**
Accumulated depreciation and impairment:	
At 31 July 2015	1,800
Charge	243
At 29 July 2016	2,043
Charge	170
Disposals	(201)
At 28 July 2017	**2,012**
Net book value:	
At 28 July 2017	**305**
At 29 July 2016	425

7. INVESTMENT PROPERTY

	Investment property £'000
Cost or valuation:	
At 31 July 2015	36,241
Disposals	(6,367)
Transfers from subsidiaries	50
Reclassification to assets held for sale	(1,895)
At 29 July 2016	28,029
Disposals	(13,059)
Reclassification to assets held for sale	(148)
Transfers from subsidiaries	397
At 28 July 2017	**15,219**
Accumulated depreciation and impairment:	
At 31 July 2015	10,704
Charge	596
Disposals	(2,122)
Reclassification to assets held for sale	(414)
At 29 July 2016	8,764
Charge	483
Disposals	(5,644)
Reclassification to assets held for sale	(1)
At 28 July 2017	**3,602**
Net book value:	
At 28 July 2017	**11,617**
At 29 July 2016	19,265

The Company has freehold land with a book value of £2,165,000 (2016 – £3,862,000) which has not been depreciated.

There were non-current assets held for sale of £147,000 as at 28 July 2017, relating to a property at Bungay. The sale is highly probable to occur within twelve months. In the prior period, the property at the Burnley site was classified as held for sale and was disposed in the current period.

The investment properties are leased out to Group subsidiaries and parties external to the Group.

The following amounts have been recognised in the profit or loss account: £2,203,000 (2016 – £2,164,408) in relation to rental income from investment properties. In the prior period, direct operating expense of £293,883 was incurred in relation to investment properties that did not generate rental income.

8. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries at cost £'000	Loans to subsidiaries £'000	Total £'000
At 30 July 2016	102,162	189,672	291,834
Additions	422	–	422
Impairment	(5,833)	–	(5,833)
Loan advances	–	10,844	10,844
Loan repayments	–	(19,939)	(19,939)
Foreign exchange revaluation	–	267	267
At 28 July 2017	**96,751**	**180,844**	**277,595**

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 40 of the consolidated financial statements.

St Ives Direct Limited has, in the period since the balance sheet date, been liquidated with no further transactions taking place between it and the Company post the balance sheet date. As a result the Company recorded a full impairment of its interest in St Ives Direct Limited during the current period amounting to £5,833,000, the Company also recorded an impairment to the loans receivable from St Ives Direct Limited of £1,674,000 reducing them to £Nil. Also the outstanding loan payable to St Ives Direct Limited of £5,487,000 has been released to the income statement. The net effect of these transactions is a charge recorded in the profit and loss account of the Company of £2,020,000.

9. DEBTORS

	2017 £'000	2016 £'000
Within one year		
Amounts owed by Group undertakings	**4,088**	2,876
Other debtors	**680**	2,075
Corporation tax recoverable	**720**	3,440
Prepayments and accrued income	**1,007**	1,276
	6,495	9,667
After more than one year		
Deferred tax	**1,762**	2,642

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

	2017 £'000	2016 £'000
Capital allowances in excess of depreciation	**(438)**	(2,243)
Temporary differences on share options	**30**	108
Other timing differences	**(557)**	26
Retirement benefits obligations	**2,727**	4,751
	1,762	2,642

The Finance Act 2015 provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020.

In the Finance Act 2016, the Government announced further reductions in the main tax rate down to 17% effective from 1 April 2020.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial liabilities

	2017 £'000	2016 £'000
Forward foreign currency contracts	**(17)**	(522)

11. CREDITORS

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Amounts owing to Group undertakings	**5,105**	9,174
Bank loans and overdrafts (note 12)	**25,843**	37,063
Consideration payable on purchase of subsidiaries	**6,249**	1,577
Trade creditors	**757**	636
Other creditors including tax and social security	**3,048**	2,529
Accruals and deferred income	**1,408**	1,513
	42,410	52,492

	2017 £'000	2016 £'000
Amounts falling due after more than one year:		
Bank loans and overdrafts (note 12)	**80,245**	92,595

12. BORROWINGS AND FINANCE OBLIGATIONS

	2017 £'000	2016 £'000
Amounts falling due within one year		
Bank overdrafts	**25,843**	37,063
Bank loans	**80,245**	92,595

Bank overdrafts and loans

During the period the Company has reduced its revolving credit facility to £95 million supplemented by a term loan of £30 million and increased its maximum leverage covenant condition (net debt to Adjusted EBITDA) for the remaining duration of the facility. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.65% and 2.60%, depending on the ratio of the Group's net debt to EBITDA excluding Adjusting Items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

Subsequent to the period end the Company reduced its term loan facility by £5.5 million to £24.5 million.

As at 28 July 2017, the Company's outstanding loans within this facility were £80.2 million (2016 – £92.6 million). The undrawn portion of this facility at 28 July 2017 was £44.8 million (2016 – £32.4 million).

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

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 28 July 2017, the aggregate liability for the Company under this guarantee amounted to £107,970,000 (2016 – £130,637,801). The aggregate value of overdraft liabilities belonging to these subsidiaries which are guaranteed by the Company amounted to £533,000 (2016 – £985,000).

As at 28 July 2017, there was no loan or overdraft secured against the assets of the Company (2016 – £Nil). The Directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company has guaranteed amounts payable to certain property landlords and specific financial guarantees for obligations to suppliers and customers of its trading subsidiaries. The maximum aggregate liability under these financial guarantees is £22,260,000 (2016 – £19,796,000).

13. PROVISIONS FOR LIABILITIES AND CHARGES

	2017 £'000	2016 £'000
Provision for repairs	**60**	54
Provision for reorganisation	**–**	31
Retirement benefit obligation	**16,041**	26,394
	16,101	26,479

The provision for repairs at 28 July 2017 relates to dilapidations at Tudor Street, the Group's London headquarters. Provisions held as at 28 July 2017 are estimated to be utilised between financial periods ending 2018 and 2021.

The Company participates in both the defined benefits and defined contribution schemes operated by St Ives plc. The defined benefits scheme is a multi-employer scheme, the assets and liabilities of which are held in separate trustee-administered funds. The pension costs are based on pension costs across the Group as a whole. For the defined contribution scheme, the profit and loss charge represents contributions payable.

The Group is required to account for the defined benefits scheme under International Accounting Standard 19 – Employee Benefits ('IAS 19'). The IAS 19 disclosures are included in note 27 of the notes to the consolidated financial statements.

14. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid:			
At 29 July 2016	142,440,923	14,244	59,839
Issue of share capital	403,753	40	398
At 28 July 2017	**142,844,676**	**14,284**	**60,237**

The share capital issued during the current period relates to the exercise of SAYE scheme options.

All authorised and issued share capital is represented by equity shareholdings. Further information on equity can be found in note 30 of the consolidated financial statements.

15. OTHER RESERVES

The movements in reserves are disclosed in the Company's Statement of Changes in Equity.

As at 28 July 2017, the Company held a portfolio of treasury shares consisting of 90,637 St Ives ordinary shares (2016 – 90,637 St Ives ordinary shares).

Details of dividends, including the proposed final dividend for the period of 1.30 pence per share, can be found in note 12 to the consolidated financial statements.

16. OPERATING LEASE COMMITMENTS

At 28 July 2017, the Company had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2017 Land and buildings £'000	2017 Other £'000	2016 Land and buildings £'000	2016 Other £'000
Within one year	**414**	**8**	414	12
Between one and five years	**930**	**8**	1,344	16
	1,344	**16**	1,758	28

17. RELATED PARTY TRANSACTIONS

Details on related party transactions can be found in note 37 to the consolidated financial statements.

18. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date St Ives Direct Limited entered liquidation. This provides evidence that the Company's investment in and loans to St Ives Direct Limited were impaired at the balance sheet date and both have been reduced to £Nil in the current period on this basis, the Company also released to the Income Statement the full amount of the loan to St Ives Direct Limited in the current period (see note 8 for further information). There were no further transactions between the Company and St Ives Direct Limited between the balance sheet date and the date of liquidation.

19. STATEMENT OF GUARANTEE

The Company has signed a statement of guarantee in respect of a number of subsidiary companies under section 479C of the Companies Act 2006. As a result, the following subsidiaries are exempt from the requirements of the UK Companies Act 2006 in relation to the audit of individual accounts by virtue of section 479A of that Act:

Company	Company registration number
Amaze (Europe) Limited	06418202
Amaze (Holdings) Limited	06417738
Amaze Communication Services (Holdings) Limited	02670935
Amaze Communication Services Limited	02051287
My Bench Limited	09569438
Branded3 Search Limited	06479012
eBee Limited	06844490
Flare Limited	06994528
Fripp, Sandeman and Partners Limited	01284879
The Health Hive Limited	06423579
Okana Systems Limited	03877530
Pollen Health Limited	07839170
Pragma Consulting Limited	02184185
Pragma Holdings Limited	06831479
Realise Holdings Limited	SC306420
Response One Holdings Limited	06724581
Tactical Solutions Limited	04103199
St Ives Blackburn Limited	01396772
St Ives Burnley Limited	05464477
St Ives Direct Leeds Limited	03067683
St Ives Holdings Limited	00190460
St Ives Marketing Services Limited	08417677
St Ives Westerham Press Limited	00483880

Financial year ended 29 July 2016	
Annual General Meeting 2016	1 December 2016
Record date for final dividend	25 November 2016
Payment date for final dividend of 5.45p per ordinary share	19 December 2016

Financial year ended 28 July 2017	
Half year end	27 January 2017
Announcement of Half year results	7 March 2017
Record date for interim dividend	7 April 2017
Payment date for interim dividend of 0.65p per ordinary share	5 May 2017
Financial year end	28 July 2017
Announcement of Full year results	3 October 2017
Annual General Meeting 2017	30 November 2017
Ex-dividend date	23 November 2017
Record date for proposed final dividend	24 November 2017
Payment date for proposed final dividend of 1.30p per ordinary share	18 December 2017*

Financial year ending 3 August 2018	
Half year end	2 February 2018
Announcement of Half year results	March 2018
Financial year end	3 August 2018

* If approved by shareholders at the 2017 Annual General Meeting the proposed final dividend will be paid on 18 December 2017.

Dividend Reinvestment Plan
The Dividend Reinvestment plan can be a convenient and easy way to build up your shareholding by using your cash dividends to buy more shares in the Company. The Plan is provided by Capita Asset Services ('Capita'), a trading name of Capita IRG Trustees Limited, which is authorised and regulated by the Financial Conduct Authority ('FCA').

Should you require any further information, please do not hesitate to contact Capita Asset Services on 0371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m. Monday to Friday excluding, public holidays in England and Wales. Alternatively please email shares@capita.co.uk or log on to www.stives-shares.co.uk.

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 out 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 online 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 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 accounts.

Their contact details are: St Ives plc Shareholder Services, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Capita's shareholder helpline telephone number is 0871 664 0300 (calls cost 12 pence per minute plus network extras). If calling from overseas, please telephone + 44 (0) 37 1664 0300. Lines are open from 9.00 a.m. to 5.30 p.m., Monday to Friday.

Alternatively, you can email your query to our registrars at shareholder.services@capitaregistars.com although, for legal reasons, they may subsequently require you to confirm any instruction in writing.

Our principal advisers
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Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT

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