St Ives plc

ST IVES PLC ANNUAL REPORT AND ACCOUNTS 2015

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WELCOME TO ST IVES PLC

STRATEGIC REPORT

CORPORATE GOVERNANCE

OUR FIGURES

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

Matt Armitage
Chief Executive

6 October 2015

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MARKETING SOLUTIONS FOR A CHANGING WORLD

Strategic Marketing

Data

Occam
Data marketing solutions

RESPONSE ONE
Data-driven direct marketing

Digital

amaze
Digital marketing, commerce & technology

realise
Digital marketing

BRANDED3
Search & digital marketing

solstice MOBILE
Mobile-first marketing & technology**

Consulting

Incite
Consumer insight & market research

Hive group
Healthcare strategic consulting & communications

PRAGMA
Retail & consumer markets consultancy

fsp
Retail & property consultancy***

	Data	Digital	Consulting
*Underlying revenue**	£33.2m	£45.5m	£32.0m
*% of Group total underlying revenue**	9.6%	13.2%	9.3%

Marketing Activation

Service Graphics
Exhibitions & Events

SIMS
Print & process management

SP
Point-of-Sale & retail communications

tactical solutions
Field marketing services

*Underlying revenue**

£167.0m

*% of Group total underlying revenue**

48.5%

Books

Clays
Book production services

*Underlying revenue**

£66.9m

*% of Group total underlying revenue**

19.4%

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

** Acquired in March 2015.

*** Acquired in August 2015.

OUR GROUP TODAY

St Ives is an international marketing services group comprised of 15 successful and dynamic marketing and print services businesses. We operate not as a single entity but as a group of market leading businesses, each with its own unique value proposition. Our businesses offer complementary services and collaborate closely with each other when this adds value to clients.

WE MANAGE OUR BUSINESS IN THREE DISTINCT SEGMENTS

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

Lift flap for the full Group overview.

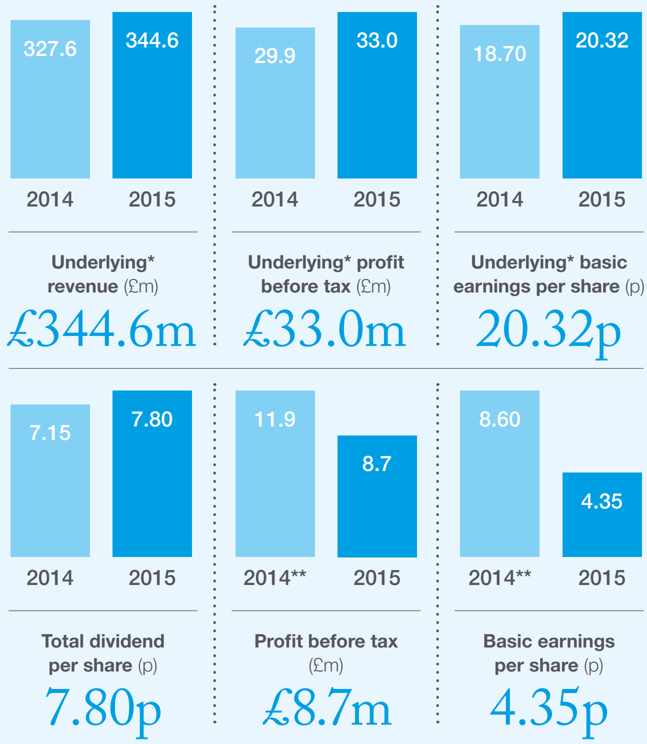
Operational Highlights

Strong financial performance for the year, reflecting further growth in the Group's Strategic Marketing segment which contributed 46% (2014 – 37%) of underlying operating profit.

Important strategic progress across all three growth drivers:

- further increase in collaboration, with over 100 clients using services of more than one Group business (2014 – 82), including Johnson & Johnson, Carlsberg, Royal Mail and Pizza Express;
- continued international growth, with Incite opening an office in Shanghai and Amaze winning its first major e-commerce project from its new Chicago office; over 30% of Strategic Marketing revenue is now generated from clients based outside UK; and
- further carefully screened acquisitions: Chicago-based Solstice, a mobile-first marketing & technology business, acquired in March 2015 and integrating well; and Fripp, Sandeman and Partners ('FSP'), a specialist retail property consultancy, acquired since year-end.

Financial Highlights



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

** Figures are restated for the 52 Weeks to 1 August 2014 to reclassify the costs related to the St Ives defined benefits pension scheme as non-underlying items.

ANOTHER SUCCESSFUL YEAR

Our approach is client-led and we have proven success in supporting and enabling expansion.

Our approach

It has been a positive year for St Ives. The Group has delivered another strong financial performance while continuing the successful execution of our business strategy.

Our reorganisation during the year into three segments – Strategic Marketing, Marketing Activation and Books – more closely aligns our proposition with the business needs of our clients.

Our acquisition of Solstice strengthens our foothold in North America and supports our drive to expand internationally whilst also adding to our offering in the growing area of digital and mobile marketing. Additionally, we have boosted our consulting capabilities, completing the acquisition of Fripp, Sandeman and Partners ('FSP'), a UK-based retail property consultancy business, just after the year-end. FSP will work closely with, and add complementary skills to Pragma, our existing retail consulting business.

Another important strand of our strategy is our commitment to investing in our businesses to build upon our innovative and market leading offering. Our approach is client-led and we have proven success in supporting and enabling expansion, and have helped our businesses move into new growth markets where client-led opportunities exist in North America, China and Singapore, as well as adding to our headquarters in London.

When we meet a potential acquisition target, our interest is driven by the services it delivers and by its growth potential but also, very importantly, by the ethos of its management team. This begins with a commonality of values: the low-ego, high-integrity mind-set that has successfully transformed St Ives into an international marketing services business.

The businesses that we buy are run by talented people with entrepreneurial drive and vision. As part of their integration into St Ives, they remain in place for several years to continue building their companies as individual businesses while collaborating with others across the Group.

International growth through both organic expansion and further acquisition remains high on our agenda. Incite, part of our consultancy division, plans to open a San Francisco office during the current financial year, adding to our US presence in Chicago and New York.

Governance

The Board regularly scrutinises our strategy to ensure we stay on the right path in view of shifting market forces. The last six years have been an intense period of change for the Group and international expansion brings its own challenges, with values as well as services to be exported.

Our CEO, Matt Armitage and our CFO, Brad Gray had impressive first full years in their respective roles. St Ives' strong performance has continued under their guidance and they are instrumental in identifying and finalising acquisitions. My fellow Directors and I look forward to working with them to deliver further growth for the Group.

We will also be seeking to appoint an experienced Non-Executive Director to the Board who would add to the knowledge and capabilities of the existing Board members and inject fresh ideas to help our businesses grow.

Our employees – their development and health and safety

As a result of our transformation over recent years, St Ives is – more than ever – a people business. We employ over 3,000 people across the Group, in multiple locations and across five countries. The development and wellbeing of our people is therefore a key strategic consideration for the Board.

As we get bigger it is vital that we attract, retain and develop the best talent. As such, we recognise the importance of demonstrating and communicating the benefits that our financial strength, successful business model and growth-orientated culture bring to our people.

It is also important that we continue our ethos of collaboration, to ensure that we make the most of the wide range of capabilities within St Ives. This, in turn, will give our people the opportunity to develop by broadening their experience and skills.

Health and Safety remains an absolute priority. We continuously scrutinise all facets of our operations, from our fleet of vehicles to each of our sites, to maintain the highest standards for staff and visitors alike.

Outlook

I believe the Group occupies a unique space in the market. We have successfully reshaped the business, modernising through acquisitions in the high-growth areas of data, digital and consulting services while continuing to invest in our existing operations. As a whole, that gives us an unrivalled suite of services for clients and a strong proposition for investors.

I would like to thank all of our employees for their continuing dedication, and the Board members for their commitment to growing the Group. I look forward to another busy and prosperous year ahead.

Richard Stillwell
Chairman

6 October 2015

CASE STUDY

Greyhound

DIGITAL TRANSFORMATION IN TRANSPORT

Realise has been working with Greyhound in the US to lead a full digital transformation programme. The business is looking to achieve significant growth ambitions, undertaking a comprehensive and far-reaching programme of work designed to boost travel frequency of existing passengers and increase the number of new customers.

At the heart of this is an understanding of the need for holistic business transformation which will touch every aspect of Greyhound operations, with digital playing a pivotal role in changing brand perception and customer experience.

Realise has therefore spent the past year delivering a broad digital programme to support business change. The company has followed a robust user-centred design approach with the first phase resulting in the delivery of a new web platform for marketing and ticketing. The process has been driven by insight gathering and user validation, essential to support and secure the eCommerce goals that are a key measure of success in this project.

Collaboration between the client, agency and third parties has been critical to delivering the work on time and on budget. Realise's relationship with Greyhound continues to evolve, with planning already under way for future campaign work, mobile application and physical service design.

AN INDUSTRY LEADING APPROACH

Business model

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

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

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

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

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

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

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

International Marketing Services Group made up of dynamic market leading businesses

St Ives:
Provides investment to accelerate growth
Supports and facilitates collaboration
Offers autonomy

OUR STRATEGY FOR FURTHER GROWTH IS CENTRED AROUND THREE KEY PRIORITIES

COLLABORATION

Facilitating and supporting collaboration is a key strand of our organic growth strategy. We believe that a culture of collaboration is most successful when it is driven from within our businesses rather than imposed by the Group. Over 100 of our clients now work with more than one business across the Group, compared to 82 in the previous year. During the last twelve months, we've also made investments in joint propositions between our businesses – a collaboration between Amaze and Occam resulted in the launch of the digitally led customer relationship marketing offering Amaze One.

GO TO PAGE 10 to read about how we use our integrated capabilities for our clients.

INTERNATIONALISATION

International operations have made a growing contribution to Group revenues during the past twelve months – over 30% of our Strategic Marketing revenue now comes from clients based outside the UK. Seven of our businesses – Incite, Pragma, Hive, Amaze, Realise, Branded3 and Solstice – now deliver international solutions for clients and we plan to open additional overseas offices where we identify client-led opportunities. We believe that this provides a firm foundation for continued overseas expansion.

GO TO PAGE 12 to read about our international expansion progress.

ACQUISITION

An important strength going forward will be our ability to acquire further complementary Marketing Services businesses which operate in the growth areas we have identified and can add value to our existing portfolio. We aim to acquire non-competing companies that support our business model.
In line with our strategy, during the year we acquired Chicago-based Solstice, a leading mobile-first marketing and technology business. Following the year-end we also acquired FSP, a specialist retail property consultancy, which will work closely with our Pragma Consulting business.

GO TO PAGE 14 to read about our acquisition of Solstice.

A SOLID STRUCTURE FOR GROWTH

Once again there was clear evidence of our ability to collaborate across our individual businesses to the benefit of our clients, with the level and quality of internal referrals increasing further during the year.

Performance highlights

The Group has again delivered a strong financial performance for the year.

Underlying Group revenue of £344.6 million was 5% higher than the previous year. The growth was driven by our Strategic Marketing segment, which delivered growth of 4% on an organic basis along with acquisitive growth of 24%. This was partially offset by a 4% decline in our Marketing Activation segment, due to pressure within the grocery retail sector. Revenue within our Books segment was broadly in line with the prior year.

Group underlying profit before tax grew to £33.0 million (2014 – £29.9 million) and underlying basic earnings per share increasing by 9% to 20.32 pence (2014 – 18.70 pence).

These improvements reflect further growth in our Strategic Marketing segment, which contributed 46% (2014 – 37%) of the Group's underlying operating profit during the financial year.

The Board is recommending a final dividend of 5.55 pence, making a full year dividend of 7.80 pence (2014 – 7.15 pence), an increase of 9%, reflecting the Board's confidence in the Group's ability to make further strategic and financial progress during the year ahead.

Once again there was clear evidence of our ability to collaborate across our individual businesses to the benefit of our clients, with the level and quality of internal referrals increasing further during the year. In 2015 more than 100 (2014 – 82) of our clients used the services of more than one business within the Group.

In line with our strategy, during the year we acquired Chicago-based Solstice, a leading mobile-first marketing and technology business which is integrating well into the Group. Following the year-end we also acquired Fripp, Sandeman and Partners ('FSP'), a specialist retail property consultancy, which will work closely with our Pragma Consulting business, particularly in the airport, travel and commercial space sectors.

The past year also saw continued growth from our international operations. Our market research consultancy, Incite, opened an office in Shanghai, to complement the offices we have opened in New York and Singapore, with the business winning its first new client mandates in the region at the end of the financial year. In addition, Amaze, one of our digital businesses, won its first major e-commerce systems integration project from our newly opened Chicago office.

Our strategy for further growth is centred around three key priorities:

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

We have continued to make progress across all three strategic objectives in the year:

Collaboration:
Our approach is based on cross-thinking as opposed to cross-selling and where collaboration is facilitated and supported rather than forced. Over 100 of our clients currently work with more than one business across the Group, compared to approximately 80 in the previous financial year, collaborating on projects for clients including Johnson & Johnson, Carlsberg, Royal Mail and Pizza Express. In the year, we also extended our remit with HSBC, which now engages with six businesses across the Group. In addition, investments have been made in our Occam and Amaze businesses, which culminated with the launch of our digitally-led Customer Relationship Management ('CRM') offering Amaze One.

CASE STUDY

HSBC

DELIVERING A JOINED UP STRATEGY

HSBC has worked with St Ives Group for more than four years. The global financial services company initially became a client of SIMS for marketing communications and print management.

SIMS manages HSBC's direct mail, generating over 60 million mailing packs for customer acquisition, customer retention and mandatory communications. It has also implemented an asset management system, housing and printing on demand a full range of training materials to centralise learning and development collateral in a cost-efficient solution.

Through the solid relationships that SIMS has cultivated, further services are being procured from other areas of St Ives Group.

SP Group produces in-branch marketing communications for 1,400 high-street premises, including flyers and Point-of-Sale.

Meanwhile, Service Graphics produced signage and graphics as part of the bank's sponsorship of the Leeds First Direct Arena.

Response One manages customer data for HSBC, as well as a training asset programme which has been rolled out in the UK and is now planned to be implemented globally.

Digital services are also being deployed. Realise is converting traditional printed materials into digital experiences that prompt customer conversations with branch staff. Additionally, Branded3 has overhauled HSBC-owned First Direct's search marketing.

In total, HSBC currently engages with six St Ives businesses, and is seeing clear benefits from the collaboration of different Group companies offering extensive complementary services.

Internationalisation:
Many of our businesses deliver international solutions for clients and we plan to open additional overseas offices where we can identify client-led opportunities. These opportunities must be in large markets or in markets with the potential for significant and sustainable growth. During the year we continued to expand our headcount in both the US and Asia to meet client demand. We also opened an office in Shanghai for Incite, our consumer and market research consultancy. Over 30% of our Strategic Marketing revenue now comes from clients based outside of the UK, compared with 27% in 2014 and 15% in 2013. Seven of our Group businesses, Incite, Pragma, Hive, Amaze, Realise, Branded3 and Solstice, now service clients on an international basis.

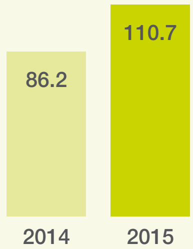
Acquisitions:
An important element of our growth strategy going forward is our continued ability to acquire further complementary marketing services businesses which add value to our existing portfolio and operate in the growth areas we have identified of data, digital and consulting services. Our acquisition strategy adopts very stringent quantitative, qualitative and financial criteria. We aim to acquire non-competing businesses that support our business model. In addition, any companies we acquire must already enjoy reasonable scale and have management teams looking to execute the next phase of growth, as well as encouraging an entrepreneurial and collaborative culture that fits well with our own. Once acquired, we transition each business into the Group using our well-established and successful integration process. We then work with the management teams to identify and implement the most appropriate initiatives for driving organic growth within the business. This model makes it imperative that there is a clear sharing of values between the Group and any acquired company.

In 2015 we acquired mobile-first marketing & technology business Solstice, which has integrated successfully into St Ives and is performing well, benefitting from and contributing to collaboration opportunities within the Group. Following the year-end, we also acquired FSP, a specialist retail property consultancy, which will work closely with our Pragma Consulting business.

While the Group's strategic focus is on expanding our Strategic Marketing offering, management also recognises the importance of continued investment and innovation in our complementary Marketing Activation segment and separate, long-standing and market-leading Books segment. These separate divisions not only support growth for the Group as a whole through collaboration, but also represent an additional source of profit and cash generation as we pursue our growth strategy.

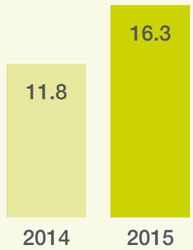
SEGMENT OVERVIEW

Strategic Marketing



Underlying revenue (£m)*

£110.7m



Underlying operating profit (£m)*

£16.3m

* Before non-underlying items. See note 8 on page 79.

Our Strategic Marketing operations, which represent 32% of Group underlying revenue (2014 – 26%), are organised around three high-growth sectors: Data, Digital and Consulting.

	2015 £m	2014 £m
Data	**33.2**	35.5
Digital	**45.5**	27.8
Consulting	**32.0**	22.9
Underlying Strategic Marketing revenue	**110.7**	86.2
Underlying Strategic Marketing operating profit	**16.3**	11.8

Data

Our Data businesses – Occam and Response One – represented 30% of Strategic Marketing revenue at £33.2 million (2014 – £35.5 million).

As reported at the half year, revenue within our Data division reduced compared with the previous year due to two factors: a significant one-off software sale within Occam in the previous year and a change in work mix in Response One. While these factors have led to a decrease in revenue in this financial year, they have also led to an increase in margin during the period.

Over the course of the year, Response One has introduced a new analytics proposition and improved its digital capabilities.

In addition, Occam has significantly expanded its remit within Jaguar Land Rover and we are now delivering services into them through both Occam and Amaze One. Occam has also secured a number of new wins, including Car Giant, Healthspan, Sainsbury's Retail Technology Services and the RAC.

Digital

This division, which comprises Amaze, Branded3, Realise and Solstice had a good year and contributed £45.5 million (2014 – £27.8 million); 41% of Strategic Marketing revenue.

Amaze has continued to extend its commerce capabilities with a number of significant new client wins throughout the year. It has established a core strength in advising manufacturers who are transacting directly with their consumers for the first time and in the delivery of B2B commerce solutions. Both areas are currently experiencing significant market growth.

Following the launch of Amaze One, the CRM collaboration between Amaze and Occam, highlighted above, the business has progressed well, winning projects for the Arcadia Group and Royal Mail while also extending its CRM remit with Northern Rail.

Branded3 has achieved a number of new business wins throughout the year, securing the search engine optimisation account for First Direct, which further extends our remit within HSBC, as well as winning contracts for Halfords, Chelsea FC and Durham University.

Realise has continued to build its business both within the UK and internationally. Highlights included a digital transformation project for Greyhound in the US and international digital marketing campaigns for Disneyland Parks and Expedia. In addition, Realise has had a number of significant new business wins including Nikon in Europe and Hewlett Packard & Sutter Health in the US.

The acquisition of Solstice in March 2015 broadened the Group's digital capabilities and enhanced our international credentials. Solstice's offering of mobile product design and engineering services complements St Ives' existing digital businesses and creates significant opportunities for increased collaboration at an international level.

Moving forward, it is our intention to bring our digital businesses closer together in order to collaborate on large scale multi-discipline, multi-territory digital client mandates.

Consulting

Our Consulting businesses – Incite, Pragma and Hive – represented 29% of Strategic Marketing revenue at £32.0 million (2014 – £22.9 million).

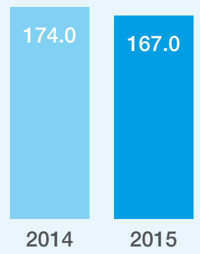
Incite continues to grow internationally, in response to client demand. It has seen strong growth in New York and Singapore having opened offices in both markets during 2013, and has secured a number of significant new business wins. Following this successful expansion, the business opened an operation in Shanghai this year, winning its first new client mandates in the region at the end of the financial year.

Pragma has also seen an increase in demand for overseas projects. Airports and commercial spaces in particular are high-growth areas, with the business advising on the commercial strategy of New Mexico City International Airport; one of this year's most high profile projects.

Hive, the heathcare communications consultancy we acquired in May 2014, has integrated well into the Group and continues to add new clients to its roster, with substantial wins from three top 20 pharmaceutical companies. Its patient journey mapping proposition is a strong growth driver for the business, with recent new project wins from Bayer, Novartis and AbbVie. This area is expected to see continued momentum into 2016.

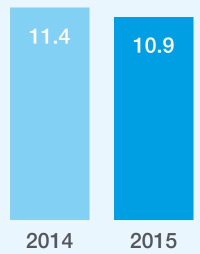
Marketing Activation

	2015 £m	2014 £m
Exhibitions and Events	**37.6**	36.7
Point-of-Sale	**73.5**	82.4
Print Management	**46.3**	43.1
Field Marketing	**9.6**	11.8
Underlying Marketing Activation revenue	**167.0**	174.0
Underlying Marketing Activation operating profit	**10.9**	11.4



Underlying revenue (£m)*

£167.0m



Underlying operating profit (£m)*

£10.9m

* Before non-underlying items. See note 8 on page 79.

Our Marketing Activation segment represented 48% (2014 – 53%) of Group underlying revenue for the year.

Our Marketing Activation segment comprises our Exhibitions and Events business, Service Graphics; our Point-of-Sale specialist, SP Group; our Print Management business, St Ives Management Services (SIMS); and our Field Marketing business, Tactical Solutions.

Trading conditions within Marketing Activation were mixed, with growth in Service Graphics and SIMS offset by a reduction in Point-of-Sale revenue caused by ongoing pressures within the UK grocery retail sector. Despite the overall reduction in revenue we have maintained margins through improved efficiencies and cost reductions.

Within Service Graphics we won new clients during the year such as the Ministry of Defence, Moorfields Eye Hospital and Rolls Royce. Within SIMS we delivered significant growth due to new client wins including Adidas and Pernod Ricard as well as securing organic growth from our existing client base.

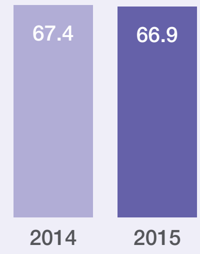
Despite a difficult year, due to increased competitive pressures within the grocery retail market, Tactical Solutions has also had a number of new business wins over the year, including Revlon and Quorn. We continue to invest in new data and technology capabilities and have recently launched a bespoke data tool, TSeye, to continue to differentiate the business in a crowded market place.

We have also significantly developed our creative marketing and design offering, The Shop, which sits within our SP operation and which has extended our European remit with international client engagements such as Adidas.

In addition, since the end of last year we have re-signed and extended contracts with many of our leading clients. These contract extensions provide an increased level of visibility and a stable foundation for market share growth over the next two to three years.

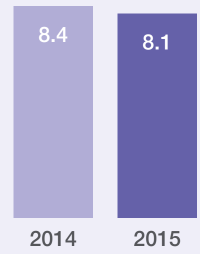
Books

	2015 £m	2014 £m
Underlying Books revenue	**66.9**	67.4
Underlying Books operating profit	**8.1**	8.4



Underlying revenue (£m)*

£66.9m



Underlying operating profit (£m)*

£8.1m

* Before non-underlying items. See note 8 on page 79.

Our market-leading Books business, Clays, represented 20% (2014 – 21%) of Group underlying revenue for the year.

Revenue in Clays was broadly in line with the prior year at £66.9 million (2014 – £67.4 million), with a slight decrease in margins.

Clays is the market leader in UK trade monochrome book production services and continues to extend its range of value-added services to the publishing market through digital and supply chain-related investment. This has included the introduction of a new self-publishing service that is seeing rapid volume growth.

As reported at the half year, sentiment within the physical book market has improved, with eReader penetration appearing to have levelled off within the UK and the US and with physical book volumes stable for the first time in a number of years.

During the year we reached agreement with Penguin Random House, the UK's largest trade publisher, to provide 100% of their UK monochrome book production under a new multi-year contract. This represents a significant market share gain for the business and, along with a number of other recent contract wins and extensions, secures approximately 80% of Clays' workload for the next three to six years.

Outlook

The new financial year has started in line with our expectations. We continue to encourage and facilitate significant opportunities for collaboration across our individual businesses and there is further scope to expand our higher margin Strategic Marketing activities both organically and through acquisition over the coming year. We will continue to invest in our growing operations and client offering in the US and Asia, as well as in our recent acquisitions, Solstice and FSP.

The outlook for our Marketing Activation businesses remains challenging, impacted by the competitive trading conditions in the UK grocery retail sector, which are expected to continue this year. However, this business segment remains profitable and cash generative for the Group, as does our market-leading Books business. Both segments have recently benefitted from a number of contract wins or extensions which help to provide an enhanced level of stability. This, together with our strong balance sheet, leaves St Ives well positioned to pursue further acquisitions of complementary, ambitious and growing Strategic Marketing businesses which share our common attributes and ethos.

As a Group, we are clear on our growth priorities and are confident that, assuming current market conditions continue, St Ives will make further strategic and financial progress during the year ahead.

M. A. Army

Matt Armitage
Chief Executive

6 October 2015

COLLABORATION

Amaze One

COMBINING RIGOUR AND MAGIC

> We are expanding our footprint with existing clients in a way that wouldn't have been possible for Occam or Amaze as standalone agencies. That means a more secure client base as well as increasing and opening up new revenue channels for St Ives.

Neil Evans
Managing Director – Amaze One & Occam

Amaze One is a great example of the Group's wider strategy of collaboration. The Customer Relationship Management ('CRM') agency was launched in November 2014 when Managing Director, Neil Evans, identified a gap in the market. Neil, who also runs St Ives' data-driven marketing agency Occam, spotted a weakness among rival agencies claiming to deliver strategic communications for clients, when in reality they were not making full use of data and creative together. The concept of Amaze One became reality when Neil blended elements of Occam's technical and data expertise with the specialist creative skills of digital agency Amaze, headed by CEO, Natalie Gross.

Neil explains: "the collaboration came about because Occam knew its clients needed a way to bridge the gap between data and technology, and customer experiences. This was particularly true in the creative and content space, which is where Amaze comes in. It's what we call a combination of rigour and magic, a challenger business born out of two established companies."

Clients were seeking a more coherent and successful blend of strategy and creative, he says: "we believe you need to tell clients the truth about what has to happen and then execute the idea – in other words, be as practical as you are strategic. We knew there was a way to add rigour to the creative process and deliver something out of the ordinary."

Amaze One's experienced management team reflects the Group's high-integrity, low-ego approach and they collaborated from day one to make a quick impact in the market. The agency posted a strong first nine months of operations, vindicating St Ives' CEO, Matt Armitage's, decision to back the venture. "Matt bought into Amaze One straight away. Of course there were concerns about several people doing two roles at once but those have been allayed and we've proved it can work," comments Neil.

Much of Amaze One's growth has come from incremental revenues by cross-selling services to Occam and Amaze's existing clients. "We aim to accelerate their ambition," Neil says. "We met Northern Rail and in a short time we were bringing our thinking to life. We've also completed a project for Arcadia across its high-street fashion brands."

He continues: "we are expanding our footprint with existing clients in a way that wouldn't have been possible for Occam or Amaze as standalone agencies. That means a more secure client base as well as increasing and opening up new revenue channels for St Ives. Now we are having conversations with the other businesses to implement the model more widely. Our aim is to weave CRM into the Group's DNA, across Strategic Marketing and Marketing Activation."

This strategy is already paying dividends, with Amaze One joining SIMS as a potential supplier to Royal Mail.

A combination of growing existing clients and winning new accounts has allowed Amaze One to increase its headcount, in many areas adding talent from outside St Ives. A key objective for the year ahead is the creation of a data asset. Neil explains: "we are keen on product development to add to the services we can offer clients. Owning our own data makes sense as it is licensable revenue."

He believes the agency's ambition proves that St Ives thrives on entrepreneurial spirit: "it shows that if someone has a good idea that can add revenue, St Ives will match their talent and vision. Even though it's a big, listed company, its thinking and actions are fleet of foot. This is definitely a place you can do business."

amaze one

Find out more about Amaze One:
www.amazeone.com

Royal Mail

DELIVERING VALUE FOR ROYAL MAIL

Over the last decade, St Ives has built a strong relationship with Royal Mail. St Ives Management Services ('SIMS') was the first Group company to work with the postal operator, supplying materials for marketing services and operations.

SIMS implemented a supply chain management and print procurement process, resulting in significant cost savings, internal and external communication improvements, financial benefits and better client service across Royal Mail and Parcelforce.

After Royal Mail was privatised, SIMS liaised with stakeholders to reduce operating costs and boost market effectiveness by promoting the use of mail.

Through its work, SIMS identified further opportunities to introduce other parts of St Ives where the Group's services could add value.

Amaze One is now working with Royal Mail division Market Reach to assess the impact and value of mail through research, insight and customer experience. The programme includes analytics and media mix modelling for Royal Mail's clients that use mail as part of a multichannel strategy. The ultimate goal is to understand the complex relationships between consumers and channels and promote the role of mail in the modern marketing mix.

INTERNATIONALISATION

Incite

GEARING UP FOR INTERNATIONAL CHALLENGES

> We're where our clients want us to be. We don't just head for places because they're on the map.

Matthew Froggatt
Group MD – Incite

Incite, the strategic research consultancy acquired by St Ives Group in 2012, continues to grow beyond the UK in response to increasing client demand. The business followed the opening of its US and Singapore offices in 2013 with a new base in Shanghai this year.

Matthew Froggatt, Group MD of Incite, says the international expansion strategy – also a key part of St Ives Group's own growth plans – is already reaping rewards: "the US and Singapore operations took a few months to find their feet, of course," he explains, "but they have grown very strongly during the first two years and have won lots of new clients."

Matthew believes there are clear reasons for this momentum. He points to a service offer that resonates in all markets but was absent for clients before Incite began to export its model. "We have smart people solving tough problems with pragmatic tools and approaches," he says. "That sweet spot is underserved in the US particularly, but elsewhere too. We are hiring intelligent local leaders who want to spend their time with clients rather than doing management tasks, and they are hiring like-minded people."

The agency acts as the voice of the consumer for clients, uncovering and interpreting local needs and cultural nuances. But beyond simple description, Incite's strength is in advising organisations how to plan and deploy marketing resources. Segmentation, market landscaping and strategic qualitative work are particularly popular in new markets for both local players and new entrants.

Working with new clients, particularly those with international scope, requires understanding of business structures and how their different departments interact. Matthew adds: "we often need to navigate the complexities of client organisations, including tensions and misalignments between central insight functions and local teams." The key is to recognise roadblocks and build relationships with many different points of contact, for example in research, marketing and strategic planning teams. Then it's a case of integrating qualitative and quantitative work, revealing the details of consumers' lives through quotes and videos. "We aim to bring the reality of life in emerging markets into sharp focus in the boardroom, to support effective decision-making," Matthew says.

The Chinese market research sector is unique and Incite has faced specific challenges establishing the Shanghai office. Bureaucratic compliance, a slowing economy and growing competition all add complexity. "Managing a business in China can be tough and so is the work," Matthew attests. He continues: "client organisations come in different shapes and sizes. Some are local 'tigers' who have international aspirations actively encouraged by government, but they also need to meet the expectations of increasingly sophisticated Chinese consumers. Others are multinationals that need to adapt their product offer and marketing approaches to local needs and nuances. The research and insight industry is only a decade old there, so the experience of our people is a real competitive advantage." Incite is taking an open-minded and flexible approach to applying its business model in the country, but Matthew envisages a "high-value, consulting operation with hands-on, practical problem solvers."

Elsewhere, the consultancy will continue to respond strategically to international demand. "We're where our clients want us to be. We don't just head for places because they're on the map," says Matthew, "further expansion is definitely on the agenda but our main focus is on building our existing markets."

Find out more about Incite:
www.incite.ws

Pragma

HELPING CLIENTS PUSH BOUNDARIES

> Balancing service for existing and new clients is key. We need to ensure we are recruiting talented people with both local knowledge and international experience as we follow brands wherever they are trying to go.

Tom Holt
Chief Executive – Pragma

The nature of Pragma's clients makes the consultancy ripe for international expansion. It is structured around three divisions – Investor Services, Retail Strategy and Airports, Travel & Commercial Spaces. Each division has established credentials in markets outside the UK, with over 40% of total revenues now coming from overseas.

Pragma, which currently has 32 full-time employees, is also a leading member of the Ebeltoft Group, a global alliance of consulting companies in over 20 countries. The alliance gives Pragma rapid access to a ready-made font of local knowledge when clients wish to enter new markets.

As part of St Ives' Strategic Marketing segment, the business is a key player in the Group's international expansion strategy. Although it has yet to open offices overseas – instead providing high-quality services using its London base as a global hub – its experts deliver services around the world.

Tom Holt, Pragma's Chief Executive, says: "for us it's about knowledge, not about boots on the ground. During the last year we have worked in countries as far apart as South Africa, Mexico, the US, China and Germany.

"Our international work is expanding quickly. Airports, Travel and Commercial Spaces are high-growth areas, especially in Asia. Due diligence projects – advising private equity firms on businesses they'd like to buy – are substantial assignments and often include an assessment of international performance. Meanwhile, many of the retailers we work for in the UK want to explore other countries, or vice versa."

Airport growth is based on the perpetual increase in global travel, meaning commercial development can generate vast revenues for terminals and their tenants. Pragma has worked on passenger research and retail development projects in over 50 major cities worldwide. Tom explains: "it's a unique and expanding market. We do well working with airport owners on commercial space plans. This extends from North America to South East Asia and we believe we will continue to see huge growth in this area of our business."

Advising on the commercial strategy of New Mexico City International Airport has been one of this year's highest-profile projects. Pragma advised the architects, Foster + Partners, and the operating body on the optimal commercial strategy and layout of the retail and food and beverage within the new airport terminal to maximise revenue potential. Other strategic advice initiatives have included French fashion retail group Vivarte, providing strategic recommendations for the turnaround of the business. While long-standing Pragma client, Pret A Manger, is testing concepts developed with Pragma's support in the US and France.

Phase Eight is another success story. The British women's designer clothing brand has stores and concessions throughout the UK and many international countries. It approached Pragma about a market entry strategy for the US and Germany. Pragma conducted a thorough assessment of the dynamics in each of these markets identifying the most attractive route for Phase Eight. Pragma's strategy has led to Phase Eight launching in Germany and expanding rapidly to over 130 international Points-of-Sale.

Pragma will continue to look beyond the UK's shores as a path to growth. Tom concludes: "balancing service for existing and new clients is key. We need to ensure we are recruiting talented people with both local knowledge and international experience as we follow brands wherever they are trying to go."

P PRAGMA

Find out more about Pragma:
www.pragmauk.com

ACQUISITION

Solstice

BROADENING OUR DIGITAL EXPERTISE

The acquisition has created energy behind the Solstice brand, our mission and vision for the future. The company will continue to evolve as it always has, embracing new technologies and bringing them to customers in value-added ways. The secret to our success is our people and our culture. This philosophy has created a tight-knit group of innovators, creators and relentless embracers of change.

J Schwan
CEO – Solstice

Buying Solstice, the mobile-first marketing and technology business, allows St Ives to extend the breadth and depth of its digital capabilities into another high-growth area of customer engagement.

The deal supported the expansion of St Ives' Strategic Marketing segment. As the Group's maiden overseas acquisition, Chicago-based Solstice also provides presence and capabilities in the Americas, further bolstering international client service.

Solstice was launched in 2001, advising Fortune 1000 businesses on how to boost revenues through better engagement with customers, partners and employees, powered by emerging technologies. The consultancy also has offices in New York and Buenos Aires.

CEO J Schwan – an expert in computer engineering who launched several start-ups at Andersen Consulting (now Accenture) during the original dot-com boom – says the deal was an important evolution for his business. "Culturally, the St Ives and Solstice principles are very similar," he explains. "We believe in empowering our people, giving them autonomy while offering financial and operational support. We thought this ethos was unique until we met the management of St Ives.

"We also believe strongly in St Ives' investment strategy and business model, and the quality of the companies under its umbrella. While Solstice empowers the digital customer experience, many of the Group's companies drive the digital acquisition experience, turning prospects into customers. Together, it's an amazing value proposition for our international client base."

Solstice's relationship with St Ives may be new, but J feels momentum is already building: "the acquisition has created energy behind the Solstice brand, our mission and vision for the future. The company will continue to evolve as it always has, embracing new technologies and bringing them to customers in value-added ways. The secret to our success is our people and our culture. This philosophy has created a tight-knit group of innovators, creators and relentless embracers of change."

J points to the opportunity to work alongside the Group's Strategic Marketing businesses to marry its digital product engineering capabilities with their broader digital expertise. He also aims to build opportunities alongside the Marketing Activation companies to boost physical in-store experiences. He adds: "most of the digital companies focus on the front half of the digital journey. Solstice focuses on the back half, turning those customers into promoters and life-long enthusiasts for the brand."

The acquisition offers the symbiotic value of St Ives helping Solstice launch its proposition into the UK, and the consultancy strengthening the Group's international footprint. J is convinced mobile will prove to be "the future of computing" as well as a powerful customer engagement channel. He explains: "mobile is computing in the context of the user's environment, the intersection of the physical and digital worlds from any location, on any screen, in any situation. It combines the capabilities of natural user interfaces – touch, motion, voice and voice recorder – with prescriptive analytics and artificial intelligence to create an entirely new type of human-computer interaction."

Moreover, he believes technology's evolution promises a "utopian intersection between analogue and digital," affording consumers more personalised, intimate experiences when they interact with brands. He hopes Solstice and St Ives can quicken the pace of mobile adoption in the market, concluding: "we provide full-lifecycle digital product innovation; from business strategy and ideation, to people-centred hardware and software design, to product development and rollout. Very few innovation agencies bring that end-to-end service at scale, and we've yet to meet a UK firm with similar capabilities and experience. We build digital products that delight users and employees, turning traditional points of friction into points of delight."

Find out more about Solstice:
www.solstice-mobile.com

> We also believe strongly in St Ives' investment strategy and business model, and the quality of the companies under its umbrella. While Solstice empowers the digital customer experience, many of the Group's companies drive the digital acquisition experience, turning prospects into customers. Together, it's an amazing value proposition for our international client base.

J Schwan
CEO – Solstice

Rockwell Automation

REIMAGINING PRODUCT CONFIGURATION

As the world's largest company dedicated to industrial automation, Rockwell isn't new to technology innovation, and knew they needed to make mobile a priority in order to provide the best experience for their users. After partnering with Solstice to develop their own Mobile Center of Excellence and drafting a roadmap for mobile innovation, Solstice developed an enterprise-grade field sales enablement app. With the new app, distributors and clients are able to configure highly complex manufacturing systems right from their tablet – empowering them with access on-the-go and enabling them to focus on the relationship first.

CONTINUED MOMENTUM

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The Group has delivered a strong financial performance for the full year, with growth in both underlying revenue and underlying profit, and with recent acquisitions making a significant contribution to the Group's results.

Overview

The Group has delivered a strong financial performance for the full year, with growth in both underlying revenue and underlying profit, and with recent acquisitions making a significant contribution to the Group's results.

The Group's total revenue for the period increased by 4% from £330.7 million to £344.6 million. Reported profit before tax decreased from £11.9 million to £8.7 million with reported basic earnings per share decreasing from 8.60 pence to 4.35 pence. This decrease in reported results is the result of an increase in non-underlying items, largely driven by the acquisitions made during the year.

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

As a result of the reallocation of resources and a change in the Group's internal reporting, we have redefined our segments as Strategic Marketing, Marketing Activation and Books. Comparatives have been restated to reflect the reclassification of reporting segments for the 52 weeks to 1 August 2014. A full explanation of our segmental reporting disclosures can be found in note 4.

Prior year figures have been restated to classify the costs related to St Ives defined benefits pension scheme as non-underlying items (note 8).

Revenue

Underlying revenue increased by £17.0 million (5%) to £344.6 million. After equalising the effect of acquisitions made, during the current and prior year, growth from acquisitions was 6% offset by a 1% organic decline. The organic growth within our Strategic Marketing segment has been offset by a decline in the Marketing Activation segment and, to a lesser extent, the Books segment.

Underlying revenue from our Strategic Marketing segment increased from £86.2 million to £110.7 million, an increase of 28%, as a result of recent acquisitions and organic growth. The growth was split between organic growth of 4% and acquisition growth of 24%. Organic growth in the current year was adversely impacted by a one-off software licence sale recorded within our Data division in the prior year of £2.4 million.

Underlying revenue from our Marketing Activation segment decreased by 4% from £174.0 million to £167.0 million, primarily due to the structural changes and pressures in the retail grocery market. This has impacted our Point-of-Sale business, SP Group and our Field Marketing business, Tactical Solutions.

Revenue from our Books segment was broadly in line with the prior year at £66.9 million (2014 – £67.4 million).

Gross profit margin and underlying profitability

The Group's underlying gross profit margin improved from 31% to 33% primarily as a result of the increased mix from our Strategic Marketing segment, which carries a higher gross profit margin.

Underlying profit from operations increased by 12% from £31.5 million to £35.4 million remaining at 10% of revenue.

> In March 2015 the Group acquired Solstice, a Chicago-based digital business specialising in mobile-first digital product design and engineering services.

Underlying profit from operations in our Strategic Marketing segment increased by 38% from £11.8 million to £16.3 million with an operating margin of 15% (2014 – 14%). This includes full year contributions from Realise Limited and The Health Hive Group Limited, which were acquired in the prior year and a contribution from Solstice which was acquired in March 2015. The improvement in operating margin has been as a result of the acquisition of higher margin businesses and the change of mix within our Data businesses where although the revenue has decreased, underlying operating profit has been maintained.

Underlying profit from operations in our Marketing Activation segment has decreased by 4% from £11.4 million to £10.9 million with an operating margin of 7% (2014 – 7%). Despite the fall in revenue the Group was able to maintain its operating margin through a combination of further rationalisation and improved efficiency. During the period the Group closed its print operation at its Burnley site and to improve efficiency transferred some operations and equipment to other Group sites to improve efficiency. The cost of £1,297,000 is recorded as a non-underlying item (note 8).

Underlying profit from operations in our Books segment decreased by 4% from £8.4 million to £8.1 million with an operating margin of 12% (2014 – 13%). In March 2015 the Book business entered into a multi-year contract with Penguin Random House to produce all of its UK monochrome books. The transfer of production from the previous supplier is split into two tranches; the first took place in January 2015; and the final tranche will be transferred in January 2016. As a result of this increased business, we have invested in additional equipment and people to fulfil the contract.

Acquisitions

In March 2015 the Group acquired Solstice, a Chicago-based digital business specialising in mobile-first digital product design and engineering services. The initial consideration of £24.7 million was payable in the form of cash and St Ives plc shares.

In August 2015 the Group acquired FSP, a specialist retail property consultancy. The consideration was payable in the form of cash and St Ives plc shares.

The deferred consideration paid in the year for acquisitions made in prior years totalled £15.6 million (2014 – £4.8 million).

The Group, where possible, has issued shares from Treasury to satisfy the share element of initial and deferred consideration.

Tax

The Group's tax rate on the underlying profit before tax was 21.3% (2014 – 23.4%). A significant proportion of the Group's profit is generated and taxed in the UK and the UK Corporation tax rate fell from 21% to 20% this year. The total underlying tax charge is £7.0 million (2014 – £7.1 million).

Corporation tax of £6.6 million (2014 – £3.7 million) was paid in the UK.

Dividend

The Board is recommending a final dividend of 5.55 pence per ordinary share (2014 – 5.00 pence) giving a full year dividend of 7.80 pence (2014 – 7.15 pence), an increase of 9% on 2014. The dividend is covered 2.6 times by underlying earnings and will be paid on 22 December 2015 to shareholders on the register at 27 November 2015, with an ex-dividend date of 26 November 2015.

Pensions

The Trustees of the Group's defined benefits pension scheme completed an actuarial valuation of the Scheme as at 30 April 2013 that was updated to 31 July 2015. The Group will continue to make deficit funding contributions of £2.0 million per annum and a contribution of £0.4 million per annum (2014 – £0.4 million) towards the costs of administration.

The IAS 19 (Employee Benefits) accounting deficit of the Scheme at 31 July 2015 was £27.6 million (2014 – £9.8 million). The deficit has increased as a result of an increase in the liabilities of the scheme caused by a decrease in the discount rate used to value the liabilities and an increase in the inflation rate.

In line with legislation that came into effect on 1 October 2012, the Group is continuing the process of automatically enrolling eligible UK employees into a qualifying pension scheme. The charge for the year for the Group's defined contribution schemes was £3.8 million (2014 – £2.8 million).

Cashflow

Cash generated from operations was £35.5 million (2014 – £31.2 million). Total capital expenditure was £6.1 million (2014 – £11.7 million) and included new capital of £3.5 million in the Books segment to meet the additional volume generated by the Penguin Random House contract; a further £1.1 million of maintenance capital and the development of Tactical Solutions' data offering in Marketing Activation; and other expenditure of £1.5 million in Strategic Marketing and St Ives plc.

Debt

The Group negotiated a new revolving credit facility with its existing two banks for a term of four years expiring on 23 March 2019 and with the ability to extend the term for a further year. The facility was increased from £90.0 million to £115.0 million.

Net debt increased during the year from £42.7 million to £62.8 million. At 31 July 2015, St Ives had drawn £79.2 million on its bank credit facility, leaving an unutilised commitment of £35.8 million. The Group had cash in hand of £16.4 million.

Our policy is to maintain prudent leverage ratios. At 31 July 2015 the ratio of net debt to EBITDA, before non-underlying items, was 1.4 times as shown below:

	2015 £m	2014 £m
Net debt	**62.8**	42.7
EBITDA*	**43.4**	39.3
	1.4	1.1

* Before non-underlying items. See note 8 on page 79.

Brad Gray
Chief Financial Officer

6 October 2015

CONTINUED GROWTH

The Group's total revenue for the period increased from £330.7 million to £344.6 million, an increase of 4%. Underlying profit before tax increased from £29.9 million to £33 million with underlying earnings per share increasing from 18.70 pence to 20.32 pence.

Holland & Barrett

CREATING MULTI-CHANNEL SOLUTIONS

SP Group has worked with Holland & Barrett since 2011. It was originally contracted to produce an in-store promotional basket of printed goods, but now works with the chain, as well as sister brand GNC, across a range of channels.

SP delivers all retail Point-of-Sale for both brands, and also creates and manages all content for GNC's digital screens, including remote content updates for stores.

The Shop, SP's creative studio, also provides conceptual services through to artwork creation, in addition to, design, manufacture and delivery of semi-permanent fixtures and fittings.

The client's strong relationship with SP is also beginning to open up conversations with other businesses in the Group such as large-format print specialist, Service Graphics.

CLOSER WORKING BRINGS SUCCESS FOR CLIENTS

> The companies were having more and more opportunities to work closer together. From a Group and client perspective it made sense to pull them into one place to offer limitless capacity, at the right price. Print has been commoditised, so we need to provide end-to-end marketing activation solutions, throughout and across the supply chain.

Nick Cole
Group MD – Marketing Activation

St Ives remains one of the leading marketing communications agencies providing high-volume, in-store Point-of-Sale and large format print; mass and tailored one-to-one direct mail; field marketing expertise; and asset and procurement management. The launch of the Group's Marketing Activation segment gives clients the benefit of its print companies working closer together to provide a market-leading range of solutions.

Marketing Activation houses Service Graphics, SP Group (including The Shop), SIMS and Tactical Solutions. It is overseen by Group MD – Marketing Activation, Nick Cole, who was a graduate trainee in his first stint at St Ives, later returning to lead all of its non-books print businesses. He says: "the companies were having more and more opportunities to work closer together. From a Group and client perspective it made sense to pull them into one place to offer limitless capacity, at the right price. Print has been commoditised, so we need to provide end-to-end marketing activation solutions, throughout and across the supply chain." Clients such as HSBC, Adidas and Holland & Barrett are seeing greater efficiencies and return on investment through this tailored approach.

Nick believes that the market is demanding changes to traditional print manufacturing operations, seeking strategic partners rather than print managers. He adds: "clients have begun to organise around a less siloed approach, with job roles arranged at a campaign level. So, if someone is responsible for delivering campaigns through direct mail, in-store or digital media, they would prefer to have a one-stop shop to help manage their budget. If you can do everything in one place it saves time and money in comparison to using several suppliers. We can effectively manage integrated solutions to make campaigns more efficient and cohesive."

Marketing Activation is a cash-generative, profit-making part of the Group. A senior leadership team of Managing Directors and cross-divisional specialists is in place with joint responsibility for managing the segment's proposition across all of its businesses and focusing on growing client revenues. Growth is expected from the identification of opportunities to aid exceptional client delivery and add value either up, down or across the supply chain. Nick says: "one business can open up other opportunities, not just within Marketing Activation but for the Strategic Marketing businesses too. We identify potential solutions that add value for the client and for the Group."

Alongside organic growth, international client work is becoming more important, with a number of clients providing briefs for several European countries. Meanwhile, the inception of creative department, The Shop, within SP Group has proved successful. Nick adds: "it has given us a solution that can translate the client's creative asset across all below-the-line channels. From a standing start two years ago it's now generating healthy revenues."

Nick's vision is to set out a single Marketing Activation proposition, widely known in the market, creating new revenue opportunities and allowing clients to benefit from the model. He concludes: "launching a hybrid model can be culturally challenging, but the results are beginning to speak for themselves. In a dynamic market it will always be vital to continue to focus on what the client needs."

ADAPTING TO CHANGE

> Offering a broader range of services, for example printing 500,000 books in a few weeks right down to a single copy for one consumer overnight, involves adapting the culture and behaviour of the people who are using the new technology.

Paul Hulley
Managing Director – Clays

Publishing has undergone seismic changes in recent years and St Ives' 200-year-old books business Clays continues to adapt to suit the needs of its clients. The company's evolution is being driven by changes in technology, processes and, inevitably, culture.

Clays is a UK market-leader in book printing, from best-selling fiction to academic journals. It is a core part of St Ives' portfolio of businesses, and represents another source of cash generation and profit as the Group continues to expand. Clays sits separately in the Books segment of the Group, operating very different processes to companies within Marketing Activation and Strategic Marketing, yet collaborates with those businesses as required to service clients.

Managing Director Paul Hulley oversees the 700-strong workforce at Clays' 90-acre site in Bungay, Suffolk. Paul, an experienced leader in supply chain operations and transformation, has spent almost two years in the role, continuing to modernise equipment and processes. A large part of his strategy has been to ensure employees who are used to very traditional processes become more agile in the way they think and work. Clays typifies the Group's 'low-ego, high-integrity' ethos, with Paul keen to support staff to make these transitions as the business writes a new chapter in its long and successful history.

He says: "offering a broader range of services, for example printing 500,000 books in a few weeks right down to a single copy for one consumer overnight, involves adapting the culture and behaviour of the people who are using the new technology.

"Success is as much about their mindset as it is about systems and workflows. Understanding the differing demands of modern publishing is a learning curve for us all. The culture here has always been strong, it just needed to adapt. We're now starting to see that strategy bear fruit."

Clays has invested heavily in digital technology to complement its traditional litho platform, using scalable inkjet printing to fit in short runs alongside high-volume orders. The ongoing modernisation is helping Clays to secure and successfully service its customers. This year, it celebrated the extension and renewal of a major monochrome printing contract with Penguin Random House ('PRH'). The agility demonstrated through new equipment and processes was a key element in securing the PRH deal.

Paul is adamant the physical book still has a major place in the modern world and points to a flattening of e-reader and digital book sales as evidence Clays can and will continue to support the printed page, while focusing on clients' specific requirements. Innovation is also key to keeping up with industry changes. He observes: "lots of different types of content are being delivered across an omnichannel landscape. Expert customer care and delivery are as much a critical part of that for the physical book as they are for any other format.

"We've got to stay on top of supply chain evolution on behalf of our customers. That evolution can be hard to predict. If we confidently provide the right layers of service for the physical books market, our clients will also remain confident. We have to take into account developments in the publishing landscape as well. For instance, we've recently introduced a self-publishing service that is seeing rapid volume growth."

In Paul's view, Clays is a logistics business capable of getting small batches of books into shops or single copies to consumers at high speed. He explains: "this minimises the need to hold large amounts of stock in a warehouse, increasing efficiency while ensuring availability." He says the company distributes half of the books it makes directly to retailers, but also consolidates runs from overseas printers to speed arrival on retail shelf.

Clays aims to extend its logistics offering by taking more ownership of the decision-making process. Paul describes this as "the publisher's reprint management transitioning to an inventory management capability, enabled and supported at Clays as we understand demand and collaborate with our clients for smart and timely decisions." Customers are already buying into the concept and are keen for it to be rolled out.

The next year will see Clays hone its skills to become a slicker operation as it learns from the challenges and investment of the last few years. To that end, the business has employed its first performance improvement technician to ensure processes are robust across all levels of service.

Meanwhile, further change lies ahead with the proposed installation of equipment to enable full-colour book printing within the next twelve months. Turning over a new leaf is not always easy in business, but Clays is ready to write the next chapter in its story.

Clays

Find out more about Clays:
www.clays.co.uk

Harper Collins

BRINGING BOOKS TO LIFE

Clays has been working with Harper Collins for more than 20 years. It has a remit to produce all of the publisher's monochrome books in the UK and to act as a southern hub for storage and distribution into the UK retail trade.

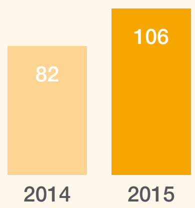
In addition to this longstanding relationship, Harper Collins is also engaged with other Group companies. For example, Amaze One in partnership with Occam has supported Harper Collins to better understand its data with the completion of a subscriber segmentation project. By dissecting data from past purchase behaviour, clickstream analysis and browsing data, more highly targeted communications are being delivered to customers.

MEASURING OUR PERFORMANCE

COLLABORATION ●
INTERNATIONALISATION ●
ACQUISITIONS ●

Operational

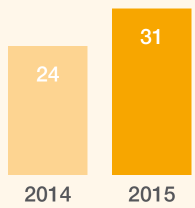
Collaboration



106

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 82 to 106 over the course of the year.

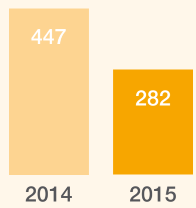
Internationalisation



31%

We have seen a growing contribution from our international operations over the past year, with 31% of Marketing Services revenue coming from clients based outside of the UK.

Health and Safety

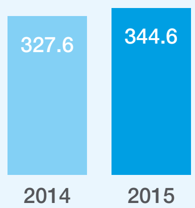


282

We have seen a reduction from 447 to 282 in the total number of days staff were unable to work due to a work related accident.

Financial

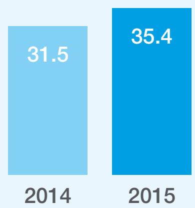
Group underlying revenue (£m)*



£344.6m

Group underlying revenue has increased over the year to £344.6m.

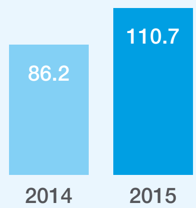
Group underlying operating profit (£m)*



£35.4m

Group operating profit has increased by £3.9m to £35.4m.

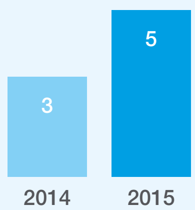
Strategic Marketing underlying revenue (£m)*



£110.7m

Underlying revenue in Strategic Marketing grew to £110.7m, as a result of acquisitions and organic growth.

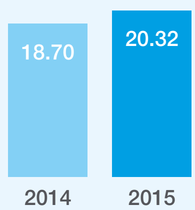
Group underlying revenue growth (%)*



5%

Underlying revenue growth of 5% compared to 3% in the previous year.

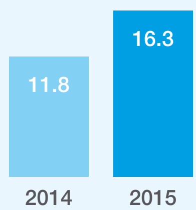
Group underlying earnings per share (p)*



20.32p

Underlying earnings per share have increased by 9% to 20.32p.

Strategic Marketing underlying operating profit (£m)*



£16.3m

Underlying operating profit in Strategic Marketing has increased by £4.5m to £16.3m.

* Before non-underlying items. See note 8 on page 79.

Phase Eight

DESIGNING AN INTERNATIONAL STRATEGY

British women's designer clothing brand Phase Eight owns stores and concessions throughout the UK and has also expanded internationally. It approached Pragma about a market entry strategy for the US and Germany.

The consultancy identified roll out opportunities across several channels, conducting a detailed analysis of international market dynamics, customers, competitors and requirements for operational support. As a result, Pragma devised an optimal channel strategy for the business covering a five-year period.

Based on Pragma's roll out strategy, Phase Eight has established a successful mix of stores and concessions in Germany, which has served as a template for further international expansion. Today, the business operates more than 130 international Points-of-Sale in more than 15 different markets.

MANAGING OUR RISKS

The Group's ability to achieve its strategic objectives and implement its business model may be affected by a number of risks and uncertainties, some of which are beyond its control. The Group's risk management framework is discussed on page 31.

COLLABORATION ●
INTERNATIONALISATION ●
ACQUISITIONS ●

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

In preparation for reporting on risk management for 2015/2016 under the 2014 UK Corporate Governance Code, the Board conducted a robust assessment of the principal risks facing the Group and reduced the number of risks reported on, below. In so doing, the Board has recognised that a number of risks reported on previously do not represent principal risks as defined under the new Code that could, specifically, inhibit the Group in achieving its strategic objectives. The principal risks in the following table fall into the following categories – Strategic, External, Organisational, Financial and Reputational. The possible consequences of each and examples of mitigating actions are set out below.

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

Strategic

RISK & IMPACT ON STRATEGY	MITIGATION
Acquisitions may not fit in to the Group's strategic direction and may fail to deliver growth and successful integration as a result. ● ● ●	A stringent selection criteria for pursuing acquisitions that fit the Group's strategy and its culture. Detailed due diligence undertaken using external advisors. Board strategic reviews held annually to monitor progress against the business model to, as necessary, refresh and adapt the Group's strategy for delivering growth. Periodic visits by Internal Audit. Meetings held with senior management of the subsidiaries to determine cross-selling opportunities.
Organic growth, including overseas expansion, may not be pursued in the right sectors or territories which may result in significant incremental costs to the Group. ● ●	Regular discussion of strategy at Board meetings and meetings of representatives from the businesses to develop the Group's proposition and growth opportunities and collaborative behaviour. Detailed budgets and three year plans are submitted to the Board for review.
Issues arising within Marketing Activation and Books may distract or inhibit the Board's focus on growth within the Strategic Marketing segment. ● ● ●	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.

External

RISK & IMPACT ON STRATEGY	MITIGATION
Challenging economic conditions inhibit growth and create uncertainty.	Diversification into markets that are capable of delivering profit growth with an increasing range of marketing companies. Opportunities pursued to open overseas offices, where client demand warrants it. Investment in a wider range of services offered to clients. A continual review of the Group's cost base. Secure long-term client relationships. 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 implement timely remedial action, where needed.
Competitive pressure, resulting in the loss of a key client.	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.

Organisational

RISK & IMPACT ON STRATEGY	MITIGATION
A failure to attract, develop and retain employees with the necessary talent for our businesses.	Implement appraisals and fulfil training needs where identified. Develop a collaborative culture across the Group's businesses. Operate discretionary LTIP share-based incentive schemes, and other benefits. Pay part of consideration in shares to vendor directors of acquired businesses, with 'lock-in' obligations.

Financial

RISK & IMPACT ON STRATEGY	MITIGATION
The Group's ability to trade may be compromised by lack of cash funds.	Conduct 'going concern' reviews on a twice yearly basis; continually monitor the Group's performance against its banking covenants. Undertake monthly reviews of working capital, cash forecasts and headroom on banking covenants. Periodically review the Group's financial KPIs with its bankers.
The volatility of the Defined Benefits Pension Scheme deficit.	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

RISK & IMPACT ON STRATEGY	MITIGATION
Exposure to reputational or financial damage due to accident, unethical trading, non-compliance with legislation or regulation or disputes.	Ingrain robust health and safety culture throughout the Group, supported by rigorous health and safety and environmental policies; monitor compliance; measure performance and investigate major incidents. Monitor changes in legislation and regulations, take legal advice and provide training where necessary. Place a strong emphasis on compliance with local taxation rules by embedding the Group's processes and procedures. Apply the Group's policies on Ethical Trading, Share Dealings, Equal Opportunities, Dignity at Work and Whistle-blowing. Have in place business continuity plans and a procedure for dealing with 'leaks' of Insider Information.

FOCUS: OCCAM'S TREKFEST

Occam's TrekFest is an endurance trekking challenge organised and run by Global Adventure Challenges. Their goal is to help individuals to realise their ambitions whilst raising money for UK charities. After hearing about the 2015 TrekFest challenge in the Brecon Beacons, Occam fielded two teams as employees seized the opportunity to stretch their legs, test their limits and raise money for a good cause. It took them no time at all to decide to support Cancer Research UK.

Challenge: 54 miles in 24 hours

"After reaching the high point of Pen-Y-Fan, the highest point in Snowdonia at 886 metres, a tough climb through 30 mph winds, the first team got into its stride averaging 3.6 mph between the 27 and 40-mile markers.

"As darkness fell they soon found out that the light of four head torches did little to pierce the Brecon night but a good rate of progress was maintained. The torches proved more effective at the rest point in helping to illuminate the laudable efforts of the local Mountain Rescue Team to get the feet of all 170 of the 54-mile trekkers in good enough shape to set off once again.

"After having one team member drop out at the 48 mile mark on doctor's orders, the remaining three struggled on through the dawn to the finish, crossing the line at 5.07 am – 20 hrs at a respectable average speed of 2.8 mph – to the rousing cheers from a 'welcoming' committee.

"The adventure resulted in a failed knee, four pairs of very bruised and blistered feet, several packs of used blister plasters and a few metres of strapping tape, but this was more than out-weighed by a massive sense of achievement. Would the team do it again? No comment!"
(*Grant Williams – Occam*)

Challenge: 13 miles in six hours

"As a team of eight we set off on the shorter 13 mile trek after cheering on the 54 mile team. We initially kept a fairly brisk pace as we enjoyed a picturesque stroll along the Brecon canals, heading towards Talybont and arriving at the seven-mile checkpoint together and in good spirits. After a short stop to refill water bottles and consume a few cereal bars and sweets, the team split into smaller groups to complete the return leg.

"All eight of us made it back to the TrekFest basecamp within 15 minutes of one another, with the first group back after a respectable time of four hours and 30 minutes. We were welcomed back with a glass of cold bubbly, Welsh cakes and a tasty buffet lunch – all very pleased with our accomplishment and that we'd raised some money for a really good cause."
(*Ryan Mazi Thomas – Occam*)

St Ives funded entry fees and matched generous donations from colleagues and friends, raising a total in excess of £3,100.

Our relationships with stakeholders

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

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

Clients and suppliers

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 deals with its clients and suppliers on an arm's length commercial basis, delivering consistency and reliability of service and quality. No client is tied in to an agreement that cannot be terminated in the event of under-performance.

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

How we are performing

The average creditor days outstanding at 31 July 2015 for the Group was 76 days (2014 – 73 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.

Employees

The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, sex, marital status, race, colour, religion or belief. Individuals with disabilities, whether registered disabled or not, receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with necessary rehabilitation and retraining. Wherever practicable the Group will modify procedures or equipment so that full use can be made of an individual's ability.

What we are doing

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

By gender, the Group's employees are 69% male (2014 – 70%) and 31% female (2014 – 30%); its senior management is 63% male (2014 – 66%) and 37% female (2014 – 34%); and the Board is made up of 83% male and 17% female (unchanged since 2014).

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 CEO 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 28 to the financial statements.

How we are performing

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

Charitable donations

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

What we are doing

The Group supports charities in four ways: by setting and then donating an annual budget to charities serving communities in which the Group operates or to which employees or clients have a particular affinity; matching the total contribution made by the Chairman from foregoing a proportion of his fees; supporting fun fund-raising events for charities nominated by employees, and, finally, adopting a particular charitable project each year. This year we directed 35% of the Group's total donation to cancer research, treatment and patient support (see below).

How we are performing

During the year the Group donated a total of £55,747 (2014 – £54,920) to 60 charities. In addition to focusing this year on cancer-related charities in particular, donations of varying sums were made to a wide spectrum of other charities including: the Alzheimer's Society; Contact the Elderly; DEBRA (which supports individuals and families affected by Epidermolysis Bullosagenetic – a skin condition which causes the skin to blister and tear at the slightest touch); Great Ormond Street Hospital; Help the Burmese Delta (completing the Group's three-year commitment to funding the building of two schools); Special Effect (which uses video games and technology to enhance the quality of life of people with disabilities); and the Stroke Association.

Shareholder relations

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

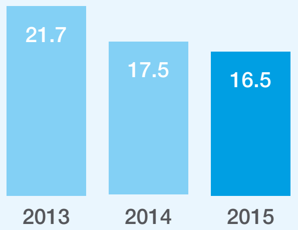
What we are doing

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

How we are performing

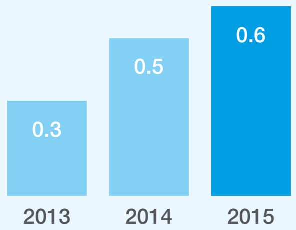
The Company's top 20 shareholders hold approximately 67% (2014 – 69%) of the Company's issued share capital. Those which have an obligation to notify the Company of their voting interests are shown on page 55.

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



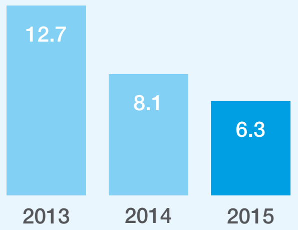
Total Group Carbon emissions (thousand tonnes)

16.5t



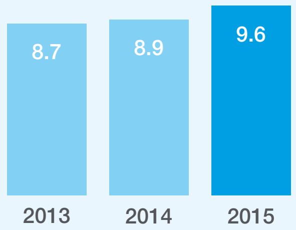
Strategic Marketing Carbon emissions (thousand tonnes)

0.6t



Marketing Activation Carbon emissions (thousand tonnes)

6.3t



Books Carbon emissions (thousand tonnes)

9.6t

Scope 1 – emissions from activities owned or controlled by the Group: 3.6 thousand tonnes (2014 – 3.1)

Scope 2 – emissions associated with our consumption of purchased electricity, heat, steam and cooling: 12.9 thousand tonnes (2014 – 14.4)

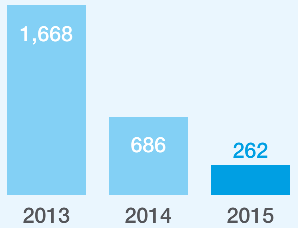
CO_2e intensity measure – grams per £ of revenue:

Group: 47.9 (2014 – 52.1)

Strategic Marketing: 5.0 (2014 – 5.6)

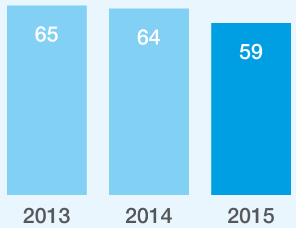
Marketing Activation: 37.5 (2014 – 44.4)

Books: 144.6 (2014 – 132.6)



Total Group waste sent to landfill (tonnes)

262t



Total Group water consumption (thousand cubic metres)

$59m^3$

Environment

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

What we are doing

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

What we report

We report our CO_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 2015.

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 0.3% 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.

d) This reporting year's emissions from Solstice are excluded as we have yet to finalise the processes required to obtain reliable data for this new subsidiary.

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 Group chart shows improvement, year on year, which is driven by an improved performance in the Marketing Activation segment. This is due to the exclusion of the Bradford site (two months' production consumption having been included in the performance for 2013/2014) and the closure of the Burnley production facility during 2014/2015.

The other two segments have shown a year on year increase in emissions. The Books segment shows an increase following a correction to one of the fuel conversion factors used. Applying the prior year factor would, however, have shown Books' emissions to be lower than last year, at 8.6 thousand tonnes' CO_2e. The rise in Strategic Marketing's emissions follows the inclusion of Hive and Realise for the first time, having been acquired last year. This segment represents only 3% of the Group's overall emissions.

Two further charts show that the Group's waste sent to landfill has continued to fall and is approaching a level of relative immateriality which will prompt a review of how we measure and report on waste in future. The Group's water consumption continues to follow a downward trend.

The Group's Environmental Policy and further information about the Group's environmental performance during 2014/2015 can be viewed on the Group's website from 30 October 2015.

Health and Safety

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

What we are doing

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

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

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

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

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

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

How we are performing

The total number of accidents at the Group's sites for the year ended 31 July 2015 which resulted in at least seven days' absence each was three (2014 – eleven) and the number of days' work lost from all accidents at work was 282 days (2014 – 447). We recorded 1,347 'near miss' events during the year (2014 – 1,250).

A copy of the Group's Health and Safety Policy and performance data for 2014/2015 will be made available on the Group's website from 30 October 2015.

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

M. A. Armitage

Matt Armitage
Chief Executive

6 October 2015

FOCUS: FIRE AND ICE

Service Graphics' 'Fire and Ice' Trek

"Alison and I have now completed our seven day 'Fire & Ice' Trek across Iceland for Great Ormond Street Children's Hospital. We flew back on Wednesday evening, and aside from a few aching limbs, we are pleased to say injuries sustained by the team were minimal!

"It was a very challenging trek, through a lot of snow and in some very chilly temperatures! Throw in a few volcanoes, lava fields, a lot of high mountains, and even some river crossings (water straight off a glacier is extremely cold by the way!), and we all made it to the finish line.

"Perhaps what is most surprising is that I managed to survive six nights in a tent!

"We raised in excess of £11,500 towards the £37,000 that a total group of seven raised from the trek. I would like to take this opportunity to thank everyone for their support, kindness and encouragement during both our training and also throughout the trek; it really is appreciated!

"The money raised will make such a huge difference to the hospital, and to the lives of the patients and their families."
(*Sarah Bate – Service Graphics*)

6 October 2015

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 31 July 2015 ('the period'), which includes individual reports from the Chair of each of the Audit Committee, Nomination Committee and Remuneration Committee on pages 34 to 39).

BOARD OF DIRECTORS AND ITS MEMBERSHIP
The Board's membership throughout the period and the Directors' attendance at pre-arranged meetings of the Board is set out in the table opposite on page 31.

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, detailed minutes are recorded and actions followed up.

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

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

The Company's articles of association set out detailed provisions for the retirement of Directors and their re-appointment or appointment at the forthcoming Annual General Meeting. Although not required under the Code, all of the Directors have, however, voluntarily agreed to retire at the 2015 Annual General Meeting and seek re-election.

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

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

The areas of focus for the Board during the period were: Health and Safety performance; the Group's growth strategy; the acquisition of Solstice Consulting LLC; the appraisal of other potential acquisitions; risk; and Governance and Board performance. The Board also held an annual strategic review away-day at which, inter alia, presentations were received from the Chief Executives of the Group's Strategic Marketing businesses from which significant organic growth has been targeted.

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.

Having last year undertaken a formal evaluation of the effectiveness of the Board with support from a third party consultancy, The People Stuff, this year the evaluation was conducted on a less formal basis, taking the form of one-to-one interviews between the Chairman and each Director. The Board is satisfied that the Board is operating effectively and agreed to implement a number of recommendations that arose from the interviews. The Board has engaged The People Stuff to facilitate the 2015/2016 evaluation. Interviews with the Directors and the Company Secretary have been conducted and actions will be debated and agreed by the full Board.

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

BOARD COMMITTEES
Audit, Nomination and Remuneration Committees of the Board existed throughout the period, each of which is serviced by the Company Secretary from whom copies of the terms of reference for these committees can be obtained or may be viewed on the Group's corporate website (www.st-ives.co.uk).

The Audit Committee Report on pages 34 to 36 discusses the principal activities conducted by the Committee during the period and significant financial matters which were considered by the Committee and actions taken in respect of these.

A report on the work of the Nomination Committee is set out on page 37.

A Statement from the Chair of the Remuneration Committee and the Directors' Remuneration Report can be found on pages 38 to 53.

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

The membership of each Committee throughout the period under review is commented on in the aforementioned reports.

BOARD AND COMMITTEE ATTENDANCE

In the opinion of the Board, the Board and its committees each met sufficiently frequently to properly discharge the responsibilities set out in their respective terms of reference. Recommendations from evaluation of the effectiveness of the Board will be implemented in the forthcoming year.

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	–	2/2	–
Mike Butterworth (Senior Non-Executive Director and Chair, Audit Committee)	9/9	3/3	2/2	4/4
Ben Gordon	9/9	3/3	2/2	4/4
Brad Gray	9/9	–	2/2	–
Patrick Martell	3/3	–	–	–
Helen Stevenson (Chair, Remuneration Committee)	9/9	3/3	2/2	4/4
Richard Stillwell (Chair, Nomination Committee)	9/9	–	2/2	–

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

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 UK Corporate Governance Code (September 2012) ('the Code') after having due regard to the Financial Reporting Council Guidance.

The Board is responsible for the Group's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. A workable and realistic system can only be designed to manage and mitigate, rather than eliminate, the risk of failure to achieve business objectives and, therefore, can only provide a reasonable and not absolute assurance against material misstatement or loss.

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

The Group recognises that taking and managing risks is inherent in any business and in delivering its strategy. On pages 24 and 25 we set out the principal risks and uncertainties that have been identified from the reporting and risk management framework; their possible impact on the business; and what mitigating actions the Board has approved.

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

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

The Group's Internal Audit function consists of two 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.

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

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

COMPLIANCE STATEMENT

The Company is required to comply with the Code, to the extent that it applies to 'small-cap' companies, or 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, with the exception of Code Provision E.2.4 (timing of the mailing of Notice and accompanying documents to shareholders), throughout the 52 weeks ended 31 July 2015 been in compliance with the Code. The non-compliance arose from having to reprint the Annual Report and Accounts for 2014, printed by a third party which, despite using the same paper and inks as those used the previous year, resulted in a product of unacceptable quality. The document was reprinted on different paper and the mailing to shareholders was completed on 4 November 2014, within the relevant provisions of the Companies Act 2006 and Company's articles of association, but three calendar days later than that provided under the Code. In future, proof copies will be examined to ensure, at an early stage, the product is of acceptable quality.

This Corporate Governance Report, together with the reports on pages 34 to 57, describes how the Board has applied the other Main and Supporting Principles 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

STRONG LEADERSHIP

Matt Armitage
Chief Executive

COMMITTEE: ●

APPOINTED: 1 August 2014

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

Mike Butterworth
Independent Non-Executive Director

COMMITTEE: ●●●

APPOINTED: 1 August 2010

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

Ben Gordon
Independent Non-Executive Director

COMMITTEE: ●●●

APPOINTED: 15 July 2013

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, Disney Store, Europe and Asia Pacific. Ben had previously held senior positions within WHSmith Group in the UK and USA and with L'Oreal S.A. in France and the UK.

OTHER ROLES: Ben is a Non-Executive Director of Britvic plc, a Senior Partner and Non-Executive Director of Powerleague Group Ltd and a Trustee of the Canal and River Trust.

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

Brad Gray

Chief Financial Officer

COMMITTEE:

APPOINTED: 1 August 2014

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.

Helen Stevenson

Independent Non-Executive Director

COMMITTEE:

APPOINTED: 1 May 2012

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.

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

Richard Stillwell

Chairman

COMMITTEE:

APPOINTED: 26 April 2011

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.

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

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

6 October 2015

Dear Shareholder

I am pleased to present a report on the role of the Audit Committee and its activity during the period ended 31 July 2015.

CURRENT MEMBERSHIP

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

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

ROLE OF THE COMMITTEE

The 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 2014/2015

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;
- 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;
- 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;
- monitored and reviewed the independence and objectivity of the external auditors and the effectiveness of the external audit;
- conducted a review of the Committee's effectiveness;
- regularly monitored the quality of work performed by the Internal Audit function;
- reviewed the Group's Whistle Blowing Policy and the effectiveness of the Group's Anti-corruption and Bribery Policy;
- received a report setting out the Going Concern review undertaken by management; and
- undertook a review of the effectiveness of the external audit process by reviewing replies to questionnaires completed by the management and Audit Committee members.

ANNUAL REPORT 2014/2015

The Committee also undertook a review and assessment of the Annual Report 2014/2015 in order to determine whether, in its opinion, the Annual Report and Accounts for the period, taken as a whole is fair, balanced and understandable and provides shareholders with the information they need to assess the Group's performance, business model and strategy. To provide additional support to the Board in making this assessment, the Committee approved and monitored an enhanced review and verification process of the Annual Report and Accounts undertaken by management and provided confirmation to the Board that this process was both followed and effective. In this respect, the Committee:

- received reports on the requirements of Provision C.1.1. of the Code, which were updated as an ongoing part of the year end process;
- reviewed a full draft of the Annual Report and Accounts, using an evaluation tool to help 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 and Accounts, in the opinion of the Committee, complies with Provision C.1.1. of the Code; and
- reviewed the outcomes of reviews performed by the external auditors.

SIGNIFICANT FINANCIAL ISSUES

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

Significant matters considered	How the Committee addressed these issues
The assessment of the carrying value of goodwill and intangible assets	The Committee received reports in relation to the assessment of the carrying value of the goodwill for each cash generating unit ('CGU'). The Committee considered key judgements including the discount rate, long-term growth rate, and the projected future cash flows of each CGU to which goodwill and investments are allocated, based upon the projected financial plans approved by the Board. The conclusion of the review and the key assumptions are disclosed in the notes to the consolidated financial statements. During the period, the Committee reviewed the impairment assessment of the acquired intangible assets and goodwill for Tactical Solutions that was carried out by management and concluded that an impairment charge of £1.5 million should be recorded in relation to the goodwill and customer relationship asset. The charge has been recorded as a non-underlying item in the Consolidated Income Statement.
The classification of non-underlying items	The Committee reviewed reports from management outlining the nature and size of each non-underlying item, and concluded that the items conformed to the Group's accounting policy.
The valuation of the St Ives defined benefits pension scheme	The valuation of the St Ives defined benefits pension scheme is judgemental due to underlying assumptions in determining the discount rate, inflation and life expectancy for the Scheme as at the balance sheet date. The Committee reviewed reports from the management and from the Company's and the Scheme's actuaries outlining the assumptions used, and agreed with those assumptions.
The key judgements relating to the assumptions used in valuing the acquired intangible assets for acquisitions	The judgments largely relate to the assumptions used to derive the value of the acquired intangible assets. The Committee received and reviewed reports from management outlining the basis of the assumptions used including the discount rate, attrition rate, useful life and valuation of contributory assets.

GOING CONCERN

The Committee received a report setting out the Going Concern review undertaken by management that forms the basis of the Board's going concern conclusion on page 54.

EXTERNAL AUDITORS

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

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

a) relevant ethical guidance shall be taken into account regarding any proposal to request the Group's external auditors to perform non-audit services;
b) it is inappropriate to set a fixed percentage balance between audit and non-audit fees paid to the Group's external auditors for project work;
c) subject to (d) below, the Board shall appoint whoever, in its opinion, will provide the most cost effective and timely service for undertaking a particular project; and
d) 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 fee was of a type and level that they are not considered by the Committee to compromise the objectivity and independence of Deloitte.

The Committee also considered the robustness of Deloitte's safeguards and procedures to counter threats or perceived threats to their objectivity, the application of their independence policies and their adherence to the Ethical Standards published by the Auditing Practices Board. In all these respects the Committee was satisfied with Deloitte's objectivity and independence. The Committee is satisfied that there are no relationships between the Company and 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 2013/2014 year end was performed during the period which involved the completion of two questionnaires containing assertions of 'best practice' – one by each member of the Audit Committee containing ten assertions – and another completed by the management of each subsidiary containing 15 assertions. The areas covered included: the audit team expertise and experience; the audit planning process; audit execution; communication; adding value; responsiveness; reporting; timeliness; and focus. Participants were requested to score each assertion between one and four to indicate their level of agreement or disagreement. The results were then reviewed by the Audit Committee and Chief Financial Officer before being discussed with the external auditors. The completed questionnaires showed in aggregate that the external audit had achieved a clear majority of the assertions in each area of focus.

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 2015/2016.

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.

6 October 2015

Dear Shareholder

On behalf of the Nomination Committee, I am pleased to report to you on the work it undertook during the period ended 31 July 2015.

CURRENT MEMBERSHIP

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

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

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, disability, age and so on. We intend to continue with this policy.

Our disclosure on diversity generally can be found on page 27 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 2014/2015

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

In considering the composition of the Board, the Committee has recognised that the Group has undergone significant acceleration in the past four years in its transition: the continued implementation of our strategy by the acquisition of Strategic Marketing companies and the opening of overseas offices.

Shape change will continue through further acquisition and, increasingly importantly, from organic growth and investment in the acquired businesses.

The Board already includes a wide spectrum of experience and expertise among its Non-Executive Directors. Notwithstanding this, however, the Committee has concluded that, given the challenges described above, the Board would benefit from the appointment of an additional Non-Executive Director who would add to the knowledge and capabilities of the existing Board members. With this in mind the Committee has approved a profile for the type of candidate to be sought and the selection process to be followed in finding the right person. The Board's view on diversity will be taken into account during the selection process. Whilst such an appointment is regarded as beneficial in the longer term the appointment is not seen as being urgent, given the current composition of the Board.

Following the promotion of Matt Armitage and Brad Gray to the positions, respectively, of Chief Executive Officer and Chief Financial Officer, during the period the Committee started the process of formulating a succession plan in respect of the Executive Directors. A third party consultancy, The People Stuff, was engaged to perform a Talent Audit during the year which involved interviews with 15 senior employees in the Group. The purpose of the Talent Audit was to review the resources in place to help the Group deliver its overall strategy.

The Committee discharged its other principal duties by:

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

The Committee's priorities for 2015/2016 will be to progress the possible recruitment of a further Non-Executive Director and to finalise a Board level succession plan.

Richard Stillwell
Chair of the Nomination Committee

STRATEGIC REPORT
CORPORATE GOVERNANCE
OUR FIGURES

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.

6 October 2015

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the period ended 31 July 2015 covering the remuneration of Executive and Non-Executive Directors.

Similar to last year, this report is split into three parts: this Annual Statement, a Policy Report and an Annual Report on Remuneration. As our remuneration policy for Directors is unchanged from that approved by shareholders at the November 2014 AGM, we have provided an abbreviated Policy Report to give context to decisions taken by the Committee during the year. The full Policy Report, as approved by shareholders, can be found in our 2014 Annual Report and Accounts available on the Company's website. As required by legislation, we will be submitting this year's Annual Report on Remuneration to an advisory vote at the Annual General Meeting on 26 November 2015.

PERFORMANCE AND REWARD FOR 2014/2015

During the period we continued with the successful execution of our strategy to grow our Strategic Marketing segment. The acquisition of Chicago based Solstice has enhanced our digital and mobile marketing capability whilst supporting international expansion. Collaboration across the Group continues to strengthen with an increasing number of clients working with more than one business in the Group as our offering expands.

Good progress has been made against the financial key performance indicators (KPIs), with underlying Group revenue increasing by 5%, underlying PBT increasing by 10% and underlying basic EPS increasing by 9%.

In light of the 2015 performance, Executive Directors will each receive bonuses of 69.7% (from a possible 100%) of basic salary. A summary of actual performance against the targets set is included on page 46. Consistent with the policy operated in prior years, any bonus earned which exceeds 50% of basic salary will be paid in shares which will be held in the Company's employee benefit trust for two years.

The Annual Report on Remuneration also gives details of LTIP awards granted in November 2012 which are due to vest in November 2015, subject to achievement of the performance conditions. The Company's underlying basic EPS performance in the final year of the three-year period ended 31 July 2015 warranted 50% (from a possible 50%) vesting. Further details, together with comments on the Company's Relative Total Shareholder Return performance to the start of September 2015 on which vesting of the remaining 50% of the award is dependent, are given on page 47.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2015/2016

During the year the Committee reviewed the remuneration policy approved by shareholders at the November 2014 AGM, and concluded that the remuneration structure continues to be appropriate. Following consultation with the Company's major shareholders, for 2015/2016 the Committee has introduced (i) a second performance measure to complement EPS for annual bonuses, in line with best practice, and (ii) an additional performance measure for the LTIP to help reinforce and accelerate delivery of the Company's strategy. Further details of these changes are detailed below.

In recent years, the Company has used underlying EPS as the sole performance measure for Executive Director annual bonuses. For 2015/2016, the Committee has supplemented EPS with an element on like-for-like growth in underlying revenues from the Strategic Marketing segment with a 25% weighting, to reinforce organic growth in this area. To ensure these revenues are in shareholders' interests, the Committee must be satisfied with the quality of revenue growth for this element to pay out, taking into account factors such as the gross margin arising from these additional revenues.

LTIP grants in recent years have vested after three years based 50% on underlying EPS in the final year of the performance period, and 50% on three-year relative Total Shareholder Return ('TSR'). The Committee has supplemented these measures with an element based on underlying operating profit from the Strategic Marketing segment, with a 25% weighting. This element will be based on the percentage of the Group's underlying operating profit from the Group's Strategic Marketing segment in the final year of the performance period, underpinned by the achievement of a minimum level of EPS. The Committee believes that this will reinforce and accelerate a reshaping of the portfolio towards the targeted growth area of Strategic Marketing. The weighting on underlying EPS will be reduced to 25% to accommodate this change and the balance (50% of the total LTIP award) will continue to vest on relative TSR, to further reinforce alignment with shareholder interests.

As disclosed in last year's report, the Committee increased the basic salaries of the Chief Executive Officer and Chief Financial Officer, respectively, to £400,000 per annum and £230,000 per annum effective 1 August 2015. In confirming these increases, the Committee took into account the strong performance of both Matt Armitage and Brad Gray since their appointment into their new roles and is satisfied that such increases are justified.

SHAREHOLDERS' VIEWS

The Committee actively seeks to engage with shareholders and takes close account of developments in 'best practice' guidance. In particular this year we shared with the Company's major shareholders the Committee's changes to the short-term and long-term incentives for the Executive Directors referred to above.

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

Helen Stevenson
Chair of the Remuneration Committee

This Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report is also in accordance with the requirements of the Listing Rules and the relevant recommendations contained within the UK Corporate Governance Code (September 2012) ('the Code') relating to Directors' remuneration and takes into account the views of our major shareholders. The legislation requires the auditors to report to the Company's members on certain disclosures contained in this Report and to state whether in their opinion that part of the Report has been properly prepared in accordance with the Companies Act 2006. The sections, between pages 40 and 53, which are subject to audit have been highlighted.

POLICY REPORT

SUMMARY OF DIRECTORS' REMUNERATION POLICY

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

BASIC SALARY

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
To provide competitive fixed remuneration that will attract and retain key employees of a high calibre and which will reflect their experience and position in the Company.	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; and • external economic factors such as inflation.	As described in last year's report, the Executive Directors' salaries effective 1 August 2015 are as follows: • Chief Executive Officer: £400,000 p.a.; and • Chief Financial Officer: £230,000 p.a. Future increases will generally be 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.	Not applicable.

BENEFITS

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
To provide market competitive, yet cost effective, benefits to attract and retain high calibre executives.	Benefits generally include provision of a car, 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 to reflect cultural norms and/or local legislation and may include relocation costs and/or tax equalisation arrangements as necessary.	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 single figure table on page 46.	Not applicable.

PENSION

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
To provide market competitive, yet cost-effective benefits, to act as a retention mechanism and long-term reward service.	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 Remuneration Committee.	Up to 15% of basic salary.	Not applicable.

ANNUAL BONUS

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
Incentivises achievement of annual objectives which support the short-term performance goals of the Company.	At the start of each year the Committee determines the choice of annual bonus measures and targets to ensure they reflect the short-term KPIs of the business at that time. 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 clawback 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 equivalent are payable on the deferred bonus shares during the two year holding period.	100% of basic salary.	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 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. underlying basic EPS). A minority may be subject to achieving pre-set personal objectives which reflect the key priorities of the role at the time. Bonuses become payable once a threshold level of performance is achieved against the targets(s) which triggers a bonus payment of 25% of salary, rising to 100% of salary for meeting (or exceeding) the maximum target(s) set. Measurement of financial metrics is made on the basis of audited figures. Where personal targets are set it may not always be practicable to set these using a sliding scale. Page 50 of the Annual Report on Remuneration provides details of the performance measures, targets and weightings to apply for the year ending 29 July 2016.

LONG-TERM INCENTIVES

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
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.	The Long-Term Incentive Plan ('LTIP') was approved by shareholders in 2010. Eligibility to receive awards is at the discretion of the Committee each year. 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. 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 clawback in the event of a material misstatement of the Company's financial position.	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 is measured over a three-year period. A balanced approach to target setting is taken with at least half of an award subject to challenging financial targets linked to the Group's key performance indicators (e.g. underlying basic EPS, targets set to reflect strategic objectives, etc.) with the balance of an award subject to a relative Total Shareholder Return measure. 25% of an award vests at threshold performance (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. Page 51 of the Annual Report on Remuneration provides details of the performance measures, targets and weightings to apply for the year ending 29 July 2016.

ALL-EMPLOYEE SHARE SCHEMES

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

SHARE OWNERSHIP GUIDELINES

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

Notes

1. While the remuneration policy for Executive Directors is designed having had regard to the policy for employees across the Group as a whole, there are some differences in the structure for senior employees which the Committee believes to be necessary to reflect the different levels of responsibility within the Company. The following key differences exist between the Company's policy for the remuneration of Executive Directors and its approach to the payment of employees generally:
   - there is an increased emphasis on performance related pay and, in particular, for share based incentives at the Executive Director level;
   - eligibility to participate in and the maximum opportunity in relation to annual bonus vary, based on individual role and local practice;
   - participation in the LTIP is limited to the Executive Directors and certain selected senior managers; and
   - benefits offered to other employees vary by subsidiary to take account of relevant market conditions.
2. The share ownership guideline levels are detailed above. The shares that an Executive Director may count towards the shareholding guidelines 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.
3. 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.
4. The Committee operates the annual bonus, LTIP and Sharesave plans, in accordance with their rules, HMRC guidance and, where relevant, the Listing Rules. To ensure these incentive plans operate in an efficient manner, the Committee retains a number of standard market practice discretions which include:
   - determining the eligibility to participate in the plans;
   - determining the timing of grant of awards and any payments;
   - the size of awards and payments, although with quantum restricted to those detailed in the table above and the respective plan rules;
   - the determination of whether the performance conditions have been met and the resulting vesting/pay out;
   - dealing with a change of control (for example, the timing of testing performance targets) or restructuring of the Group;
   - determining a good or bad leaver for incentive plan purposes, based on the rules of each plan and the appropriate treatment chosen;
   - adjustments required in certain capital events such as rights issues, corporate restructuring, events and special dividends; and
   - the annual review of performance conditions for the annual bonus plan and LTIP.

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

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

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

Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Metrics
To attract and retain high calibre individuals without prejudice to the application of independent views.	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.	For 2015/2016, 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.	Not applicable.

ANNUAL REPORT ON REMUNERATION

The following section provides details of how St Ives' remuneration policy was implemented during 2014/2015.

MEMBERSHIP OF THE COMMITTEE

Mike Butterworth, Ben Gordon and Helen Stevenson, all independent Non-Executive Directors, served on the Committee throughout the year. Helen Stevenson chaired the Committee throughout the 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 31 and 45.

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

ROLE OF THE COMMITTEE

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

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

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

COMMITTEE'S ADVISERS

During the year, the Committee received advice on executive remuneration matters from Kepler Associates, a brand of Mercer which is part of the MMC group of companies (Kepler) and New Bridge Street (NBS), an Aon plc company. Kepler was appointed to the role of independent advisers to the Committee, in succession to NBS, following a competitive tendering process in early 2015. Both Kepler and NBS are signatories 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.

Other than in relation to advice on remuneration, neither NBS, nor any other part of Aon plc provided other services to the Company. During the year, one of MMC's other companies, Marsh, acted as St Ives' commercial insurance brokers. The fees paid to NBS in relation to advice provided to Committee for 2014/2015 were £30,707. Kepler's fees were £43,400 for 2014/2015.

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

SUMMARY OF ACTIVITIES

During the period the Committee approved:

- the payment of bonuses to the Executive Directors for 2013/2014;
- the Directors' Remuneration Report for 2013/2014;
- the structure of the Executive Directors' bonus scheme for 2014/2015;
- the grant of awards in November 2014 under the Company's 2010 LTIP to certain executives and the performance conditions attached to their vesting;
- the Executive Directors' salaries and pension provision for 2015/2016; and
- the Chairman's fees for 2015/2016.

SUMMARY OF SHAREHOLDER VOTING AT THE AGM IN NOVEMBER 2014

The following table shows the results of the vote on the remuneration policy and the advisory vote on the 2013/2014 Remuneration Report at the Annual General Meeting in November 2014:

Resolution	Votes for (note 1)	% for (note 1)	Votes against	% against	Total votes cast	Votes withheld
Remuneration Policy	77,151,712	99.5%	367,195	0.5%	77,518,907	16,240
Remuneration Report	74,470,025	96.1%	3,051,082	3.9%	77,521,107	14,040

Note
1. Includes 'Discretionary' votes.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

* Patrick Martell resigned with effect from 27 November 2014.

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

REMUNERATION PAYABLE TO DIRECTORS FOR THE YEAR ENDING 31 JULY 2015

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 2015 £'000	Basic salary/fee 2014 £'000	Taxable benefits (note 1) 2015 £'000	Taxable benefits (note 1) 2014 £'000	Bonus (note 2) 2015 £'000	Bonus (note 2) 2014 £'000	Share plans vesting (note 3) 2015 £'000	Share plans vesting (note 3) 2014 £'000	Pension benefits (note 4) 2015 £'000	Pension benefits 2014 £'000	**Total 2015 £'000**	Total 2014 £'000
Executive												
Matt Armitage	350.0	275.7	17.4	14.4	244.0	275.7	430.0	498.0	52.5	41.4	**1,093.9**	1,105.2
Brad Gray (note 5)	200.0	0.8	13.7	–	139.4	–	–	116.3	46.0	–	**399.1**	117.1
Non-Executive												
Mike Butterworth	45.0	45.0	–	–	–	–	–	–	–	–	**45.0**	45.0
Ben Gordon	35.0	35.0	–	–	–	–	–	–	–	–	**35.0**	35.0
Helen Stevenson	40.0	40.0	–	–	–	–	–	–	–	–	**40.0**	40.0
Richard Stillwell (note 6)	110.0	110.0	–	–	–	–	–	–	–	–	**110.0**	110.0
Past Directors												
Patrick Martell (note 7)	116.7	350.0	5.8	17.2	–	350.0	–	878.7	17.5	52.5	**140.0**	1,648.4

Notes

1. Taxable benefits constitute additional payments in lieu of the provision of a company car and fuel benefit and medical expenses insurance cover.
2. In respect of Matt Armitage and Brad Gray, bonus earned in excess of 50% of basic salary shall be satisfied with Deferred Bonus Share Awards equivalent to the value, after deduction of income tax and employees' national insurance contributions, of £36,544 and £20,882 (gross pay of £68,950 and £39,400) respectively, which will be held under the terms of the DBS. A description of the DBS is given on page 41.
3. Figures for 'share plans vesting' are now based on the number of shares vesting for performance periods substantially completed as at year end. This includes an estimate of the value of the relative TSR element for which the performance period ends shortly after year end – as was the case for LTIP awards granted prior to 2014. We have restated the 2014 figure shown above for this change in methodology. For 2014/2015, the figure represents the value of shares vesting under the adjusted EPS element of the 2012 LTIP award (performance period ended on 31 July 2015) and an estimate at 15 September 2015 of the outcome of the relative TSR element of the 2012 LTIP award (the performance period of which will end in November 2015). The values shown are based on the average share price over the last quarter of 2014/2015 of 178.5 pence. This valuation will be updated in next year's Directors' Remuneration Report to reflect the actual vesting outcome of the TSR element in November 2015 and the mid-market share price on date of vesting. For 2013/2014, the figure represents the actual vesting outcome of the 2011 LTIP award valued at the mid-market share price on the date of vesting (189.5 pence on 13 November 2014).
4. 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 and wholly as a cash supplement to Patrick Martell. Brad Gray participated in the Group's defined benefits scheme until it was discontinued on 1 September 2008 and is entitled to a deferred pension under its rules. This scheme has a normal retirement age of 65. His pension entitlement from the scheme increased during the year to 31 July 2015 by £798 per annum, net of CPI inflation, to £47,970 per annum. £15,960 of the figure shown for Brad Gray relates to the capitalised increase in his defined benefit pension entitlement, calculated in accordance with the reporting requirements.
5. Brad Gray was appointed on 1 August 2014.
6. Richard Stillwell has elected to forego £10,000 per annum of his fee of £120,000 per annum. Richard Stillwell's fees are shown above after foregoing this proportion of his fees during 2014/2015. The Company donates this sum so withheld, together with a matching sum from the Company, to registered charities.
7. Patrick Martell resigned as Chief Executive on 10 July 2014 and remained a Director until 27 November 2014. Mr. Martell continued to receive salary and benefits until 27 November 2014 but did not participate in the Company's variable incentive plans in respect of the 2014/2015 financial year. Full details of Mr. Martell's payments for loss of office are included in the 2013/2014 Directors' Remuneration Report. During the year Patrick Martell received a fee of £13,000 from RM plc for his services as a Non-Executive Director between 1 August and 27 November 2014.

INCENTIVE OUTCOMES FOR THE PERIOD ENDED 31 JULY 2015 (Audited)

ANNUAL BONUS

Executive Directors' bonuses for the year ended 31 July 2015 provided for a payment of up to 100% of salary based on underlying EPS performance over the financial year.

The EPS targets were adjusted upwards to neutralise a change in accounting policy of excluding the St Ives defined benefits pension scheme charges in order to reflect the underlying performance. For achievement of threshold performance of 18.98 pence, 25% of the maximum bonus was available. The full bonus was payable for EPS of 21.23 pence. Actual performance was 20.32 pence resulting in bonuses of 69.7% of maximum for the Executive Directors. All bonuses in excess of 50% of basic salary are deferred into Company shares in line with the overall remuneration policy. Further details are provided in the table below:

Measure	Weighting	Threshold (25% of maximum)	Stretch (100% of maximum)	Actual performance	% of maximum bonus earned	% of bonus earned deferred in shares
Underlying EPS	100%	18.98p	21.23p	20.32p	69.7%	28.2%

Details of the 2014/2015 bonuses paid to Executive Directors are disclosed in the single figure table above.

2011 LTIP Award

As reported last year, 73.5% out of 75% of the 2011 LTIP awards subject to EPS and the former Marketing Services segment operating profit conditions vested on performance to 1 August 2014. The remaining 25% was based on TSR relative to the constituents of the FTSE All-Share Support Services sector (excluding FTSE100 companies) over the three-year period to 11 November 2014. Having reviewed the Company's relative TSR performance over the three-year period, the Committee concluded that the Company's ranking warranted vesting of 100% of this element, resulting in an overall vesting of 98.5% out of the potential 100% in respect of these awards. The total value of 2011 LTIP awards vesting is included in the single figure table for 2013/2014 opposite.

2012 LTIP Award

Vesting of the 2012 LTIP awards is dependent on two equally-weighted measures over a three-year period; underlying EPS and TSR relative to the FTSE All-Share Support Services sector. Further details, including vesting schedules and performance against each of the metrics is provided in the table below:

Measure	Weighting	Targets	Outcome	Vesting %
Underlying EPS in 2014/2015	50%	0% vesting below 17.8p 25% vesting for 17.8p 100% vesting for 20.0p or more Straight-line vesting between these points	20.32p	100%
TSR relative to the All-Share Support Services 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	Performance period ends in November 2015 Estimated vesting 100%	
Total vesting			Estimated vesting 100%	

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 non-underlying items. The underlying growth rate in EPS over the three-year performance period was such that the targets were exceeded irrespective of the basis of testing the target (i.e. if the targets 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 2015. Accordingly, an estimated vesting is given in the table above based on TSR performance to 15 September 2015. The Company's TSR exceeded the upper quartile of the comparator group and as a result, for the purposes of the 2014/2015 single figure, it is estimated that 100% of this portion of the award will vest. Final vesting shall be determined on completion of the performance period for the TSR portion.

SUMMARY OF LONG-TERM INCENTIVES VESTING IN 2013/2014 AND 2014/2015 (Audited)

The total number of shares which vested in relation to performance periods ended in the financial year under review, and which are reflected in the single figure table opposite, 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) (note 2)	Total value on vesting (£)	Transfer of award/earliest vesting date
Matt Armitage	11 Nov 2011	266,800	98.5%	262,771	189.5	497,952	11 Nov 2014
	12 Nov 2012	240,800	100%	240,800	178.5	429,920	12 Nov 2015
Brad Gray	11 Nov 2011	62,300	98.5%	61,359	189.5	116,276	11 Nov 2014
	12 Nov 2012	–	n/a	–	–	–	12 Nov 2015
Patrick Martell	11 Nov 2011	470,800	98.5%	463,690	189.5	878,694	11 Nov 2014
	12 Nov 2012	–	n/a	Awards lapsed on cessation of employment			

Notes:
1. Total vesting of 2012 LTIP awards is estimated based on TSR performance to 15 September 2015.
2. Share price on date of transfer for 11 November 2011 awards and the three month average to 31 July 2015 for the 12 November 2012 awards due to vest on 12 November 2015.

SCHEME INTERESTS AWARDED DURING THE 2014/2015 FINANCIAL YEAR

In November 2014, Matt Armitage and Brad Gray were granted awards under the Company's LTIP, as follows:

	Date of grant	Shares over which awards granted	Value of shares awarded (£)	% of salary awarded
Matt Armitage	12 Nov 2014	179,718	£350,000	100%
Brad Gray	12 Nov 2014	102,696	£200,000	100%

* Face value is based on a share price of 194.75 pence.

Consistent with awards made in 2013, vesting of the LTIP awards granted in 2014 is dependent on two equally-weighted measures over a three-year period; adjusted EPS and relative TSR. As described in last year's report, the Committee reviewed the TSR comparator group and concluded that this element of the November 2014 LTIP awards should be based on performance relative to the FTSE All-Share Media sector (excluding FTSE100 companies) as this comparator group better reflects St Ives' business and is more in line with the comparators used by external brokers than the FTSE All-Share Support Services sector. Additionally, and as in previous years, the relative TSR element will be subject to an EPS underpin.

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

Measure	Weighting	Targets	Performance measurement period
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	Adjusted EPS in 2016/2017
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	3-month average to 28 July 2017 as compared to 3-month average to 1 August 2014
		Vesting of this element is subject to the satisfaction of an EPS underpin of 20.0p	

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

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

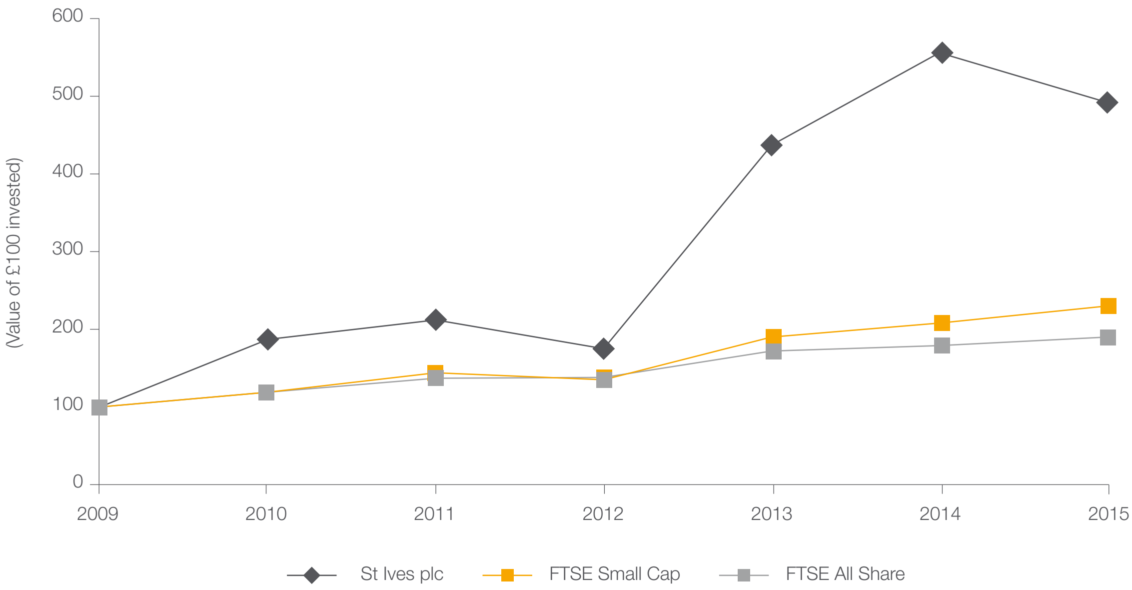
	Chief Executive Officer 2015 £'000	Percentage change vs 2014 (note 1)	All Employees Percentage change vs 2014 (note 2)
Salary	**350.0**	0.0%	4.4%
Benefits in kind	**17.4**	1.0%	3.1%
Annual bonus	**244.0**	-30.3%	0.0%

Notes:
1. Chief Executive remuneration in 2013/2014 comparison year reflects that of the previous Chief Executive, Patrick Martell.
2. Reflects the change in average pay for Group Head Office employees employed in both 2014 and 2015. 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 six years ended 31 July 2015, relative to the performance of the FTSE Small Cap Index and FTSE All Share Index. The FTSE Small Cap represents a broad equity index of which the Company is a constituent member.

Source: Datastream



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

	2010 Patrick Martell	2011 Patrick Martell	2012 Patrick Martell	2013 Patrick Martell	2014 Patrick Martell	**2015 Matt Armitage**
Total remuneration £'000	725.3	802.0	1,246.6	1,335.0	1,648.4	**1,093.9**
Annual bonus as a percentage of maximum	100.0	100.0	100.0	96.3	100.0	**69.7**
Shares vesting as a percentage of maximum	Nil	Nil	100.0	93.9	98.5	**100.0***

* 50% from the EPS performance condition and an estimated 50% from the TSR condition (see page 47 for full details).

As discussed in note 3 to the Single Figure table, the Chief Executive Officer's Total Remuneration in 2014 has been restated due to a change in the methodology for allocating vesting long-term incentives to financial years.

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.

	2015 £'000	2014 £'000	Percentage change
Overall expenditure on pay	**124,920**	106,865	16.9%
Dividends paid in the year	**9,455**	8,170	15.7%
Capital expenditure	**6,075**	11,674	-48.0%

EXIT PAYMENTS MADE IN THE YEAR (Audited)

No exit payments were made in the year.

PAYMENTS TO PAST DIRECTORS (Audited)

As previously disclosed, a settlement agreement was signed by the Company and Lloyd Wigglesworth on 25 June 2013 setting out the treatment of his entitlements under the Company's LTIP. Under the agreement, two-thirds of Mr. Wigglesworth's 11 November 2011 LTIP award and one third of his 12 November 2012 LTIP are eligible to vest provided that the relevant performance targets are met. In the case of Patrick Martell, under the terms of his resignation, the 11 November 2011 LTIP award is eligible to vest provided that the relevant performance targets are met. All of Mr. Martell's other outstanding LTIP awards lapsed in full on 27 November 2014.

As disclosed on page 47, 98.5% of the November 2011 LTIP awards vested based on EPS, the former Marketing Services segment operating profit and relative TSR performance conditions, with 175,181 and 463,690 shares released to Messrs. Wigglesworth and Martell respectively on 11 November 2014 as a result. The final vesting outcome of Mr. Wigglesworth's November 2012 LTIP awards will be determined following the end of the TSR performance period in November 2015, and disclosed in next year's report. Vesting of these shares will be dependent on Mr. Wigglesworth's continued adherence to the terms of the settlement agreement.

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2015/2016

BASIC SALARY

As disclosed in last year's report, the Committee increased the basic salaries of the Chief Executive Officer and Chief Financial Officer to £400,000 p.a. and £230,000 p.a. effective 1 August 2015 respectively. In confirming these increases, the Committee took into account the strong performance of both Matt Armitage and Brad Gray since their appointment into their new roles and is satisfied that such increases are justified.

Current basic salary levels are as follows:

		From 1 August 2015	From 1 August 2014	% increase
Matt Armitage	Chief Executive Officer	£400,000	£350,000	14.3%
Brad Gray	Chief Financial Officer	£230,000	£200,000	15.0%

PENSION AND BENEFITS

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

ANNUAL BONUS

The annual bonus for the 2015/2016 financial year will operate on broadly the same basis as in 2014/2015. Bonus opportunities for Executive Directors remain at 100% of salary, with any amount earned over 50% of salary deferred in shares for two years and subject to clawback provisions in the event of material misstatement.

For 2015/2016, the Committee has introduced an element based on like-for-like growth in underlying revenues from the Strategic Marketing segment with a 25% weighting to help reinforce organic growth in this business area. To help ensure these revenues are in shareholders' interests, the Committee must be satisfied with the quality of revenue growth for this element to pay out, taking into account factors including the gross margin arising from these additional revenues. The remaining 75% of Executive Director bonuses continues to be based on underlying EPS. There are no other changes in framework for 2015/2016.

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

Measure	Weighting
Underlying EPS	75%
Like-for-like growth in underlying Strategic Marketing segment revenues	25%

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

LONG-TERM INCENTIVES

Awards under the 2010 LTIP are anticipated to be at 100% of basic salary for both Executive Directors, with performance measured over a three-year period and shares subject to clawback for two years after vesting in the event of material misstatement.

For the 2015/2016 awards, the Committee intends to supplement the existing EPS and relative TSR measures, with an element on underlying operating profit from the Strategic Marketing segment, with a 25% weighting. This element will be based on the percentage of the Group's underlying operating profit from our Strategic Marketing segment in the final year of the performance period, underpinned by the achievement of a minimum level of EPS. The Committee believes that this will help accelerate a reshaping of the portfolio towards the targeted growth area of Strategic Marketing. The weighting on underlying EPS will be reduced to 25% to accommodate this change and the balance (50% of the LTIP award) will continue to vest on relative TSR, to further reinforce alignment with shareholder interests. A summary of performance measures, weightings and targets for the forthcoming grant are included in the table below:

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

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

The Company operates a standard HMRC-approved all-employee Sharesave Plan under which Executive Directors may from time to time participate on the same terms as any other eligible employee. The Directors' interests arising from the award of options under the Sharesave Plan are disclosed on page 53.

IMPLEMENTATION OF NON-EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2015/2016

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

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

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

Interests of Directors and their connected persons in 10 pence ordinary shares (fully paid) of the Company at 31 July 2015 were as follows:

	Unvested share options	Unvested LTIP awards (subject to performance conditions)	Unvested deferred bonus share awards	**Beneficial holding 31 July 2015**	Beneficial holding 1 August 2014	Expressed as a percentage of annual basic salary (note)
Executive						
Matt Armitage	6,596	570,518	88,568	**286,149**	205,879	178%
Brad Gray	6,596	102,696	–	**47,235**	12,212	39%
Non-Executive						
Mike Butterworth	–	–	–	**11,000**	11,000	–
Ben Gordon	–	–	–	**10,000**	10,000	–
Helen Stevenson	–	–	–	**7,000**	7,000	–
Richard Stillwell	–	–	–	**52,000**	42,000	–

Note: Calculated by reference to: the number of unvested deferred bonus share awards added to beneficial holdings; the mid-market closing price of the Company's ordinary shares on 6 October 2015 (189.5 pence); and the Director's annual rate of basic salary.

DIRECTORS' OUTSTANDING SHARE INCENTIVE AWARDS

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

	Date of award	Market price per share at date of award	1 August 2014	Exercised during year	Lapsed during year	Awarded during year	**31 July 2015**	Vesting date	Expiry date
Matt Armitage	11 Nov 2011	95.25p	266,800	262,771	4,029	–	**–**	11 Nov 2014	11 Nov 2021
	12 Nov 2012	104.00p	240,800	–	–	–	**240,800**	12 Nov 2015	12 Nov 2022
	12 Nov 2013	184.25p	150,000	–	–	–	**150,000**	12 Nov 2016	12 Nov 2023
	12 Nov 2014	192.00p	–	–	–	179,718	**179,718**	12 Nov 2017	12 Nov 2024
			657,600	262,771	4,029	179,718	**570,518**		
Patrick Martell	11 Nov 2011	95.25p	470,800	463,690	7,110	–	**–**	11 Nov 2014	11 Nov 2021
	12 Nov 2012	104.00p	339,900	–	339,900	–	**–**	12 Nov 2015	12 Nov 2022
	12 Nov 2013	184.25p	190,400	–	190,400	–	**–**	12 Nov 2016	12 Nov 2023
			1,001,100	463,690	537,410	–	**–**		
Brad Gray	11 Nov 2011	95.25p	62,300	61,359	941	–	**–**	11 Nov 2014	11 Nov 2021
	12 Nov 2014	192.00p	–	–	–	102,696	**102,696**	12 Nov 2017	12 Nov 2024
			62,300	61,359	941	102,696	**102,696**		

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

ABSOLUTE UNDERLYING BASIC EPS

	12 November 2012 Award	12 November 2013 Award	12 November 2014 Award
Performance measurement period	EPS for 2014/2015 financial year	EPS for 2015/2016 financial year	EPS for 2016/2017 financial year
Weighing (% of award)	50%	50%	50%
100% vesting	20.0p or more	23.0p or more	24.0p or more
Between 25% and 100% vesting	From 17.8p to 20.0p	From 20.0p to 23.0p	From 21.0p to 24.0p

RELATIVE TSR

	12 November 2012 Award	12 November 2013 Award	12 November 2014 Award
Performance measurement period	12 Nov 2012 to 12 Nov 2015	12 Nov 2013 to 12 Nov 2016	1 Aug 2014 to 28 Jul 2017
Comparator group	FTSE All Share Support Services (excl. FTSE100 companies)	FTSE All Share Support Services (excl. FTSE100 companies)	FTSE All Share 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
EPS underpin	16.5p in the 2014/2015 financial year	19.0p in the 2015/2016 financial year	20.0p in the 2016/2017 financial year

The market price of St Ives plc ordinary shares of 10 pence each at 31 July 2015 was 177.38 pence and the range during the financial year was 163.5 pence to 222.5 pence.

SHARE OPTIONS – SHARESAVE PLAN

	Date of grant	1 August 2014	Exercised during year	Lapsed during year	Granted during year	**31 July 2015**	Exercise price pence	Date from which exercisable	Expiry date
Matt Armitage	18 Apr 2012	2,576	2,576	–	–	**–**	65.67	1 Jun 2015	1 Dec 2015
	23 Apr 2013	6,596	–	–	–	**6,596**	108.60	1 Jun 2016	1 Dec 2016
		9,172	2,576	–	–	**6,596**			
Brad Gray	18 Apr 2012	2,576	2,576	–	–	**–**	65.67	1 Jun 2015	1 Dec 2015
	23 Apr 2013	6,596	–	–	–	**6,596**	108.60	1 Jun 2016	1 Dec 2016
		9,172	2,576	–	–	**6,596**			

DILUTION

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

As at 31 July 2015, excluding lapsed options and options exercised and satisfied from utilising existing issued shares, options over 5,520,644 shares (4.2%) of the Company's issued share capital) remain outstanding under all share plans and so count towards this limit.

Approved by the Board and signed on its behalf by

Helen Stevenson
Chair of the Remuneration Committee

6 October 2015

The Directors present their Directors' Report and the audited financial statements for the 52 weeks ended 31 July 2015. This Directors' Report covers this period and the period up to the date of signature.

STRATEGIC REPORT, FUTURE DEVELOPMENT AND GREENHOUSE GAS EMISSIONS

The Strategic Report which the Company is required under law to prepare can be found on pages 2 to 29. That report also includes information required in this Directors' Report about (a) future developments and, on page 28, (b) the CO_2 emissions measurement disclosure, required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

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

DIRECTORS AND THEIR SHARE INTERESTS

The present membership of the Board is set out on pages 32 and 33. Each Director served throughout the year. In addition, Patrick Martell served as a Director until 27 November 2014.

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

The Directors' interests in ordinary shares of the Company are set out in Table on page 51 within the Directors' Remuneration Report.

RESULTS AND DIVIDENDS

The Group profit for the year before taxation amounted to £8,729,000 (2014 – £11,883,000). The Directors propose a final dividend of 5.55 pence for each ordinary share payable on 22 December 2015 to holders on the register as at 27 November 2015. If approved, the final dividend will make total dividends for the year of 7.80 pence per ordinary share:

	£'000
Ordinary dividends	
Interim	2,865
Proposed final	7,239

EMPLOYMENT POLICIES, EQUAL OPPORTUNITIES, EMPLOYEE COMMUNICATION AND DIVERSITY

The Group is committed to providing equal opportunities with regard to employment, free from discrimination and harassment and in a healthy and safe working environment. Details of how we deliver on these commitments and communicate with our employees are provided in the Report on Corporate and Social Responsibility on pages 26 to 29.

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 29 and note 29 to the financial statements on pages 95 to 97.

As highlighted in note 23 to the financial statements, the Group meets its day-to-day working capital requirements through an overdraft facility of £15 million that is part of an overall funding facility of £115 million. The facility was renewed during the year from £90 million to £115 million until 23 March 2019 with the ability to extend the term for a further year.

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.

ACQUISITION OF THE COMPANY'S OWN SHARES

At the 2014 Annual General Meeting, shareholders approved an authority for the Company to make market purchases of its own shares up to a maximum of 12,485,165 shares. During the year the Company purchased 1,499,900 ordinary shares into treasury and transferred out 1,125,819 shares to satisfy the exercise of executive and Sharesave share options and to vendors of Branded3, Realise and Solstice (to satisfy some, or all of the share element of the initial and final consideration, as appropriate, paid to them during the year). At the year end the Company held 452,732 ordinary shares in treasury. Since the year end no further ordinary shares have been purchased and 362,095 ordinary shares were transferred to the vendors of Fripp, Sandeman and Partners Limited, so that at the date of this Report, 90,637 ordinary shares are held in treasury.

MAJOR INTERESTS IN SHARES

As at 6 October 2015, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company:

	Number of voting rights	Percentage of issue share capital carrying voting rights*
Standard Life Investments Limited	12,629,838	9.65
Delta Lloyd NV and subsidiaries	9,132,935	6.98
RWC Asset Management	8,187,608	6.26
JO Hambro Capital Management Limited	6,515,000	4.98

* The percentage based on ordinary shares in issued, excluding treasury shares, as at 6 October 2015.

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 26 November 2015. Details about this proposal are set out in the Notice of Meeting accompanying the Annual Report and Accounts. In proposing this resolution, the Board has taken into account the view of the Audit Committee on Auditor independence, discussed by the Chair of the Committee on pages 35 and 36.

Each of the Directors of the Company as at 1 October 2015 has confirmed that:

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

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

POLITICAL DONATIONS

The Company made no political donations during the year (2014 – £Nil) and the Board has no intention to seek shareholders' approval to permit the Board to make political donations.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' CONFLICT OF INTEREST

In accordance with the provisions of Section 175 of the Companies Act 2006, the Company has procedures in place to deal with the situation where a Director has a conflict of interest and the Nomination Committee regularly reviews conflict authorisation. Directors take no part in discussions on matters in which they are interested and they may be requested to leave a meeting at which a matter in which they are interested is to be discussed.

ADDITIONAL INFORMATION

The Company's share capital consists of ordinary shares, as set out in note 30 to the financial statements on page 97. 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 legislation and regulations (such as insider trading laws and market requirements relating to close periods) and requirements of the Listing Rules whereby Directors and certain employees of the Company are obliged to obtain approval before dealing in the Company's securities. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights.

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-fourth Annual General Meeting of the Company will be held on Thursday, 26 November 2015. 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 on page 55 and the Corporate Governance Report on pages 30 and 31 of this Annual Report and Accounts.

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

Philip Harris
Company Secretary

6 October 2015

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

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

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

Directors' responsibility statement:

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; 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 6 October 2015 and is signed on its behalf by

M. A. Army

Matt Armitage
Chief Executive

Brad Gray
Chief Financial Officer

6 October 2015

Opinion on financial statements of St Ives plc	In our opinion: • **the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2015 and of the Group's profit for the 52 weeks then ended;** • **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;** • **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and** • **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.** The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related notes 1 to 37 of the Consolidated Financial Statements and notes 1 to 15 of the Company Financial Statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
Going concern	As required by the Listing Rules we have reviewed the Directors' statement on page 54 that the Group is a going concern. We confirm that: • we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and • we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
The assessment of the carrying value of goodwill and intangible assets The assessment of the carrying value of goodwill (£124.7 million) and intangible assets (£34.1 million), (both excluding the amounts recognised related to the Solstice acquisition, assessed separately, as described below) as described in note 16 to the consolidated financial statements, involves considerable judgement due to the challenges in accurately forecasting future cash flows in the changing market environment. Key assumptions in management's analysis include short and long-term growth rates and the discount rate applied to the future cash flows. Management disclose this as a critical accounting judgement in note 2 to the consolidated financial statements.	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; • 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; and • considering the reasonableness of, and recalculating, the sensitivity assessment applied by management, and reviewing the sensitivity disclosure included in the Annual Report and Accounts; and performing further sensitivity analysis of our own on the impairment model.

Risk (Continued)	How the scope of our audit responded to the risk
Accounting for business combinations St Ives plc has acquired Solstice in the year, for consideration of £28.1 million, recognising £11.6 million of intangible assets and £12.8 million of goodwill on acquisition. The purchase price allocation prepared by management to determine these values contains judgements such as the identification and valuation of intangible assets and an estimation of contingent consideration as set out in note 12 to the accounts. Management acknowledge the judgemental nature of this by including it as a critical accounting judgement in the accounting policies note 2.	We have reviewed management's preliminary purchase price allocation for the Solstice acquisition and challenged the key inputs. Our procedures included: • engaging internal valuations specialists to assist in our review of the underlying assumptions supporting the model, including the methodology used to calculate the value of proprietary techniques, customer relationships and trademarks, the value of the assembled workforce, the internal rate of return and the royalty rate used in valuing the trademark; and • reviewing the accounting for contingent amounts payable to the previous owners of Solstice, particularly the division between consideration and deemed remuneration for both cash and shares.
The classification of non-underlying items Non-underlying items amount to £24.2 million in 2014/2015, which consists of the items disclosed in note 8. Management has also changed their accounting policy to include defined benefit pension scheme costs as a non-underlying item this year. There is a risk that costs relating to the underlying business are being disclosed as non-underlying and that items are not being split out in line with St Ives group accounting policy, which could distort the information presented to shareholders.	We challenged the appropriateness of the classification of non-underlying items. Our procedures included: • assessing whether there is sufficient justification for items to be classed as non-underlying, particularly in the context of management's accounting policy, as described in note 2; • challenging the justification for defined benefit pension scheme costs being included as non-underlying items, and comparing this treatment to other companies; and • reviewing the non-underlying disclosure in note 8 of the accounts in line with IAS 1 'Presentation of financial statements'.
Accounting for retirement benefit obligations The net pension deficit on the Consolidated Balance Sheet is £27.6 million. There is significant judgement involved in the valuation of the retirement benefit obligations, particularly in relation to determining the assumptions, including discount rate, inflation rates, mortality assumptions (disclosed in note 28) underlying the valuation of the liabilities of the schemes, with management acknowledging this through its inclusion as a critical accounting judgement in the accounting policies note 2.	The audit procedures we performed in respect of this risk included: • 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; • testing member data to the most recent agreed triennial funding valuation in 2013; and • analysing third party fund manager reports to support the carrying value of the plan assets at 31 July 2015 and testing a sample of asset values to independent market prices.
The valuation of strategic marketing revenue recognised In the strategic marketing businesses there are projects where revenue is recognised on a percentage completion basis as noted in the revenue recognition policy in note 2 to the consolidated financial statements. There is a risk that revenue may be misstated due to the degree of judgement exercised by management in estimating future costs.	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 • selecting a sample of projects spanning the year end and understanding and challenging the judgements used by management in determining which period to recognise revenue and corroborating the judgements made to supporting information.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 35.

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

Our application of materiality

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

We determined materiality for the Group to be £1,580,000 (2014 – £1,450,000), which is below 5% (2014 – 5%) of underlying pre-tax profit, and approximately 1% (2014 – 1%) of equity. We have used underlying pre-tax profit, adjusted for certain recurring items, as this is a key measure used by investors and is the measure which is focused on in the front half of the Annual Report as this is how management monitor the business.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £31,000 (2014 – £28,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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, all active entities were subject to full scope audit, with dormant entities and start-up operations in the US and China excluded. Solstice has also been excluded from full audit scope, although as noted above, we have performed procedures on the acquisition accounting for this entity to address our significant risk. These locations represent the principal business units and account for 99% (2014 – 99%) of the Group's net assets, 97% (2014 – 99%) of the Group's revenue and 96% (2014 – 99%) of the Group's underlying profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £113,000 to £943,000 (2014 – £115,000 to £1,040,000).

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

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

Respective responsibilities of Directors and auditor

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

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

Scope of the audit of the financial statements

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

Kate J. Houldsworth FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

6 October 2015

	Note	52 weeks to 31 July 2015 Underlying £'000	Non-underlying* £'000	Total £'000	52 weeks to 1 August 2014 (Restated**) Underlying £'000	Non-underlying* £'000	Total £'000
Revenue	3, 4	**344,553**	**–**	**344,553**	327,587	3,097	330,684
Cost of sales		**(229,654)**	**–**	**(229,654)**	(224,755)	(3,049)	(227,804)
Gross profit		**114,899**	**–**	**114,899**	102,832	48	102,880
Selling costs		**(23,569)**	**(210)**	**(23,779)**	(21,855)	(396)	(22,251)
Administrative expenses		**(56,047)**	**(23,993)**	**(80,040)**	(49,346)	(19,879)	(69,225)
Share of results of joint ventures		**(88)**	**–**	**(88)**	(120)	–	(120)
Other operating income		**180**	**541**	**721**	23	2,185	2,208
Profit/(loss) from operations	4, 5	**35,375**	**(23,662)**	**11,713**	31,534	(18,042)	13,492
Pension finance (charge)/credit	9	**–**	**(373)**	**(373)**	–	57	57
Other finance costs	10	**(2,398)**	**(213)**	**(2,611)**	(1,666)	–	(1,666)
Profit/(loss) before tax		**32,977**	**(24,248)**	**8,729**	29,868	(17,985)	11,883
Income tax (charge)/credit	11	**(7,014)**	**3,841**	**(3,173)**	(6,986)	5,608	(1,378)
Net profit/(loss) for the period		**25,963**	**(20,407)**	**5,556**	22,882	(12,377)	10,505
Attributable to:							
Shareholders of the parent company		**25,963**	**(20,407)**	**5,556**	22,879	(12,362)	10,517
Non-controlling interests		**–**	**–**	**–**	3	(15)	(12)
		25,963	**(20,407)**	**5,556**	22,882	(12,377)	10,505
Basic earnings per share (p)	14	**20.32**	**(15.97)**	**4.35**	18.70	(10.10)	8.60
Diluted earnings per share (p)	14	**19.82**	**(15.58)**	**4.24**	18.10	(9.78)	8.32

* Non-underlying items comprise acquisition costs; restructuring costs; provision releases; operating results of non-continuing sites; net profit on disposal of property, plant and equipment; profit on disposal of subsidiary; consideration required to be treated as remuneration; amortisation or impairment of acquired intangibles; remeasurement of deferred consideration; costs related to the St Ives defined benefits pension scheme and other one-off items (note 8).

** Figures are restated for the 52 Weeks to 1 August 2014 to reclassify the costs related to the St Ives defined benefits pension scheme as non-underlying items (note 6).

	52 weeks to 31 July 2015 £'000	52 weeks to 1 August 2014 £'000
Profit for the period	**5,556**	10,505
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on defined benefits pension scheme	**(19,691)**	(11,677)
Tax credit on items taken directly to equity	**3,925**	2,366
	(15,766)	(9,311)
Items that may be reclassified subsequently to profit or loss:		
Transfer of losses on available for sale financial asset – Items reclassified to Consolidated Income Statement	**1,540**	–
Transfers of losses on cash flow hedges to hedged items	**60**	50
Losses on cash flow hedges	**(127)**	(60)
Losses on available for sale financial asset	**–**	(1,540)
Tax credit on items taken directly to equity	**–**	13
	1,473	(1,537)
Other comprehensive expense for the period	**(14,293)**	(10,848)
Total comprehensive expense for the period	**(8,737)**	(343)
Attributable to:		
Shareholders of the parent company	**(8,737)**	(331)
Non-controlling interests	**–**	(12)
	(8,737)	(343)

	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	Non-controlling interest £'000	Total £'000
Balance at 3 August 2013	12,171	51,865	(200)	(62)	6,269	(74)	57,798	77,941	279	148,189
Profit/(loss) for the period	–	–	–	–	–	–	–	10,517	(12)	10,505
Other comprehensive income/(expense) for the period	–	–	–	–	–	3	3	(10,851)	–	(10,848)
Comprehensive income/(expense) for the period	–	–	–	–	–	3	3	(334)	(12)	(343)
Dividends	–	–	–	–	–	–	–	(8,170)	–	(8,170)
Acquisitions	311	925	–	1,030	–	–	1,955	(1,526)	(267)	473
Transfer of share-based contingent consideration deemed as remuneration	35	444	–	396	(3,687)	–	(2,847)	3,688	–	876
Exchange differences	–	–	–	–	–	37	37	–	–	37
Purchase of own shares	–	–	(235)	(3,169)	–	–	(3,404)	–	–	(3,404)
Recognition of share-based payments	–	–	424	1,642	4,427	–	6,493	(823)	–	5,670
Tax on share-based payments	–	–	–	–	190	–	190	799	–	989
Balance at 1 August 2014	12,517	53,234	(11)	(163)	7,199	(34)	60,225	71,575	–	144,317
Profit for the period	–	–	–	–	–	–	–	5,556	–	5,556
Other comprehensive expense for the period	–	–	–	–	–	(67)	(67)	(14,226)	–	(14,293)
Comprehensive expense for the period	–	–	–	–	–	(67)	(67)	(8,670)	–	(8,737)
Dividends	–	–	–	–	–	–	–	(9,455)	–	(9,455)
Acquisitions	213	1,731	–	845	–	–	2,576	(917)	–	1,872
Transfer of share-based contingent consideration deemed as remuneration	144	249	–	956	(4,437)	–	(3,232)	3,810	–	722
Exchange differences	–	–	–	–	–	528	528	–	–	528
Purchase of own shares	160	–	(382)	(2,458)	–	–	(2,840)	–	–	(2,680)
Recognition of share-based payments	55	307	393	–	4,467	–	5,167	1,204	–	6,426
Tax on share-based payments	–	–	–	–	(456)	–	(456)	345	–	(111)
Balance at 31 July 2015	**13,089**	**55,521**	**–**	**(820)**	**6,773**	**427**	**61,901**	**57,892**	**–**	**132,882**

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

	Note	31 July 2015 £'000	1 August 2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	**48,242**	53,360
Goodwill	16	**137,488**	123,254
Other intangible assets	16	**45,652**	43,981
Available for sale	17	**3**	2
Investment in joint venture	18	**109**	11
Deferred tax assets	27	**139**	–
Other non-current assets	20	**1,086**	671
		232,719	221,279
Current assets			
Inventories	19	**6,579**	5,732
Trade and other receivables	20	**75,945**	79,554
Derivative financial instruments	21	**165**	18
Asset held for sale	15	**412**	–
Cash and cash equivalents	20	**16,392**	12,336
		99,493	97,640
Total assets		**332,212**	318,919
Liabilities			
Current liabilities			
Obligations under finance leases	24	**–**	11
Trade and other payables	22	**71,070**	76,885
Derivative financial instruments	21	**4**	14
Income tax payable		**355**	1,786
Deferred consideration payable		**4,879**	12,587
Deferred income	25	**6,976**	5,927
Provisions	26	**408**	1,276
		83,692	98,486
Non-current liabilities			
Loans	23	**79,225**	55,000
Obligations under finance leases	24	**–**	17
Retirement benefits obligations	28	**27,597**	9,833
Deferred consideration payable		**3,487**	1,406
Other non-current liabilities		**698**	–
Provisions	26	**1,732**	1,273
Deferred income	25	**81**	–
Deferred tax liabilities	27	**2,818**	8,587
		115,638	76,116
Total liabilities		**199,330**	174,602
Net assets		**132,882**	144,317
Equity			
Capital and reserves			
Share capital	30	**13,089**	12,517
Other reserves		**61,901**	60,225
Retained earnings		**57,892**	71,575
Total equity		**132,882**	144,317

These financial statements were approved by the Board of Directors on 6 October 2015 and signed on its behalf by

M. A. Armitage

Matt Armitage
Chief Executive

Brad Gray
Chief Financial Officer

	Note	52 weeks to 31 July 2015 £'000	52 weeks to 1 August 2014 £'000
Operating activities			
Cash generated from operations	32	**35,510**	31,216
Interest paid		**(2,398)**	(1,598)
Income taxes paid		**(6,595)**	(3,711)
Net cash generated from operating activities		**26,517**	25,907
Investing activities			
Purchase of property, plant and equipment		**(5,542)**	(11,108)
Purchase of other intangibles		**(533)**	(566)
Proceeds on disposal of property, plant and equipment		**4,751**	1,236
Acquisition of subsidiaries, net of cash acquired	12	**(19,854)**	(35,214)
Deferred consideration paid for acquisitions made in prior period		**(14,626)**	–
Disposal proceeds of subsidiaries, net of cash disposed		**–**	3,289
Investment in financial assets		**–**	(158)
Net cash used in investing activities		**(35,804)**	(42,521)
Financing activities			
Dividends paid	13	**(9,455)**	(8,170)
Purchase of treasury shares		**(2,680)**	(3,404)
Decrease in finance lease obligations	32	**(28)**	(48)
Increase in bank loans	32	**24,225**	25,000
Net cash generated from financing activities		**12,062**	13,378
Net increase/(decrease) in cash and cash equivalents		**2,775**	(3,236)
Cash and cash equivalents at beginning of the period		**12,336**	15,581
Effect of foreign exchange rate changes		**1,281**	(9)
Cash and cash equivalents at end of the period	20	**16,392**	12,336

1. GENERAL INFORMATION

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

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

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

IAS 19 (amendments)	Employee Benefits;
IAS 32 (amendments)	Offsetting Financial Assets and Financial Liabilities;
IAS 36 (amendments)	Impairment of Assets;
IFRS 10 (amendments)	Consolidated Financial Statements;
IFRS 12 (amendments)	Disclosure of Interest in Other Entities;

IFRS 13 Fair Value Measurement; and

Amendments to IFRS 7 Financial instruments asset and liability offsetting.

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 1 (amendments)	Disclosure Initiative effective after 1 January 2016;
IAS 10 (amendments)	Events after the reporting period effective after 1 January 2016;
IFRS 12 (amendments)	Disclosure of Interest in Other Entities effective after 1 January 2016;
IAS 28 (amendments)	Investment in Associates effective after 1 January 2016;
IAS 16 (amendments)	Property, Plant and Equipment; this amendment is mandatory for accounting periods effective after 1 January 2016;
IAS 27 (amendments)	Equity Method in Separate Financial Statements; this amendment is mandatory for accounting periods effective after 1 January 2016;
IFRS 9	Financial Instruments; this standard is mandatory for accounting periods effective after 1 January 2015;
IFRS 11 (amendments)	Joint Arrangements; this amendment is mandatory for accounting periods effective after 1 January 2016; and
IFRS 15	Revenue from Contracts with Customers; this standard is mandatory for accounting periods effective after 1 January 2018.

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

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The significant accounting policies adopted are set out below.

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

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 54 to 56.

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

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

(b) Columnar classification in the Consolidated Income Statement

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

(c) Change in accounting policy

The Group operates a defined benefits pension scheme ('the Scheme') which was closed to new entrants from 6 April 2002 and closed to future benefits accrual with effect from 31 August 2008. At the period end, 7% of the Group's employees are deferred members of the Scheme. The Group has closed and sold a number of businesses that were participating employers of the Scheme and has made eleven acquisitions since June 2010 that are not participating employers. The Board has concluded that the Scheme 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 has changed its accounting policy to record the income and expense related to the Scheme as a non-underlying item. As a result, the comparative period has been restated.

(d) Revenue recognition

Revenue

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

Revenue for goods is recognised in the Consolidated Income Statement when the significant risks and rewards of ownership are transferred to the customer, normally on shipment of the product.

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

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

Interest income

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

(e) Intangible assets

Goodwill

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

Other intangible assets – computer software

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

Other intangible assets – customer relationships

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

Other intangible assets – proprietary techniques

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

Other intangible assets – trademarks

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

(f) Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – 33$^1/_3$%
Fixture, fittings and equipment	10% – 33$^1/_3$%
Motor vehicles	20% – 25%

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Impairment of property, plant, equipment and intangible assets excluding goodwill

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

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

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

If the recoverable amount of an asset (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.

(h) Impairment of goodwill

Goodwill arising on acquisition is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level at which goodwill is monitored by the 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.

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

(i) Inventories

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

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

(j) Tax

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

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

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

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

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

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

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

(k) Provisions

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

Provisions for repairs

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

Provisions for restructuring costs

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

(l) Foreign currencies

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

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

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

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

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

(m) Borrowing costs

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

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

(n) Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds receivable, net of direct issue costs. Finance charges are accounted for on an accruals basis 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

(n) Financial instruments continued

Trade payables

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

Derivative financial instruments and hedge accounting

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

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. All financial derivatives carried at fair value have been fair valued using a level 2 measurement as per the fair value hierarchy defined in IFRS 7.

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

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

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

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

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

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

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

(o) Retirement benefits

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

For the defined benefits pension scheme full actuarial calculations are carried out every three years using the projected unit credit method and updates are performed for each financial period end. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and presented in the Consolidated Statement of Comprehensive Income.

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

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

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

(p) Share-based payments

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

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

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

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

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

(r) Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed by the Group together with the equity instruments issued at the average mid-market share price for the five days prior to completion, in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Contingent consideration carried at fair value have been fair valued using a level 3 measurement as per the fair value hierarchy defined in IFRS 7. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset, liability or equity are accounted for in accordance with relevant IFRSs.

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

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the Consolidated Income Statement, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) 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 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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(t) Critical accounting judgements

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units for which goodwill has been identified. In arriving at the value in use an estimation of the future cash flows of cash-generating units and selecting appropriate discount rates is required to calculate present values, a process which involves estimation. The recoverability analysis indicates that the carrying amount of goodwill will be recovered in full. The situation will be monitored closely should future developments indicate that adjustments are appropriate. The carrying value of goodwill at the balance sheet date was £137.5 million (2014 – £123.3 million).

Impairment of acquired intangibles and plant and machinery

The Group considers the recoverability of acquired intangibles and plant and machinery, which is included within the Consolidated Balance Sheet at £44.3 million and £42.3 million respectively. The key areas of judgement when assessing the recoverability of these assets are in relation to the forecast growth rates and discount rates to be applied to forecast cash flows.

Contingent consideration and consideration required to be treated as remuneration

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

Retirement benefits obligations

The calculation of retirement benefits obligations requires estimates to be made of discount rates, inflation rates, pension increases and mortality. The net deficit in the Consolidated Balance Sheet for retirement benefits scheme is £27.6 million (2014 – £9.8 million).

Allowances against amounts receivable

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

3. REVENUE

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

	2015 £'000	2014 £'000
Sale of goods	**233,863**	237,476
Rendering of services	**110,690**	93,208
Revenue from the sale of goods and rendering of services	**344,553**	330,684

4. SEGMENT REPORTING

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

As a result of the reallocation of resources and a change in the Group's internal reporting, the segments have been redefined as Strategic Marketing, Marketing Activation and Books.

The Strategic Marketing segment comprises all the businesses that were previously reported under the Marketing Services segment other than the Field Marketing business which is now reported under the Marketing Activation segment. The Strategic Marketing segment comprises the Data, Digital and Consulting businesses.

The Marketing Activation segment includes the Field Marketing business, and all the Group's Marketing Print businesses that were previously reported under the Print Services segment other than Clays which is now reported under the Books segment. The Marketing Activation segment comprises the Group's Exhibitions and Events, Point-of-Sale, Print Management and Field Marketing businesses.

The Books segment comprises Clays that was previously reported under the Print Services segment.

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

Comparatives have been restated to reflect the reclassification of reporting segments for the 52 weeks to 1 August 2014.

Business segments

	52 weeks to 31 July 2015			
	Strategic Marketing £'000	**Marketing Activation £'000**	**Books £'000**	**Total £'000**
Revenue				
External sales	**107,084**	**170,494**	**66,975**	**344,553**
Group sales	**4,639**	**9,822**	**28**	**14,489**
Eliminations	**(1,033)**	**(13,346)**	**(110)**	**(14,489)**
Underlying revenue	**110,690**	**166,970**	**66,893**	**344,553**
Result				
Result before non-underlying items	**16,340**	**10,947**	**8,088**	**35,375**
Non-underlying items	**(16,983)**	**(4,719)**	**(1,960)**	**(23,662)**
(Loss)/profit from operations	**(643)**	**6,228**	**6,128**	**11,713**
Pension finance charge				**(373)**
Finance costs				**(2,611)**
Profit before tax				**8,729**
Income tax charge				**(3,173)**
Profit for the period				**5,556**

	52 weeks to 1 August 2014 (restated)			
	Strategic Marketing £'000	Marketing Activation £'000	Books £'000	Total £'000
Revenue				
External sales	81,804	178,329	67,454	327,587
Group sales	4,448	231	18	4,697
Eliminations	(65)	(4,545)	(87)	(4,697)
Underlying revenue	86,187	174,015	67,385	327,587
Non-underlying revenue	–	3,097	–	3,097
Total revenue	86,187	177,112	67,385	330,684
Result				
Result before non-underlying items	11,787	11,356	8,391	31,534
Non-underlying items	(14,421)	(2,906)	(715)	(18,042)
(Loss)/profit from operations	(2,634)	8,450	7,676	13,492
Pension finance credit				57
Finance costs				(1,666)
Profit before tax				11,883
Income tax charge				(1,378)
Profit for the period				10,505

4. SEGMENT REPORTING CONTINUED

Other information

	52 weeks to 31 July 2015			
	Strategic Marketing £'000	Marketing Activation £'000	Books £'000	Total £'000
Capital additions	**1,280**	**1,233**	**4,262**	**6,775**
Depreciation and amortisation	**8,484**	**4,095**	**3,311**	**15,890**
Impairments	**–**	**1,174**	**–**	**1,174**

	52 weeks to 1 August 2014 (restated)			
	Strategic Marketing £'000	Marketing Activation £'000	Books £'000	Total £'000
Capital additions	1,364	4,826	4,349	10,539
Depreciation and amortisation	6,518	4,373	3,416	14,307
Impairments	336	898	824	2,058

Balance sheet

	31 July 2015			
	Strategic Marketing £'000	Marketing Activation £'000	Books £'000	Total £'000
Assets				
Segment assets	**162,249**	**103,674**	**49,894**	**315,817**
Unallocated corporate assets				**16,395**
Consolidated total assets				**332,212**
Liabilities				
Segment liabilities	**33,872**	**39,179**	**16,284**	**89,335**
Unallocated corporate liabilities				**109,995**
Consolidated total liabilities				**199,330**

	1 August 2014 (restated)			
	Strategic Marketing £'000	Marketing Activation £'000	Books £'000	Total £'000
Assets				
Segment assets	138,288	116,725	51,568	306,581
Unallocated corporate assets				12,338
Consolidated total assets				318,919
Liabilities				
Segment liabilities	32,450	47,475	19,471	99,396
Unallocated corporate liabilities				75,206
Consolidated total liabilities				174,602

Geographical segments

The Strategic Marketing, Marketing Activation and Books segments operate primarily in the UK, with Group deriving 90% of its revenue and profits from operations and customers located in the UK.

The largest customer of the Group accounted for £30.9 million (2014 – £35.0 million) of revenue in the current period.

Reconciliation of segment assets and liabilities

	31 July 2015 £'000	1 August 2014 £'000
Unallocated corporate assets comprise:		
Financial assets	**3**	2
Cash and cash equivalents	**16,392**	12,336
Retirement benefits surplus	**–**	–
Unallocated assets as per balance sheet	**16,395**	12,338
Unallocated corporate liabilities comprise:		
Deferred tax liabilities	**2,818**	8,587
Current tax payable	**355**	1,786
Loans and bank overdrafts (non-current)	**79,225**	55,000
Retirement benefits obligations	**27,597**	9,833
Unallocated liabilities as per balance sheet	**109,995**	75,206

5. PROFIT/(LOSS) FROM OPERATIONS

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

	2015 £'000	2014 £'000
Auditors' remuneration		
Audit fees:		
– Audit of the Company accounts	**130**	105
– Audit of the accounts of the Company's subsidiaries	**263**	235
Other assurance	**28**	26
Non-audit fees:		
Taxation services	**–**	30
Corporate finance services	**16**	5
	437	401
Staff costs (note 7)	**130,806**	111,292
Depreciation of property, plant and equipment (note 15)	**7,201**	7,428
Impairment of property, plant and equipment and intangibles (notes 15 and 16)	**1,174**	2,058
Amortisation of intangible assets (note 16)	**8,689**	6,879
Operating lease rentals		
– land and buildings	**2,579**	2,307
– plant and equipment	**85**	424
– other	**1,311**	1,297
Profit on disposal of a subsidiary	**–**	(1,345)
Profit on disposal of property, plant and equipment	**(721)**	(863)

6. CHANGE IN ACCOUNTING POLICY

The Group operates a defined benefits pension scheme ('the Scheme') which was closed to new entrants from 6 April 2002 and closed to future benefits accrual with effect from 31 August 2008. At the period end, 7% of the Group's employees were deferred members of the Scheme. The Group has closed and sold a number of businesses that are participating employers of the Scheme and has made eleven acquisitions since June 2010 that are not participating employers. As a result, the Board has concluded that the Scheme 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. Therefore, the accounting policy for the Group was amended to reclassify the Scheme income and expenses as non-underlying items (note 8).

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

	52 Weeks to 1 August 2014		
	Previously Reported £'000	Adjustments £'000	Restated £'000
Administrative expenses – underlying items	(49,893)	547	(49,346)
Administrative expenses – non-underlying items	(19,332)	(547)	(19,879)
Interest income – underlying items	13,054	(13,054)	–
Finance cost – underlying items	(14,663)	12,997	(1,666)
Net pension finance credit	–	57	57
Attributable to:			
Shareholders of the parent company – underlying items	22,389	490	22,879
Shareholders of the parent company – non-underlying items	(11,872)	(490)	(12,362)
Underlying basic earnings per share (p)	18.30	0.40	18.70
Non-underlying items (p)	(9.70)	(0.40)	(10.10)
Basic earnings per share (p)	8.60	–	8.60
Underlying diluted earnings per share (p)	17.71	0.39	18.10
Non-underlying items (p)	(9.39)	(0.39)	(9.78)
Diluted earnings per share (p)	8.32	–	8.32

7. STAFF COSTS

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

	2015 Number	2014 Number
Production	**1,970**	1,829
Sales	**607**	625
Administration	**564**	489
	3,141	2,943

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	**109,616**	94,652
Social security costs	**10,705**	9,023
Other pension costs	**4,599**	3,190
	124,920	106,865
Share-based payment	**5,886**	4,427
	130,806	111,292

8. NON-UNDERLYING ITEMS

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

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Expense/(income)				
Restructuring items				
Redundancies and other charges	**2,408**		1,534	
Impairment of property, plant and equipment (note 15)	**–**		824	
Costs associated with empty properties	**671**		738	
Provision releases	**–**		(45)	
Profit on disposal of property, plant and equipment	**(541)**		(840)	
Net profit on disposal of a subsidiary	**–**		(883)	
Operating losses from non-continuing sites	**–**		441	
Remaining other non-underlying income	**–**		(149)	
		2,538		1,620
St Ives defined benefits pension scheme costs				
Administrative costs	**562**		547	
Other	**268**		–	
		830		547
Acquisition costs				
Amortisation of acquired intangibles	**7,827**		6,125	
Impairment of available for sale asset	**1,540**		–	
Impairment of acquired intangibles and goodwill	**1,470**		1,234	
Costs associated with the acquisition and setup of subsidiaries	**686**		947	
Contingent consideration required to be treated as remuneration	**6,233**		7,569	
Increase in deferred consideration	**2,538**		–	
		20,294		15,875
Non-underlying items before interest and tax		**23,662**		18,042
Net pension finance (charge)/credit in respect of defined benefit pension scheme (note 28)	**373**		(57)	
Accelerated amortisation of bank arrangement fees	**213**		–	
		586		(57)
Non-underlying items before tax		**24,248**		17,985
Income tax credit		**(3,841)**		(5,608)
		20,407		12,377

Restructuring items

Current period

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

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

Prior period

Included within redundancies and other charges are amounts totalling of £1,088,000 relating to restructuring activities in the Head Office, Point-of-Sale and Exhibition and Events businesses and were recorded within the Marketing Activation segment. Redundancy costs of £168,000 were recorded in the Books segment. Redundancy and restructuring costs of £446,000 were recorded in the Consulting and Digital businesses, part of the Strategic Marketing segment.

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

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

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

8. NON-UNDERLYING ITEMS CONTINUED

Other

Current period

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

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

The St Ives defined benefits pension scheme administrative expenses were recorded in the Books segment. The prior period figures have been restated to reflect the change in the classification of the St Ives defined benefits pension scheme charges to non-underlying items (note 6).

The Group conducted a project to offer those members of the St Ives defined benefits pension scheme over the age of 55 independent advice on their pension options. These costs of £268,000 have been treated as a non-underlying item.

Prior period

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

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

Other non-underlying items include additional consideration received from the disposal of a USA business in December 2009. The credit was recorded within the Marketing Activation segment.

Tax

In the current period, the tax credit of £3,841,000 (2014 – £5,608,000) relates to the items discussed above.

9. PENSION FINANCE CHARGE

	2015 £'000	2014 £'000
Expected return on defined benefit pension scheme assets (note 28)	**12,336**	13,054
Interest costs on defined benefit pension scheme obligations (note 28)	**(12,709)**	(12,997)
	(373)	57

10. FINANCE COSTS

	2015 £'000	2014 £'000
Interest on bank overdrafts and loans	**2,611**	1,664
Finance lease charges	**–**	2
	2,611	1,666

11. TAX

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

	2015 £'000	2014 £'000
Total current tax charge/(credit) at 19.86% (2014 – 22.33%):		
Current period	**6,114**	6,938
Adjustments in respect of prior periods	**(19)**	(3,982)
Total current tax charge	**6,095**	2,956
Deferred tax on origination and reversal of temporary differences:		
Deferred tax credit	**(2,411)**	(1,660)
Adjustments in respect of prior periods	**(511)**	82
Total deferred tax credit (note 27)	**(2,922)**	(1,578)
Total income tax charge	**3,173**	1,378

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

	2015 £'000	2014 £'000
Tax charge on profit before non-underlying items	**7,014**	6,986
Tax credit on non-underlying items	**(3,841)**	(5,608)
Total income tax charge	**3,173**	1,378

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

	2015 £'000	2014 £'000
Profit before tax	**8,729**	11,883
Tax calculated at a rate of 19.86% (2014 – 22.33%)	**1,734**	2,653
Non-deductible charges on impairment of assets	**664**	147
Expenses not deductible for tax purposes	**2,564**	2,718
Non-taxable income	**(363)**	(422)
Effect of change in UK corporate tax rate	**80**	188
Adjustments in respect of prior periods	**(530)**	(3,899)
Movement in deferred tax on industrial buildings	**(976)**	–
Utilisation of tax losses	**–**	(7)
Total income tax charge	**3,173**	1,378

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

	2015 £'000	2014 £'000
United Kingdom corporation tax credit at 20.67% (2014 – 22.33%)	**(479)**	(447)
Deferred tax on origination and reversal of temporary differences (note 27)	**(3,446)**	(1,932)
Total income tax credit	**(3,925)**	(2,379)

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

	2015 £'000	2014 £'000
United Kingdom corporation tax credit at 20.67% (2014 – 22.33%)	**345**	799
Deferred tax on origination and reversal of temporary differences (note 27)	**(456)**	190
Total income tax (charge)/credit	**(111)**	989

12. ACQUISITIONS

Solstice

On 17 March 2015, the Group acquired 100% of all the issued stock of Solstice, a mobile first marketing and technology business. Goodwill arising on the acquisition relates to the value of future growth from new customers and of the assembled workforce.

Provisional purchase price allocation

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Proprietary techniques	–	8,992	8,992
Customer relationships	–	1,694	1,694
Trademarks	–	961	961
Property, plant and equipment	285	–	285
Trade and other receivables	4,152	–	4,152
Bank balances and cash	645	–	645
Trade and other payables	(1,459)	–	(1,459)
Deferred tax liabilities	–	(4)	(4)
Net assets acquired	3,623	11,643	15,266
Goodwill arising on acquisition			12,830
Total consideration			28,096

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

	£'000
Cash consideration payment in the current period	18,960
Fair value of 417,294 St Ives plc ordinary shares allocated from treasury shares as at 17 March 2015	860
Fair value of 2,125,254 St Ives plc ordinary shares issued as at 17 March 2015	3,880
Working capital payment in the current period	1,539
Working capital and future consideration payable in cash and shares	5,114
Less consideration treated as deemed remuneration	(2,257)
Total consideration	28,096

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

	£'000
Cash paid	20,499
Less cash acquired	(645)
Net cash outflow	19,854

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

Estimated deferred consideration is payable in three tranches which is dependent upon the level of EBITDA achieved by Solstice and its subsidiaries for the calendar years ending 2015, 2016 and 2017. The total consideration payable is capped at £50,000,000 excluding a working capital adjustment of £1,900,000.

It is expected that the goodwill will be deductible for income tax purposes.

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

	2015 £'000
Revenue	8,416
Operating profit	1,570

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

	2015 £'000
Revenue	10,061
Operating profit	1,357

Hive

On 1 May 2014, the Group acquired 100% of all the issued share capital of The Health Hive Group Limited (Hive), a consultancy business. Deferred consideration for Hive will be payable in three tranches, based on the EBITDA achieved for the calendar years 2014, 2015 and 2016. The basis of estimated EBITDA for the calendar year 2014 was reviewed in the period resulting in an increase in the estimate of the deferred consideration payable. The increase in the fair value of the consideration payable of £1,476,000 has been recorded in the period as an addition to the goodwill. Further adjustments decreasing the fair value of current assets at acquisition by £223,000 were recorded as an addition to the goodwill.

The final allocation of the purchase price payable for Hive is as follows:

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Proprietary techniques	–	8,644	8,644
Trademarks	–	522	522
Property, plant and equipment	183	(21)	162
Trade and other receivables	6,577	(223)	6,354
Bank balances and cash	2,560	–	2,560
Trade and other payables	(4,351)	388	(3,963)
Provision for repairs	(21)	21	–
Deferred tax liabilities	–	(1,833)	(1,833)
Net assets acquired	**4,948**	**7,498**	**12,446**
Goodwill arising on acquisition			15,062
Total consideration			**27,508**

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

	£'000
Cash consideration payment in the current period	16,823
Fair value of 2,087,041 St Ives plc ordinary shares issued as at 1 May 2014	4,159
Working capital payment in the current period	1,826
Working capital and future consideration payable in cash and shares	7,860
Less consideration treated as deemed remuneration	(3,160)
Total consideration payable	**27,508**

The acquisition has no impact on investing cash outflows in the current period.

The adjustments made in the current period to the fair value of consideration payable and to the allocation of consideration to acquired assets are summarised as follows:

	At 1 August 2014 £'000	Fair value adjustments £'000	**At 30 April 2015 £'000**
Fair value of consideration	26,032	1,476	**27,508**
Allocated to:			
Identifiable net assets acquired	12,669	(223)	**12,446**
Goodwill arising on acquisition	13,363	1,699	**15,062**
	26,032	1,476	**27,508**

13. DIVIDENDS

	Per share	2015 £'000	2014 £'000
Final dividend paid for the 53 weeks ended 2 August 2013	4.50p	–	5,570
Interim dividend paid for the 26 weeks ended 31 January 2014	2.15p	–	2,600
Final dividend paid for the 52 weeks ended 1 August 2014	5.00p	6,590	–
Interim dividend paid for the 26 weeks ended 30 January 2015	2.25p	2,865	–
Dividends paid during the period		**9,455**	8,170
Proposed final dividend at the period end of 5.55p per share (2014 – 5.00p per share)	5.55p	**7,239**	6,590

The proposed final dividend is subject to the approval by shareholders at the 2015 Annual General Meeting and has not been included as a liability in these financial statements.

14. EARNINGS PER SHARE

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

Number of shares

	2015 '000	2014 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	127,784	122,318
Effect of dilutive potential ordinary shares:		
Share options	3,232	4,088
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**131,016**	126,406

Earnings per share

	2015		2014	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Earnings and basic earnings per share from continuing activities				
Underlying earnings and underlying earnings per share (restated note 6)	25,963	20.32	22,879	18.70
Non-underlying items (restated note 6)	(20,407)	(15.97)	(12,362)	(10.10)
Earnings and basic earnings per share	**5,556**	**4.35**	10,517	8.60
Earnings and diluted earnings per share from continuing activities				
Underlying earnings and underlying earnings per share (restated note 6)	25,963	19.82	22,879	18.10
Non-underlying items (restated note 6)	(20,407)	(15.58)	(12,362)	(9.78)
Earnings and diluted earnings per share	**5,556**	**4.24**	10,517	8.32

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

15. 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 3 August 2013	40,547	8,146	99,673	9,830	158,196
Acquisitions	–	118	117	120	355
Additions	1,559	33	7,288	1,093	9,973
Disposals	(989)	–	(27,281)	(2,744)	(31,014)
Reclassification – non-current assets	–	22	(35)	123	110
At 1 August 2014	41,117	8,319	79,762	8,422	137,620
Acquisitions	–	–	34	251	285
Additions	–	74	5,406	761	6,241
Disposals	(3,571)	(6,238)	(4,456)	(204)	(14,469)
Reclassification to assets held for sale	(713)	–	–	–	(713)
Reclassification – non-current assets	(115)	2,270	7,546	(873)	8,828
At 31 July 2015	**36,718**	**4,425**	**88,292**	**8,357**	**137,792**
Accumulated depreciation and impairment:					
At 3 August 2013	11,660	3,835	79,634	6,835	101,964
Charge for the period	779	588	5,274	787	7,428
Impairment losses	224	433	167	–	824
Disposals	(629)	–	(23,265)	(2,157)	(26,051)
Reclassification – non-current assets	–	(31)	168	(42)	95
At 1 August 2014	12,034	4,825	61,978	5,423	84,260
Charge for the period	719	530	5,060	892	7,201
Reclassification to assets held for sale	(301)	–	–	–	(301)
Disposals	(1,810)	(4,056)	(4,368)	(191)	(10,425)
Reclassification – non-current assets	409	993	7,437	(24)	8,815
At 31 July 2015	**11,051**	**2,292**	**70,107**	**6,100**	**89,550**
Net book value:					
At 31 July 2015	**25,667**	**2,133**	**18,185**	**2,257**	**48,242**
At 1 August 2014	29,083	3,494	17,784	2,999	53,360

The Group has freehold land, included within property, plant and equipment, with a net book value of £4,392,000 (2014 – £4,432,000), which has not been depreciated. The amount of fully depreciated property, plant and equipment is £46,482,000 (2014 – £47,395,000).

In the prior period, the Group held property, plant and equipment under finance leases with a net book value of £27,000.

In the prior period, impairment losses of £824,000 were recorded against assets held within the Marketing Activation segment.

16. GOODWILL AND OTHER INTANGIBLE ASSETS

	£'000
Cost and carrying amount of goodwill	
At 3 August 2013	90,148
Acquisitions	33,106
At 1 August 2014	123,254
Acquisitions (note 12)	12,830
Additions (note 12)	1,699
Impairment	(295)
At 31 July 2015	**137,488**

The impairment charge of £295,000 relates to Tactical Solutions' goodwill due to a decline in revenue.

Goodwill is allocated amongst the following cash-generating units ('CGUs') or groups of CGUs:

	£'000
Amaze	11,551
Branded3	7,774
Data	15,748
Hive	15,062
Incite	601
Pragma	218
Realise	19,743
Service Graphics	14,952
SP Group	31,322
Solstice	12,830
Tactical Solutions	7,687
	137,488

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 CGU represents Occam and Response One.

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

The recoverable amount of the Solstice CGU was tested by reference to the market value at 31 July 2015. The recoverable amounts of the other CGUs are determined using a value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs (and therefore profits and losses) during the forecast period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent medium-term business forecasts with a terminal value calculation. The key assumptions used in the value-in-use calculations and the sensitivities to the key revenue growth and pre-tax discount rate assumptions are detailed below.

	Amaze	Branded3	Data	Hive	Incite	Pragma	Realise	Service Graphics	SP Group	Tactical Solutions
Value-in-use assumptions:										
Pre-tax discount rate	10.33%	10.33%	10.33%	10.33%	10.33%	10.33%	10.33%	10.33%	10.33%	10.33%
Terminal growth	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Excess of value-in-use over carrying value (£'000)	7,476	20,826	17,587	25,269	22,523	4,561	27,980	11,325	18,236	4,663
Sensitivity of value-in-use to changes in key growth assumption:										
Annual revenue decline in five year forecast calculation resulting in potential impairment	9.6%	29.0%	13.6%	19.1%	43.9%	28.8%	16.6%	11.0%	8.1%	9.1%
Increase to pre-tax discount rate resulting in potential impairment	4.1%	18.8%	8.3%	8.3%	30.1%	13.7%	7.6%	3.4%	4.0%	2.1%

Other intangible assets

	Computer software £'000	Customer relationships £'000	Proprietary techniques £'000	Trademarks £'000	Total £'000
Cost:					
At 3 August 2013	10,048	33,389	5,316	–	48,753
Acquisitions	22	–	17,406	1,089	18,517
Additions	566	–	–	–	566
Reclassifications	(108)	–	–	–	(108)
Disposals	(757)	–	–	–	(757)
At 1 August 2014	9,771	33,389	22,722	1,089	66,971
Acquisitions	–	1,694	8,992	961	11,647
Additions	534	–	–	–	534
Reclassifications	301	–	–	–	301
Disposals	(139)	–	–	–	(139)
Foreign Exchange	(2)	(90)	(479)	(51)	(622)
At 31 July 2015	**10,465**	**34,993**	**31,235**	**1,999**	**78,692**
Accumulated amortisation:					
At 3 August 2013	7,152	8,010	552	–	15,714
Charge for the period	1,447	3,901	1,499	32	6,879
Impairment	–	1,234	–	–	1,234
Reclassifications	(93)	–	–	–	(93)
Disposals	(744)	–	–	–	(744)
At 1 August 2014	7,762	13,145	2,051	32	22,990
Charge for the period	1,190	3,442	3,938	119	8,689
Impairment	–	1,174	–	–	1,174
Reclassifications	314	–	–	–	314
Disposals	(132)	–	–	–	(132)
Foreign Exchange	14	(9)	–	–	5
At 31 July 2015	**9,148**	**17,752**	**5,989**	**151**	**33,040**
Net book value:					
At 31 July 2015	**1,317**	**17,241**	**25,246**	**1,848**	**45,652**
At 1 August 2014	2,009	20,244	20,671	1,057	43,981

17. AVAILABLE FOR SALE ASSETS

	2015 £'000	2014 £'000
Carried at fair value:		
Unlisted shares	**3**	2
Total non-current financial assets	**3**	2

During the year the Group held non-controlling interests of 10.0% in Wiforia Limited and 9.0% in Ebeltoft Corporation Limited as at 31 July 2015. These shares are not held for trading and accordingly are classified as available for sale.

18. INVESTMENT IN JOINT VENTURE

	Net assets of joint venture £'000
Balance at 2 August 2014	11
Additions	173
Share of results of joint venture	(88)
Foreign exchange	13
Balance at 31 July 2015	**109**

The Group held a 50% interest in Loop LLC, incorporated in Chicago, USA. During the period, the Group loaned additional funds to Loop LLC. The principal operation of the Company is a commerce consultancy specialising in 'hybris' software integration.

19. INVENTORIES

	2015 £'000	2014 £'000
Raw materials	**4,766**	3,329
Work-in-progress	**1,794**	2,247
Finished products	**19**	156
	6,579	5,732

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

20. OTHER FINANCIAL ASSETS

Trade and other receivables

	2015 £'000	2014 £'000
Amounts receivable for the sale of goods and services	**63,956**	66,360
Allowance for doubtful debts	**(1,408)**	(1,716)
Trade receivables	**62,548**	64,644
Other receivables	**6,471**	3,907
Prepayments and other assets	**6,926**	11,003
	75,945	79,554

Other non-current assets

	2015 £'000	2014 £'000
Other receivables	**1,086**	671

Cash and cash equivalents

	2015 £'000	2014 £'000
Cash and cash equivalents	**16,392**	12,336

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

	2015 £'000	2014 £'000
Forward foreign currency contracts	**165**	18

Derivative financial liabilities

	2015 £'000	2014 £'000
Forward foreign currency contracts	**4**	14

All forward foreign currency contracts are designated and effective as hedging instruments.

22. TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Trade payables	**37,975**	39,256
Accruals for goods and services	**13,306**	15,639
Other taxes, social security and employee related liabilities	**13,706**	14,070
Other payables	**6,083**	7,920
	71,070	76,885

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

23. LOANS

	2015 £'000	2014 £'000
Bank loans (all repayable between two and five years)	**79,225**	55,000

Bank loans

In March 2015, the Group negotiated a new revolving multicurrency loan facility increasing the previous facility from £90 million to £115 million for a term of four years expiring on 23 March 2019 and with the ability to extend the term for a further year. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.55% and 2.15%, depending on the ratio of the Group's net debt to EBITDA excluding non-underlying items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

As at 31 July 2015, the Group's outstanding loans within this facility were £79 million (2014 – £55 million). The undrawn portion of this facility at 31 July 2015 was £36 million (2014 – £35 million).

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

24. FINANCE LEASE OBLIGATIONS

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

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25. DEFERRED INCOME

	2015 £'000	2014 £'000
Advance billings and other deferred income		
Current	**6,976**	5,927
Non-current	**81**	–

26. PROVISIONS

	Provision for repairs £'000	Provision for reorganisation £'000	Other £'000	Total £'000
Balance at 3 August 2013	1,826	955	–	2,781
Charged to the Consolidated Income Statement	183	582	100	865
Credited to the Consolidated Income Statement	(86)	(45)	–	(131)
Acquisitions	10	–	–	10
Disposal	–	(57)	–	(57)
Utilised during the period	(45)	(874)	–	(919)
Balance at 1 August 2014	1,888	561	100	2,549
Charged to the Consolidated Income Statement	313	688	100	1,101
Credited to the Consolidated Income Statement	(189)	–	–	(189)
Utilised during the period	(43)	(1,178)	(100)	(1,321)
Balance at 31 July 2015	**1,969**	**71**	**100**	**2,140**
Current	237	71	100	408
Non-current	1,732	–	–	1,732
	1,969	**71**	**100**	**2,140**

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 2015 and 2020.

Provision for reorganisation
The provision for reorganisation relates primarily to the remaining costs in respect of plant closures and relocation and comprises redundancy payments, plant relocation, onerous property and other costs, which are expected to be settled by the end of the 2016 financial period. The charge in the current period relates principally to the closure of Burnley site within the Point-of-Sale business all of which are included within the Marketing Activation segment.

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

27. DEFERRED TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 20% for UK operations (2014 – 20%) and 40% for US operations (2014 – Nil).

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

	2015 £'000	2014 £'000
At the beginning of the period	**8,587**	8,431
Acquisitions	**4**	3,706
Disposal	**–**	150
Credit to the Consolidated Income Statement (note 11)	**(2,922)**	(1,578)
Items taken to Other Comprehensive Income (note 11)	**(3,446)**	(1,932)
Items taken directly to equity (note 11)	**456**	(190)
At the end of the period	**2,679**	8,587

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

	Accelerated tax depreciation £'000	Retirement benefits obligations £'000	Rolled over capital gains £'000	Short-term timing differences £'000	Derivative financial instruments £'000	Share options £'000	Acquired intangible assets £'000	Total £'000
Balance at 3 August 2013	3,772	–	80	(661)	13	(999)	6,226	8,431
Acquisitions	7	–	–	–	–	–	3,699	3,706
Reclassification	24	–	–	126	–	–	–	150
Charge/(credit) to the Consolidated Income Statement	14	(48)	–	(27)	–	(46)	(1,471)	(1,578)
Items taken directly to Other Comprehensive Income	–	(1,919)	–	–	(13)	–	–	(1,932)
Items taken directly to equity	–	–	–	–	–	(190)	–	(190)
Balance at 1 August 2014	3,817	(1,967)	80	(562)	–	(1,235)	8,454	8,587
Acquisitions	–	–	–	4	–	–	–	4
(Credit)/charge to the Consolidated Income Statement	(1,157)	(107)	–	(257)	–	30	(1,431)	(2,922)
Items taken directly to Other Comprehensive Income	–	(3,446)	–	–	–	–	–	(3,446)
Items taken directly to equity	–	–	–	–	–	456	–	456
Balance at 31 July 2015	**2,660**	**(5,520)**	**80**	**(815)**	**–**	**(749)**	**7,023**	**2,679**

Deferred tax assets and liabilities are classified in the balance sheet as follows:

	2015 £'000	2014 £'000
Deferred tax assets	**(139)**	–
Deferred tax liabilities	**2,818**	8,587
	2,679	8,587

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax assets in respect of losses, at current tax rates, all of which have an unlimited life, are as follows:

	2015 £'000	2014 £'000
Unrecognised deferred tax in respect of trading losses	**395**	421
Unrecognised deferred tax in respect of capital losses	**598**	768
	993	1,189

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact further reductions in the main tax rate down to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. As these tax rates were not substantively enacted at the balance sheet date, the relevant rate reductions are not yet reflected in these financial statements in accordance with IAS 10, as it is a non-adjusting event occurring after the reporting period.

28. 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 £3,766,000 (2014 – £2,775,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 31 July 2015, contributions of £363,000 (2014 – £508,000) due in respect of the 2015 reporting period had not been paid over to the schemes. The amounts were paid over subsequent to the balance sheet date, within the requisite time limits.

Defined benefits scheme – St Ives Group

The Group operates the St Ives defined benefits pension scheme with assets held in separate trustee administered funds. Pension benefits are linked to a member's final salary at retirement and their length of services. The Scheme was closed to new entrants from 6 April 2002, and closed to future benefit accruals with effect from 31 August 2008.

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

The defined benefits pension scheme was established from 30 September 1988 under trust and is governed by the defined benefits pension scheme's trust deed and rules dated 23 April 1991 and subsequent amendments. The Directors of St Ives Pension Scheme Trustees Limited ('the Trustees') are responsible for the operation and the governance of the Scheme, including making decisions regarding the defined benefits pension scheme's funding and investment strategy in conjunction with the Company.

The most recent full actuarial valuations of the scheme assets and the present value of the defined benefits obligations were carried out as at April 2013 by Jonathan Punter, Fellow of the Institute of Actuaries, of Punter Southall & Co Limited, ('the actuary') who is independent of the Group. This valuation was updated at 31 July 2015. 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:

	2015 per annum	2014 per annum
Discount rate	**3.70%**	4.40%
Expected rate of inflation	**3.10%**	2.95%
Expected rate of salary increases	**Nil**	Nil
Future pension increases	**2.95%**	2.85%

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

	2015	**2015**	2014	2014
	Male	**Female**	Male	Female
Members retiring immediately	**21.7**	**23.4**	21.6	23.4
Member retiring in 20 years time	**23.1**	**25.0**	23.0	24.9

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

	2015 £'000	2014 £'000
Present value of funded obligations	**338,634**	295,993
Fair value of scheme assets	**(311,037)**	(286,160)
Liabilities	**27,597**	9,833

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

	2015 £'000	2014 £'000
Scheme Administrative cost	**562**	547
Settlements	**(75)**	–
Interest costs on defined benefit pension scheme obligations (note 9)	**12,709**	12,997
Expected return on defined benefit pension scheme assets (note 9)	**(12,336)**	(13,054)
	860	490

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

	2015 £'000	2014 £'000
Net measurement – financial	**42,911**	12,174
Net measurement – experience	**1,455**	2,012
Return on assets, excluding interest income	**(24,675)**	(2,509)
	19,691	11,677

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

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

	2015 £'000	2014 £'000
Opening defined benefits obligation	**295,993**	278,313
Interest cost	**12,709**	12,997
Age-related rebates	**4**	–
Net measurement – losses – financial	**42,911**	12,174
Net measurement – losses – experience	**1,455**	2,012
Settlements	**(4,892)**	–
Benefits paid	**(9,546)**	(9,503)
Closing defined benefits obligation	**338,634**	295,993

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 end of the scheme duration.

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

	2015 £'000	2014 £'000
Opening fair value of scheme assets	**286,160**	278,397
Interest income on scheme assets	**12,336**	13,054
Return on asset, excluding interest income	**24,675**	2,509
Contributions by employer	**2,648**	2,250
Age-related rebates	**4**	–
Benefits paid	**(9,407)**	(9,503)
Settlements	**(4,817)**	–
Scheme administrative cost	**(562)**	(547)
Closing fair value of scheme assets	**311,037**	286,160

28. RETIREMENT BENEFITS CONTINUED

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

	Value at 31 July 2015 £'000	Value at 1 August 2014 £'000
Equity instruments	**138,789**	152,411
Bonds	**166,420**	131,771
Other	**5,828**	1,978
	311,037	286,160

The defined benefits pension assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

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

The defined benefits pension scheme exposes the Group to actuarial risks such as; market (investment) risk, interest rate risk, inflation risk, currency risk and longevity risk. The defined benefits pension scheme does not expose the Group to any unusual scheme-specific or company-specific risk.

Investment risk: the Scheme holds some of its investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long-term, any short-term volatility could cause additional funding to be required if a deficit emerges. Derivative contracts are used from time to time which would limit losses in the event of a fall in equity markets.

Interest rate risk: the Scheme's liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is also calculated using the market rate of interest. The Scheme's swap investments are expected to provide a degree of protection from any movement in the market rate of interest.

Inflation risk: a significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to a deficit emerging. The Scheme's swap investments are expected to provide a degree of protection from any short-term inflationary movements.

Mortality risk: in the event that members live longer than assumed the liabilities may be understated originally, and a deficit may emerge if funding has not adequately provided for the increased life expectancy.

A sensitivity analysis of the principle assumptions used to measure the defined benefits pension obligation as at 31 July 2015 is analysed as follows:

	Change in assumption	Impact on the defined benefits pension obligation
Discount rate	**Increase by 0.5%**	Decrease by 8%
Rate of Inflation (RPI)	**Increase by 0.5%**	Increase by 3%
Assumed life expectancy at age 65	**Increase by 1 year**	Increase by 4%

The defined benefits pension scheme's investment strategy is to invest broadly 65% in return seeking assets and 35% in matching assets (mainly government bonds). The strategy reflects the defined benefits pension scheme's liability profile and the Trustees' and Group's attitude to risk.

The last scheme funding valuation of the Scheme was as at 6 April 2013 and revealed a funding deficit of £36,698,000. In the recovery plan dated 28 February 2014, the Company has agreed to pay £200,000 per month with the view to eliminating the shortfall by August 2019.

The liabilities of the Scheme are based on the current value of expected benefit payment cashflows to members of the Scheme over the next 75 years. The average duration of the liabilities is approximately 18 years.

The Scheme has two current participating employers; St Ives plc and Clays Limited. St Ives plc is responsible for paying all contributions to the Scheme. Each participating employer is liable for its share of the liabilities on wind-up or withdrawal from the Scheme in accordance with the Scheme's trust deed and rules.

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.

Interest rate risk

The Group carries a cash flow risk where there are changes in the interest rate levied on the Group's borrowings as currently interest on the majority of the Group's borrowings is at floating rates. The Group finances its operations through a mixture of retained earnings and bank borrowings. Group policy is to constantly review the exposure risk to interest rate fluctuations in relation to the risk as a proportion of Group earnings and wherever possible with matching short-term deposits of surplus funds. The Group is not subject to fair value interest rate risk as the majority of debt is at floating rates.

Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk by currency is set out below:

Financial assets subject to interest rate risk

	2015 £'000	2014 £'000
Sterling	**6,867**	10,517
US Dollar	**4,912**	1,324
Euro	**4,489**	326
Singapore Dollar	**92**	169
Argentine Peso	**27**	–
Chinese Yuan	**5**	–
	16,392	12,336

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

Financial liabilities subject to interest rate risk

	2015 £'000	2014 £'000
Sterling bank loans	**60,000**	55,000
US Dollar bank loans	**19,225**	–

The Group's financial liabilities comprise loan borrowings which bear interest at floating rates based upon LIBOR, and overdraft borrowings which bear interest at floating rates based upon UK base rate.

Interest rate sensitivity analysis

The analysis shows the additional charge to Consolidated Income Statement assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the entire period.

	2015 £'000	2014 £'000
100% movement in Sterling LIBOR	**461**	308

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;
- Japan at prices denominated in Japanese Yen;
- Singapore at prices denominated in Singapore Dollars;
- China at prices denominated in Chinese Yuan; and
- Mexico at prices denominated in Mexican Peso.

29. FINANCIAL RISK MANAGEMENT CONTINUED

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts and to manage the risk associated with anticipated sale and purchase transactions. Basis adjustments are made to the carrying amount of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following table details the forward currency contracts outstanding at the period end:

	Average exchange rate Sterling : foreign currency	Foreign currency '000	Contract value £'000	Fair value £'000
Sell US Dollars (up to 12 months)	1.55	963	619	617
Sell Euros (up to 12 months)	1.38	8,986	6,521	6,362

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 31 July 2015, 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 £161,000. It is anticipated that the sales will be made in the twelve months following the balance sheet date.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's credit risk is relatively low as the Group maintains credit insurance, for its UK operations, up to a maximum aggregate claim in any one year of £13.65 million. In addition, its UK subsidiaries' sales are principally with a large number of counterparties and customers in the UK, and are denominated in Sterling.

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

Included in the Group's trade receivables balance are debtors with a carrying amount of £7.6 million (2014 – £10.9 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

	2015 £'000	2014 £'000
Between 0 and 59 days	**122**	272
Between 60 and 89 days	**–**	33
Between 90 and 119 days	**981**	615
120 days and above	**305**	796
	1,408	1,716

Movement in the allowance for doubtful debts

	2015 £'000	2014 £'000
Balance at the beginning of the period	**1,716**	1,330
Impairment losses recognised	**191**	649
Amounts written-off as uncollectible	**(291)**	(123)
Impairment losses reversed	**(208)**	(140)
Balance at the end of the period	**1,408**	1,716

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

	2015 £'000	2014 £'000
Between 0 and 59 days	**6,667**	9,201
Between 60 and 89 days	**892**	1,370
Between 90 and 119 days	**90**	309
	7,649	10,880

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 £90.0 million to £115.0 million in the current period. The agreement includes an overdraft facility of £15.0 million to fund short-term working capital requirements. The contractual maturities of drawn down borrowings, as well as undrawn facilities, are detailed in note 23.

Capital risk management

The Group manages its capital to ensure that entities in the Group will each be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

30. SHARE CAPITAL

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid:		
At 2 August 2014	125,170,705	12,517
Issued in the period	5,718,707	572
At 31 July 2015	**130,889,412**	**13,089**

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

31. ADDITIONAL PAID-IN CAPITAL

	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	**Total £'000**
Balance at 3 August 2013	46,689	3,938	1,238	**51,865**
Issue of share capital	–	925	–	**925**
Transfer of contingent consideration deemed as remuneration	–	444	–	**444**
Balance at 1 August 2014	46,689	5,307	1,238	**53,234**
Acquisitions	–	1,731	–	**1,731**
Transfer of contingent consideration deemed as remuneration	–	249	–	**249**
Recognition of share-based payments	307	–	–	**307**
Balance at 31 July 2015	**46,996**	**7,287**	**1,238**	**55,521**

32. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

Reconciliation of cash generated from operations

	2015 £'000	2014 £'000
Profit from continuing operations	**11,713**	13,492
Adjustments for:		
Depreciation of property, plant and equipment	**7,201**	7,428
Share of losses from joint venture	**88**	120
Impairment losses	**3,009**	2,058
Amortisation of intangible assets	**8,690**	6,879
Profit on disposal of property, plant and equipment	**(721)**	(863)
Profit on disposal of a subsidiary	**–**	(1,345)
Increase/(decrease) in deferred income	**1,132**	(1,496)
Share-based payment charge	**908**	1,159
Settlement of share based payments	**541**	344
Increase in derivatives	**(67)**	(4)
Decrease in defined benefits pension scheme	**(2,325)**	(1,703)
Payment of deemed remuneration	**(975)**	–
Remeasurement of deferred consideration	**2,538**	–
Increase in contingent consideration required to be treated as remuneration	**6,233**	4,885
Decrease in provisions	**(409)**	(187)
Operating cash inflows before movements in working capital	**37,556**	30,767
(Increase)/decrease in inventories	**(833)**	1,292
Decrease/(increase) in receivables	**6,864**	(9,672)
(Decrease)/increase in payables	**(8,077)**	8,829
Cash generated from operations	**35,510**	31,216

Analysis of net debt

	2 August 2014 £'000	Cash flow £'000	Reclassify £'000	Foreign exchange gains and losses £'000	**31 July 2015 £'000**
Cash and cash equivalents	12,336	2,775	–	1,281	**16,392**
Finance lease obligations due less than one year	(11)	28	(17)	–	**–**
Finance lease obligations due more than one year	(17)	–	17	–	**–**
Bank loans	(55,000)	(24,447)	–	222	**(79,225)**
	(42,692)	(21,644)	–	1,503	**(62,833)**

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The effective interest rates on cash and cash equivalents are based on current market rates.

33. CAPITAL AND OTHER COMMITMENTS

	2015 £'000	2014 £'000
Capital expenditure contracted but not provided	**689**	–

At 31 July 2015, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Within one year	**2,902**	**1,101**	4,576	1,140
Between two and five years	**8,985**	**1,412**	8,757	1,532
After five years	**553**	**–**	2,268	–
	12,440	**2,513**	15,601	2,672

34. SHARE-BASED PAYMENTS

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

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

Executive Directors and certain members of senior management have been granted share options under the Company's discretionary share option schemes. Details of the ESOS 2001 Scheme are included in the Directors' Remuneration Report.

A reconciliation of the movement is shown below:

	Number of options		Weighted average exercise price	
	2015 '000	2014 '000	2015 £	2014 £
Outstanding at the beginning of the period	**100**	250	**0.66**	0.64
Exercised during the period	**–**	(150)	**–**	0.62
Outstanding at the end of the period	**100**	100	**0.66**	0.66
Exercisable at the end of the period	**100**	100	**0.66**	0.66

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34. SHARE-BASED PAYMENTS CONTINUED

Long-term Incentive Plan 2010 ('LTIP')

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

	2015 '000	2014 '000
Number of options		
Outstanding at the beginning of the period	**3,866**	4,852
Granted during the period	**909**	889
Lapsed during the period	**(171)**	(1,008)
Exercised during the period	**(1,643)**	(867)
Outstanding at the end of the period	**2,961**	3,866
Exercisable at the end of the period	**122**	59
Estimated % of options vesting over next three years	**78%**	100%

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

	LTIP
Weighted average mid-market share price	£1.87
Weighted average exercise price	£Nil
Expected life	3 years
Expected volatility	30.00%
Risk free rate	2.00%
Dividend yield	5.00%
Weighted average fair value of the options	£1.61

Save As You Earn Share Option Plan ('Sharesave Plan')

The Company has granted share options to eligible employees under an HMRC-approved all-employee Sharesave Plan. Details of the plan are included on page 42 of the Directors' Remuneration Report.

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

	Number of options		Weighted average exercise price	
	2015 '000	2014 '000	2015 £	2014 £
Outstanding at the beginning of the period	**1,475**	1,841	**0.88**	0.88
Granted during the period	**–**	–	**–**	–
Lapsed during the period	**(74)**	(283)	**0.90**	0.91
Exercised during the period	**(566)**	(83)	**0.66**	0.84
Outstanding at the end of the period	**835**	1,475	**1.03**	0.88
Exercisable at the end of the period	**103**	–	**0.65**	–

Share-based contingent consideration required to treated as remuneration

The Group recognised a share based charge of £4,978,000 (2014 – £4,195,000) relating to contingent consideration for the acquisition of Data, Digital and Consulting businesses.

The Group recognised a total charge of £5,886,000 (2014 – £4,427,000) relating to equity-settled share-based payment transactions. The exercise price of options outstanding at 31 July 2015 ranges between £Nil and £1.08.

Deferred Bonus Scheme

On 4 November 2014, pursuant to the Directors and Senior Executives Deferred Bonus Scheme outlined on page 41 of the Directors' Remuneration Report, a portion of the net bonus payable to Matt Armitage and Patrick Martell in respect of the 2014 financial period was used to purchase 85,764 ordinary shares in the Company from the Group's Employee Benefit Trust ('EBT') on behalf of these Directors at 192.35 pence per share.

35. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. No material related party transactions have been entered into during the current period, which might reasonably affect the decisions made by the users of these financial statements.

On 11 November 2014, shares in the Company were purchased from the Group's Employee Benefit Trust on behalf of Matt Armitage and Patrick Martell as outlined in note 34.

No other executive officers of the Company or their associates had material transactions with the Group during the period.

Transactions in respect of St Ives defined benefits pension scheme are disclosed in note 28.

During the period, the Group earned revenue of £315,390 (2014 – £Nil) from its joint venture in Loop LLC. At 31 July 2015, an amount of £324,000 (2014 – £74,000) was due from Loop LLC.

Remuneration of key management personnel

The remuneration of the Directors who are key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 – Related Party Disclosure:

	2015 £'000	2014 £'000
Short-term employee benefits	**1,195**	1,741
Post-employment benefits	**83**	96
Termination benefits	**–**	30
Share-based payment	**430**	1,815
	1,707	3,682

36. POST-BALANCE SHEET EVENTS

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

37. LIST OF UNDERTAKINGS

The trading subsidiaries of the Company, held directly or indirectly, as at 31 July 2015 are shown below:

	Nature of Business	Location	Place of incorporation
Amaze Communications Services Limited	Strategic Marketing	Manchester & other UK sites	England and Wales
Amaze Europe Limited	Strategic Marketing	Manchester & other UK sites	England and Wales
Amaze Limited	Strategic Marketing	Manchester & other UK sites	England and Wales
Branded3 Search Limited	Strategic Marketing	Leeds & London	England and Wales
Clays Limited	Books	Bungay & London	England and Wales
eBee Limited	Strategic Marketing	London	England and Wales
Flare Limited	Marketing Activation	Flintshire	England and Wales
The Health Hive Limited	Strategic Marketing	London	England and Wales
Incite Marketing Planning Limited	Strategic Marketing	London	England and Wales
Incite Marketing Planning Singapore PTE. LTD	Strategic Marketing	Singapore	Singapore
Incite Marketing Planning (Shanghai) Co. Ltd	Strategic Marketing	Shanghai	China
Incite New York LLC	Strategic Marketing	New York	United States of America
My Bench Limited	Strategic Marketing	Chilcompton	England and Wales
Occam DM Limited	Strategic Marketing	Chilcompton	England and Wales
Pollen Health Limited	Strategic Marketing	London	England and Wales
Pragma Consulting Limited	Strategic Marketing	London	England and Wales
Realise Limited	Strategic Marketing	Edinburgh & London	Scotland
Response One Limited	Strategic Marketing	Bath	England and Wales
Service Graphics Limited	Marketing Activation	London & other UK sites	England and Wales
Solstice Consulting LLC	Strategic Marketing	Illinois	United States of America
Solstice Mobile Argentina Srl	Strategic Marketing	Buenos Aires	Argentina
SP Group Limited	Marketing Activation	Redditch	England and Wales
St Ives Management Services Limited	Marketing Activation	London	England and Wales
Tactical Solutions UK Limited	Marketing Activation	Flintshire	England and Wales

In addition, the Company held, directly or indirectly, a number of non-trading companies as at 31 July 2015:

Amaze (Holdings) Limited	St Ives Direct Edenbridge Limited
Amaze Communication Services (Holdings) Limited	St Ives Direct Leeds Limited
Amaze Technology Limited	St Ives Direct Limited
Okana Systems Limited	St Ives Financial Limited
Pragma Holdings Limited	St Ives Holdings Limited
Realise Holdings Limited	St Ives Illinois LLC
Response One Holdings Limited	St Ives Marketing Services (Delaware) LLC
Solstice Consulting Argentina LLC	St Ives Marketing Services Limited
Solstice Consulting Latin America LLC	St Ives Marketing Services (Singapore) PTE.LTD
SouthWest Mailing Limited	St Ives Pension Scheme Trustees Limited
St Ives Blackburn Limited	St Ives Westerham Press Limited
St Ives Burnley Limited	The Health Hive (US) LLC
St Ives Caerphilly Limited	The Health Hive Group Limited
St Ives Crocus BV	

	Note	31 July 2015 £'000	1 August 2014 £'000
Non-current assets			
Tangible assets	5	**26,701**	32,214
Investments	6	**250,895**	218,211
Debtors – amounts due after more than one year	7	**392**	884
		277,988	251,309
Current assets			
Debtors – amounts due within one year	7	**8,516**	9,774
Assets held for sale		**412**	–
		8,928	9,774
Creditors: amounts falling due within one year	8	**(49,630)**	(51,788)
Net current liabilities		**(40,702)**	(42,014)
Total assets less current liabilities		**237,286**	209,295
Creditors: amounts falling due after more than one year	8	**(78,246)**	(55,000)
Provision for liabilities	10	**(337)**	(788)
Net assets		**158,703**	153,507
Capital and reserves			
Share capital	11	**13,089**	12,517
Share premium account	11	**46,996**	46,689
Other reserves	12	**14,424**	13,584
Profit and loss account	13	**84,194**	80,717
Total equity		**158,703**	153,507

These financial statements were approved by the Board of Directors on 6 October 2015 and signed on its behalf by

Matt Armitage
Chief Executive

Brad Gray
Chief Financial Officer

1. ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with applicable United Kingdom accounting standards.

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

(a) Accounting convention

The financial statements of the Company are prepared under the historical cost convention, except for revaluation of certain land and buildings and financial instruments.

(b) Accounting period

The financial statements are prepared for the 52 weeks ended 31 July 2015 ('the financial period'). Comparative figures are for the 52 weeks ended 1 August 2014.

(c) Tangible fixed assets

Depreciation is not provided on freehold land or assets in the course of construction. On other assets it is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The annual rates of depreciation are as follows:

Freehold buildings	2% – 4%
Long leases	Period of lease
Plant and machinery	10% – 33$^1/_3$%
Fixtures, fittings and equipment	10% – 33$^1/_3$%
Motor vehicles	20% – 25%

As permitted by Financial Reporting Standard 15 – Tangible Fixed Assets ('FRS 15'), those freehold buildings valued at 31 July 1985 continue to be carried at that value, subject to depreciation.

(d) Investments

Investments are stated at historical cost, less any provision for impairment.

(e) Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(f) Provision for repairs

As the Company is committed under the terms of a lease to make repairs to leasehold premises, provision is made for the estimated cost of repairs over the lease period.

(g) Foreign currencies

Where foreign currency borrowings have been used to finance or provide a hedge against equity investments in overseas subsidiaries, exchange gains or losses on the borrowings have been offset in reserves to the extent that they do not exceed the associated exchange differences arising on the retranslation of net investments.

The transactions of the Company denominated in foreign currencies are translated into Sterling at the rate ruling at the date of the transaction. Amounts receivable and payable denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These exchange differences are included in profit on ordinary activities before tax.

(h) Share-based payments
The Company makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair value of share options issued is measured using a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

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

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

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of forecast transactions are recognised directly in equity and the ineffective portion is recognised immediately in the profit and loss account. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains and losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For the hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the profit and loss account in the same period in which the hedged item affects the net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the profit and loss account for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the profit and loss account.

Those derivatives which are not designated as hedges are classified as held for trading and gains and losses on those instruments are recognised immediately in the profit and loss account.

(j) Pension costs
The Company operates a defined benefits pension scheme and a defined contribution pension scheme. The Company accounts for the defined benefits pension scheme as if it were a defined contribution scheme under the provisions of FRS 17. Pension costs for the Company's defined contribution scheme are charged against profits as payable. Further details are set out in note 14.

(k) Leases
Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of leases.

(l) Cash flows
A statement of cash flows has not been prepared for the Company as, in accordance with Financial Reporting Standard 1 (Revised): 'Cash Flow Statements' ('FRS 1'), cash flow information has been shown in the financial statements of the ultimate parent company.

2. PROFIT FROM OPERATIONS
As permitted by Section 408 of the Companies Act 2006, no profit and loss account of the Company is included in these financial statements. The profit for the financial period for the Company was £8.5 million (2014 – £13.6 million).

3. AUDITORS' REMUNERATION
Fees paid to the auditors in respect of their audit of the Company were £130,000 (2014 – £105,000).

4. EMPLOYEE INFORMATION

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

	2015 Number	2014 Number
Sales	**1**	1
Administration	**62**	63
	63	64

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	**3,850**	4,765
Social security costs	**371**	460
Other pension costs	**115**	124
Share-based payment	**5,886**	4,427
	10,222	9,776

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 46 to 53 and form part of these parent company financial statements. Further details of share-based payments are contained in note 34 in the notes to the consolidated financial statements.

5. TANGIBLE FIXED ASSETS

	Land and buildings Freehold £'000	Land and buildings Long leases £'000	Plant and machinery £'000	Asset under construction £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost or valuation:						
At 3 August 2013	39,877	6,820	3,568	–	2,799	53,064
Additions	1,549	34	323	–	8	1,914
Disposals	(989)	–	(816)	–	(332)	(2,137)
Transfers from subsidiaries	–	–	40	–	–	40
Reclassification	–	–	20	–	(20)	–
At 1 August 2014	40,437	6,854	3,135	–	2,455	52,881
Additions	–	44	41	75	26	186
Disposals	(3,483)	(6,238)	(875)	–	(81)	(10,677)
Reclassification to assets held for sale	(713)	–	–	–	–	(713)
At 31 July 2015	**36,241**	**660**	**2,301**	**75**	**2,400**	**41,677**
Accumulated depreciation and impairment:						
At 3 August 2013	11,764	3,566	3,008	–	1,562	19,900
Charge	743	200	311	–	435	1,689
Impairment	225	433	167	–	–	825
Disposals	(630)	–	(816)	–	(332)	(1,778)
Transfers from subsidiaries	–	–	31	–	–	31
Reclassification	–	–	34	–	(34)	–
At 1 August 2014	12,102	4,199	2,735	–	1,631	20,667
Charge	685	119	191	–	350	1,345
Disposals	(1,781)	(4,056)	(875)	–	(23)	(6,735)
Reclassification to assets held for sale	(301)	–	–	–	–	(301)
At 31 July 2015	**10,705**	**262**	**2,051**	**–**	**1,958**	**14,976**
Net book value:						
At 31 July 2015	**25,536**	**398**	**250**	**75**	**442**	**26,701**
At 1 August 2014	28,335	2,655	400	–	824	32,214

The Company has freehold land with a book value of £4,320,000 (2014 – £4,320,000) which has not been depreciated.

6. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries at cost £'000	Loans to subsidiaries £'000	Available for sale assets £'000	Total £'000
At 2 August 2014	98,625	119,455	131	218,211
Acquisitions	1,670	–	–	1,670
Transfer to subsidiaries	(66,253)	–	(131)	(66,384)
Loan advances	–	109,735	–	109,735
Loan repayments	–	(12,947)	–	(12,947)
Loan capitalisation	40,000	(40,000)	–	–
Impairment	(71)	(128)	–	(199)
Foreign exchange revaluation	–	809	–	809
At 31 July 2015	**73,971**	**176,924**	**–**	**250,895**

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 37 of the Group financial statements. During the period, Service Graphics Limited and SP Group Limited were transferred to St Ives Holdings Limited at cost.

The Company's investment in and loan to St Ives Crocus BV was impaired to £Nil during the period, resulting in a charge of £199,000.

7. DEBTORS

	2015 £'000	2014 £'000
Within one year		
Amounts owed by Group undertakings	**1,491**	4,934
Other debtors	**995**	1,879
Corporation tax recoverable	**5,259**	1,656
Prepayments and accrued income	**606**	1,290
Derivative assets	**165**	15
	8,516	9,774
After more than one year		
Deferred tax	**392**	884
	392	884

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

	2015 £'000	2014 £'000
Capital allowances in excess of depreciation	**(491)**	(386)
Timing differences on share options	**749**	1,235
Other timing differences	**134**	35
	392	884

8. CREDITORS

	2015 £'000	2014 £'000
Amounts falling due within one year		
Amounts owing to Group undertakings	**9,977**	8,844
Bank loans and overdrafts (note 9)	**31,284**	27,507
Consideration payable on purchase of subsidiaries	**1,032**	4,683
Trade creditors	**550**	1,142
Other creditors including tax and social security	**4,125**	5,150
Accruals and deferred income	**2,662**	4,462
	49,630	51,788

	2015 £'000	2014 £'000
Amounts falling due after more than one year		
Bank loans and overdrafts (note 9)	**78,246**	55,000

9. BORROWINGS AND FINANCE OBLIGATIONS

	2015 £'000	2014 £'000
Amounts falling due within one year		
Bank overdrafts	**31,284**	27,507

	2015 £'000	2014 £'000
Amounts falling due after more than one year		
Bank loans less arrangement fees	**78,246**	55,000

Bank overdrafts and loans

In March 2015, the Group negotiated a new revolving multicurrency loan facility increasing the previous facility from £90 million to £115 million for a term of four years expiring on 23 March 2019 and with the ability to extend the term for a further year. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 1.55% and 2.15%, depending on the ratio of the Group's net debt to EBITDA excluding non-underlying items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

As at 31 July 2015, the Group's outstanding loans within this facility were £79 million (2014 – £55 million). The undrawn portion of this facility at 31 July 2015 was £36 million (2014 – £35 million).

The Company's overdraft is guaranteed by certain United Kingdom subsidiary undertakings and the Company guarantees the loans and overdrafts of those United Kingdom subsidiary undertakings. At 31 July 2015, the aggregate liability for the Company under this guarantee amounted to £101,336,000 (2014 – £93,097,000). The aggregate value of overdraft liabilities belonging to these subsidiaries which are guaranteed by the Company amounted to £4,808,000 (2014 – £10,509,000).

As at 31 July 2015, there was no loan or overdraft secured against the assets of the Company (2014 – £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 suppliers of its trading subsidiaries. The maximum aggregate liability under these guarantees is £12,173,000 (2014 – £3,347,000).

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
Balance at 2 August 2014	226	562	788
Release to profit and loss account	(56)	(68)	(124)
Transfer from subsidiary	96	–	96
Utilised	–	(423)	(423)
Balance at 31 July 2015	**266**	**71**	**337**

11. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Number of shares	Ordinary shares of 10p each £'000	Share premium account £'000
Allotted and fully paid:			
At 2 August 2014	125,170,705	12,517	46,689
Issue of share capital	5,718,707	572	307
At 31 July 2015	**130,889,412**	**13,089**	**46,996**

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

The following shares were issued as partial consideration in respect of acquisitions made during the current and prior period:

	Number of shares issued	Consideration received £'000
Realise Holdings Limited	405,632	174
The Health Hive Group Limited	1,036,985	357
Solstice Consulting LLC	2,125,254	1,925
Employee Benefit Trust and SAYE scheme	2,150,836	522
	5,718,707	**2,978**

Further details of the acquisitions are contained in note 12 to the Consolidated Financial Statements.

12. OTHER RESERVES

	Merger reserve £'000	Capital redemption reserve £'000	ESOP reserve £'000	Treasury shares £'000	Share option reserve £'000	Hedging reserve £'000	**Total £'000**
Balance at 2 August 2014	5,307	1,238	(11)	(163)	7,199	14	**13,584**
Acquisitions	1,731	–	–	845	–	–	**2,576**
Transfer of share-based contingent consideration deemed as remuneration	249	–	–	956	(4,437)	–	**(3,232)**
Purchase of own shares	–	–	(382)	(2,458)	–	–	**(2,840)**
Recognition of share-based payments	–	–	393	–	4,467	–	**4,860**
Tax on share-based payments	–	–	–	–	(456)	–	**(456)**
Gains on cash flow hedges:							
Transferred to underlying hedged items	–	–	–	–	–	(14)	**(14)**
Arising on forward currency contracts	–	–	–	–	–	(54)	**(54)**
Balance at 31 July 2015	**7,287**	**1,238**	**–**	**(820)**	**6,773**	**(54)**	**14,424**

During the period, the Group's employee benefit trust acquired 114,615 shares in the Company at the market value and 1,600,000 shares at nominal value.

On 4 November 2014, pursuant to the Directors and Senior Executives Deferred Bonus Scheme outlined on page 41 of the Directors' Remuneration Report, a portion of the net bonus payable to Matt Armitage and Patrick Martell in respect of the 2014 financial period was used to purchase 85,764 ordinary shares in the Company from the Group's Employee Benefit Trust ('EBT') on behalf of these Directors at 192.35 pence per share.

As at 31 July 2015, the Company held a portfolio of treasury shares consisting of 452,732 ordinary shares.

13. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 2 August 2014	80,717
Net profit for the financial period	8,490
Dividends	(9,455)
Acquisitions	(917)
Transfer of share-based contingent consideration deemed as remuneration	3,810
Recognition of share-based payments	1,204
Tax on share-based payments	345
Balance at 31 July 2015	**84,194**

14. RETIREMENT BENEFITS

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 pension costs of the Company are disclosed in note 4.

For the purpose of FRS 17, the Company is unable to identify its share of the underlying assets and liabilities of the defined benefits scheme on a consistent and reasonable basis. Accordingly, the Company accounts for the defined benefits scheme as if it were a defined contribution scheme.

The defined benefits scheme was closed to new entrants with effect from 6 April 2002 and closed to future benefit accrual from 31 August 2008. There are no contributions to fund future defined benefit accrual after 31 August 2008. Regular contributions of £2,400,000 were made in the period and the Company expects to contribute £2,400,000 to the scheme in 2015/2016.

The Group is required to account for the defined benefits scheme under International Accounting Standard 19 – Employee Benefits ('IAS 19'). The IAS 19 disclosures, included in note 28 of the notes to the Group financial statements, have been based on the results of the actuarial valuation of the defined benefits scheme as at 6 April 2013 adjusted to allow for the assumptions and actuarial methodology required by IAS 19 and updated to 31 July 2015 by the scheme's actuary. These disclosures show that the scheme's assets represented 91.9% of the scheme's liabilities (2014 – 96.7%).

15. STATEMENT OF GUARANTEE

The Company has signed a statement of guarantee in respect of a number of subsidiary companies under section 479C of the Companies Act 2006. As a result, the following subsidiaries are exempt from the requirements of the UK Companies Act 2006 in relation to the audit of individual accounts by virtue of s479A of that Act:

Company	Company registration number
Amaze (Holdings) Limited	06417738
Amaze Communication Services (Holdings) Limited	02670935
Amaze Communication Services Limited	02051287
eBee Limited	06844490
Okana Systems Limited	03877530
Pollen Health Limited	07839170
Realise Holdings Limited	SC306420
Response One Holdings Limited	06724581
St Ives Blackburn Limited	01396772
St Ives Burnley Limited	05464477
St Ives Direct Leeds Limited	03067683
St Ives Direct Limited	02451966
St Ives Holdings Limited	00190460
St Ives Marketing Services Limited	08417677
St Ives Westerham Press Limited	00483880

FINANCIAL CALENDAR

Financial year ended 1 August 2014

Record date for final dividend	21 November 2014
Annual General Meeting 2014	27 November 2014
Payment date for final dividend of 5.00 pence per ordinary share	18 December 2014

Financial year ended 31 July 2015

Half year end	30 January 2015
Announcement of Half year results	10 March 2015
Record date for interim dividend	10 April 2015
Payment date for interim dividend of 2.25 pence per ordinary share	8 May 2015
Financial year end	31 July 2015
Announcement of Full year results	6 October 2015
Annual General Meeting 2015	26 November 2015
Ex-dividend date	26 November 2015
Record date for proposed final dividend	27 November 2015
Payment date for proposed final dividend of 5.55 pence per ordinary share	22 December 2015*

Financial year ending 29 July 2016

Half year end	29 January 2016
Announcement of Half year results	March 2016
Financial year end	29 July 2016

* If approved by shareholders at the 2015 Annual General Meeting the proposed final dividend will be paid on 22 December 2015.

SHAREHOLDER INFORMATION

Dividend Reinvestment Plan

The Dividend Reinvestment plan can be a convenient and easy way to build up your shareholding by using your cash dividends to buy more shares in the Company. The Plan is provided by Capita Asset Services ('Capita'), a trading name of Capita IRG Trustees Limited, which is authorised and regulated by the Financial Conduct Authority.

Should you require any further information, please do not hesitate to contact Capita Asset Services on 0371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding, public holidays in England and Wales. Alternatively please email shares@capita.co.uk or log on to www.capitashareportal.com.

Unauthorised brokers ('Boiler Room Scams')

It is very unlikely that a reputable authored 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.fca.org.uk;
- report the matter to the FCA either by calling their Consumer Helpline (0800 111 6768) or by completing an on-line form at: www.fca.org.uk/scams; and
- if calls persist, hang up.

Corporate Information
Further information about the Group can be found on our website: www.st-ives.co.uk.

This year's Annual Report and Accounts, as well as copies of past years' Annual Reports and Accounts, Half year 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 London 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 10 pence per minute plus network extras). If calling from overseas, please telephone + 44 208 639 3399. Lines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday.

Alternatively, you can email your query to our registrars at ssd@capitaregistars.com although, for legal reasons, they may subsequently require you to confirm any instruction in writing.

Our Principal Advisers
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Financial Advisers:
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