
Building integrated capabilities...

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COMPANIES HOUSE

Our Group today

St Ives is a group of market-leading companies that combines capabilities to deliver the UK's most diverse range of marketing solutions and book publishing services

Our combination of insight and consultancy services, combined with cross-media execution and printing capabilities, ensure that we deliver high-value solutions for our marketing clients

In the publishing services environment Clays is the market leader, helping our publishing clients meet the changing needs of the books market

From HSBC to Sainsbury's, the RAC to Marks and Spencer, the latest JK Rowling novel to gold medal winner stamps, we deliver a wide range of services tailored to meet our clients' needs

By focusing on customer service, and by working together, St Ives Group offers unique marketing solutions and publishing services delivered from a single point of contact

Contents

Overview

- 1 Highlights
- 2 St Ives Group at a glance
- 4 Chairman's Statement

Business Review

- 6 Chief Executive's Strategic Review
- 7 Our business model
- 8 Segment overview
- 8 Our strategic objectives
- 11 Key performance indicators
- 24 Corporate and Social Responsibility
- 28 Financial Review

Corporate Governance

- 30 Board of Directors
- 32 Corporate Governance
- 36 [†] Principal Risks and Uncertainties
- 38 Directors' Report
- 40 Directors' Remuneration Report
- 50 Statement of Directors' Responsibilities

Our Figures

- 51 Independent Auditors' Report to the Members of St Ives plc (the Group)
- 52 Consolidated Income Statement
- 53 Consolidated Statement of Comprehensive Income
- 54 Consolidated Statement of Changes in Equity
- 55 Consolidated Balance Sheet
- 56 Consolidated Cash Flow Statement
- 57 Notes to the Consolidated Financial Statements
- 95 Independent Auditors' Report to the Members of St Ives plc (the Company)
- 96 Company Balance Sheet
- 97 Notes to the Company Financial Statements

Useful Information

- 106 Five Year Record
- 107 Financial Calendar
- 108 Shareholder Information

Financial highlights

£327.4m

Underlying revenue*
2011 £296.8m

5.75p

Total dividends per share
2011 5.25p

£24.2m

Underlying profit before tax*
2011 £20.9m

£14.9m

Profit before tax
2011 £16.9m

15.61p

Underlying earnings per share*
2011 14.45p

11.64p

Earnings per share
2011 13.22p

* Before non-underlying items which comprise restructuring costs, provision releases, operating results of non-continuing sites, acquisition costs, adjustments to deferred consideration, net profit on disposal of property, plant and equipment, amortisation of acquired intangibles and other one-off items.

All figures for revenue, profit and earnings per share are based on continuing operations.

Operational highlights

- Continued success in implementation of strategic repositioning of the Group
- Three acquisitions to enhance our marketing services offering, including
 - Response One, one of the UK's fastest growing data marketing businesses, in September 2011
 - Pragma Holdings, a leading consultancy specialising in retail and consumer markets, in September 2011
 - Incite Marketing Planning, an industry leading market research and insights consultancy, in February 2012
- Investment in Sponge, a leading mobile marketing agency, and EasyPress Group (formerly EvolvedGroup), an eBook conversion software company
- Further successful cost reduction initiatives across Print businesses, and investment in digital production
- Winning additional market share, with the Group's new multi-discipline offering gaining traction with key clients including HSBC, Punch Taverns, Holland and Barrett and Johnston Press
- Contract renewals with key clients including Sainsbury's, Royal Mail and Heinz

St Ives Group at a glance

Integrating our services

Contribution to Group sales (%)

We are continuing our objective to increase overall profit contribution from Marketing Services through acquisition and growth of businesses in this segment. In addition our Print businesses continue to perform well in difficult market conditions.

Reporting Segments

Print

Books

Monochromatic books
Distribution
Logistics
Print on demand
Inventory risk management

Locations

Bungay
London

Direct Response

Direct mail
Digital print
Personalisation
Commercial print

Locations

Bradford
Leeds
London

ePublishing solutions

Location

Surrey

Outsourcing
Vendor management
Print management

Location

London

Our integrated business model

Our business operates in two distinct markets: Publishing Services and Marketing Solutions. St Ives' growth strategy aims to develop its sector specific propositions by cultivating a range of services and a toolbox of delivery capabilities.

Our Marketing Solutions offer has strengthened following the acquisitions this year of Response One, Pragma and Incite – all of which provide insight offerings to our clients. Our marketing services propositions are underpinned by key customer relationships and account management.

We manage our business as two segments: Print, which is primarily efficiency focused, and Marketing Services, which is growth focused.



For further information on our sector propositions see page 9

Marketing
Solutions

Marketing
Services
Operations

Market Sector
Propositions

Key Customer
Development

Publishing
Services

Print
Operations

Market Sector Propositions

Publishing
Services

Marketing
Solutions

Marketing Services

Point of Sale	Exhibitions & Events	Data Marketing	Field Marketing	Consultancy Services
Retail and brand POS Store audits Logistics Digital screen media Locations Birmingham Burnley Redditch	Visual consultancy Graphics production Giant media Outdoor graphics Exhibition and events Display products Sports and sponsorship branding Locations Glasgow London Nottingham Skelmersdale	Database management Data analysis Data insight Location Chilcompton	Field sales services Trade marketing Sales training Intern management Location Flintshire	Customer insight consultants Location London
Digital media solutions Locations London Redditch		Campaign management Data intelligence List and media planning Media sales Campaign delivery Location Bath		Market research Commercial due diligence Investor services Location Twickenham
Business audits Retail strategy and insight Market research Site surveys and compliance Location London				Mobile marketing solutions Location London
Online campaign management Location London				

[†] St Ives holds investments in the company

Chairman's Statement

Investing in our business

“Great efforts have been made to concentrate on those segments of the market where customers’ needs match our capabilities.”

Richard Stillwell
Chairman

The 12 months to July 2012 have seen St Ives continue the delivery of improved financial performance coupled with the strategic realignment of the business

Print remains, and will continue to remain, an important component of the overall business. St Ives is a leader in its chosen print market sectors where it enjoys a strong reputation for quality and delivery and where it has long established and strong customer relationships.

Over the last two years, we have acquired a number of independent and complementary marketing services businesses. We are investing in those businesses and will continue to do so, and we shall look for further opportunities to acquire to broaden and deepen the range of services we offer. We also see scope to further strengthen the collaboration between all of our businesses and to increase cross-selling.

St Ives now has a portfolio of service activities ranging from data management to retail consultancy and from tactical retail and brand support to market research. All these businesses are being integrated into St Ives.

The organisation of St Ives is changing. The touchstone for the new organisation is customer focus. Different customers have different service and print needs. The Group is evolving and this will continue so that we can deliver to our customers the right combination of print and support services to meet their particular needs.

The board is changing as well and is dedicating more time to the strategic development of the business, whilst continuing to maintain high levels of corporate governance. Technology developments across a broad front mean that St Ives will have to analyse and understand the changing requirements of its customers and refresh its market offering as necessary.

The asset base in the print side of the business is now far more appropriate for the Group's future needs. Here too technology is making a significant impact and the board will need to decide on future investment and sourcing options.

The Executive team under Patrick Martell's leadership is now firmly established and working well. There is a recognition that the reshaping of the business has to be done in tandem with the delivery of improved financial performance.

The board recognises that further investment in new or existing businesses may be necessary for the long-term strength of the Group. If that has an impact on short or medium-term performance it will only be undertaken if the end result is value creation.

The membership of the board is evolving. Simon Marquis is standing down as a director at this year's AGM having reached the nine year recommended maximum term of service. He has made an outstanding contribution to the board, particularly during this recent period of strategic realignment when his knowledge about the marketing services businesses has been invaluable. We shall miss his wisdom and wise counsel.

Earlier in the year the board was delighted to welcome Helen Stevenson as a non-executive director. She brings a wealth of experience in marketing related activities and we look forward to her contribution.

Change has characterised virtually every aspect of the Group's business in the last year. That can often be disruptive and painful for individuals. The board recognises that and on their behalf I would like to thank all of St Ives' employees for their support and understanding during the changes which have taken place. The Group is fitter and better prepared for the future as a result.

Our thanks also go to our customers and clients. Increasingly we are forming strategic partnerships with our customers which allow us to develop a package of products and services which reflect their strategic needs.

The Group is now well positioned to develop the business and create value for our shareholders through further investment and through the development of our existing portfolio.

Richard Stillwell
Chairman

2 October 2012

Chief Executive's Strategic Review

Expanding our capabilities

“We are very pleased to report further significant improvement in our financial performance and the continuing success in delivering our strategy.”

Patrick Martell
Chief Executive

Strategic Vision and Implementation

The strategic realignment of our business has resulted in us building a range of complementary marketing services capabilities and our exit from commoditised print markets. Whilst our Book business, Clays, continues to provide solutions focused on the needs of book publishers, our other businesses collaborate as required to provide marketing services across a number of sectors, including Retail, Financial Services, FMCG, Leisure and Travel, Automotive, Charity and the Public Sector.

The rise in consumer power is driving a fundamental change in the role of marketing which will impact across all of these markets. The shift from push marketing to conversational marketing based on understanding customer needs, and responding accordingly, is well under way and St Ives is ideally positioned to help our clients meet the challenges this presents.

Our consultancy services are set up to help our clients better understand their markets and customers, and to develop future strategies. We have the cross media capability to execute these strategies physically, digitally and socially using our Print and Marketing Services businesses, creating a unique and compelling combination of services in the market place.

For example

- In Retail we see the combination of sophisticated customer insight and research driving specific in-store and online offerings that we fulfil for the UK's largest brands
- In Financial Services, the drive to create engaging and cost-effective customer connections has never been more important, at St Ives we help some of the largest retail banks deliver more targeted multi-channel campaigns whilst at the same time saving expenditure on printed materials

- In Publishing, our strategy is to provide a range of services which enable our customers to profitably produce books in more flexible quantities and to minimise the need for, and risk of, holding stock. We have invested in developing our eBook conversion software offering during the year through our stake in the Easypress Group. Our ongoing investment in digital production will help to mitigate the impact on margin of shorter run lengths and we will continue to seek further opportunities to reduce the cost of conventional production.

We have successfully exited commoditised print markets, such as magazines, fine art printing and CD/DVD insert printing, and invested in those print businesses serving markets where there is a requirement for added value services in addition to print. Other than Clays, our book printing business, all other businesses in the Group now provide marketing related to services. Last year we stated that in three years' time 30% – 40% of the Group's operating profit would come from Marketing Services. We are pleased with the progress made in the first year and we remain confident that over the period this remains a deliverable target.

Execution of our strategy has enabled us to improve our financial performance and fund acquisitions. Our focus going forward is to further strengthen the individual businesses and continue to develop broader customer propositions that utilise a number of the capabilities across the Group.

We will invest to support organic growth in our businesses whilst also seeking further acquisition opportunities to complement our offering. The Group has an extensive blue chip customer base of which it is rightly proud and we will continue to seek opportunities to extend the scope of services and products we provide to them.

Our Business Model

As the shape of our business changes, we have to adapt our business model.

The real power of our business comes from collaboration across the Group's businesses. We have created a culture of involvement which is starting to show benefits, with our success in cross-selling and the cultural shift having broken down the business silos. A growing proportion of our print work is in collaboration with, or in support of, our Marketing Services activities, and we increasingly provide marketing services invoiced directly through our Print businesses and vice versa.

This means that at times the way we approach our markets and customers may differ from the way we manage, measure and report on our business segments. We need to be flexible and adapt the management of our organisation to reflect this approach, as our clients and their markets change. Our external approach is focused on market sectors and, in particular, ensuring we continue to meet the needs of our clients. Our internal approach is to manage our Print segment as cost effectively as possible and develop the growth opportunities within our Marketing Services businesses.

This collaboration has manifested itself in new business wins such as our recent engagement by Punch Taverns, a contract won by our Point of Sale business in conjunction with a wide range of our Group companies including Occam and Response One. These businesses will all be delivering services to Punch Taverns via a single contact within the Point of Sale business.

The effectiveness of our cross-Group collaboration is also demonstrated in new long-term contracts for Sainsbury's Supermarkets, Sainsbury's Bank, Royal Mail, HSBC and Heinz.

Strong Performance in 2011/2012

During a year of significant change across the Group we have once again delivered a robust financial performance. Trading conditions during the year continued to be very tough as the economic climate remained challenging and uncertain. Underlying Group revenue of £327.4 million was 10.3% higher compared to the previous year. We have again made further progress in improving the underlying profit before tax of the business to £24.2 million (2011 – £20.9 million) with underlying EPS increasing by 8.0% to 15.61p (2011 – 14.45p).

The improvement in our revenue and profit performance was driven by growth in our Marketing Services segment.

Our Marketing Services businesses contributed 16.4% of the Group's operating profit in the financial year, which would have been just over 20% with a full year's contribution from Incite, Pragma and Response One, which were all acquired during the year. The integration of all the Marketing Services businesses is progressing well and we have invested approximately £1.0 million in additional staff to support our future growth plans.

Overall our Print businesses have performed well as a result of the actions we have taken to reduce costs and improve operational efficiencies. We benefitted both from a late surge in activity associated with the 2012 London Olympics and from our decision to cease production of company reports and CD/DVD inserts. Our Book business performed marginally below the comparative prior period as a result of further reductions in average run lengths and higher costs associated with their conventional production. The new digital equipment is expected to become operational by November 2012.

We finished the year with net debt of £13.4 million (2011 – net cash of £16.3 million) after £6.5 million of restructuring cash outflow and investment of £27.2 million in acquisitions.

The board is recommending a final dividend of 4.00p making a full year dividend of 5.75p (2011 – 5.25p). If approved, the final dividend will be paid on 21 December 2012 to shareholders on the register at 30 November 2012 with an ex-dividend date of 28 November 2012.

Chief Executive's Strategic Review *continued*

“The improvement in our revenue and profitability was driven by growth in our Marketing Services segment.”

Segment Overview

Print

Our Print segment represented 85.6% (2011 – 95.3%) of Group external revenue for the year. This comprises the Books, Exhibition and Events, Point of Sale, and Direct Response businesses.

	2012 £'000	2011 £'000
Underlying revenue	280,327	282,736
Underlying operating profit	20,442	20,870

Books

The Group's Book business accounted for 26.8% of the Print segment's revenue. Books revenue was down by 2.7% compared to the previous year at £75.0 million (2011 – £77.1 million). However, book volumes increased by 500,000 units compared to the same period in the previous year as our reputation for superior levels of service and quality continues to ensure we produce the majority of the bestselling titles. The trend towards ordering smaller quantities has had a negative impact on profitability as the number of orders processed increased by 13% whilst average run lengths reduced by 11%. Our investment in new digital equipment, due to come on stream by November 2012, will help to mitigate this impact and ensure we are better positioned to capitalise on this continuing trend.

Our strategic objectives

Our objective is to build on our success to date in establishing foundations for growth by increasing sales through customer and market focused propositions.

Completed

Reduce cost Strengthen balance sheet

- Site closures
- Headcount reduction
- Capex reduced
- Significant working capital improvement

Improve financial performance

Disposal of non- core operations

Targeted investment

- Margin improved
- Magazine business sold
- Investment in digital output
- Create new Marketing Services proposition
- Senior management replaced

2013

- Development of collaborative working practices across the Group to build market-specific propositions
- Business model development and implementation

2014

- Development of business and Group sales to drive increased revenue
- Efficient delivery through internal and external resources

2015

- Customer-centric culture with market-specific propositions
- Increased sales and profitability from business segments

- Further acquisitions and diversification to enhance marketing solutions offering
- Group managed service offering development
- Improve margin through efficiency gains

Exhibitions and Events

Revenue of £38.2 million (2011 – £34.8 million) was 9.6% ahead of last year and accounted for 13.6% of the Print segment revenue. We experienced a significant late boost in activity for the 2012 London Olympics and are benefitting from our new modern facility in Chessington.

Point of Sale

Point of Sale material for the UK retailers and brands represented 31.5% of the Print segment revenue at £88.2 million (2011 – £85.7 million). Although the market remains fiercely competitive, we have increased our market share with some exciting new customer wins and have succeeded in renewing a number of our existing contracts against strong competition and at acceptable margins.

Direct Response

Direct Response printing accounted for 28.1% of the Print segment revenue. Market conditions continued to be extremely challenging and, after the year end, we took further action to reduce costs by consolidating our operations into a single site at Bradford, which is planned to be completed in December 2012.

Revenue in the Direct Response business fell compared to the previous year to £78.9 million (2011 – £85.1 million). However, the sales mix has changed significantly as a result of our

decision to exit the markets for company reports and CD/DVD inserts. The combination of reduced cost base and change of sales mix has significantly improved the financial performance of this business.

Marketing Services

Marketing Services accounts for approximately 14.4% (2011 – 4.7%) of external revenue and includes Occam, Tactical Solutions and our recently acquired businesses, Response One, Pragma and Incite.

	2012 £'000	2011 £'000
Underlying revenue	47,049	14,054
Underlying operating profit	4,011	450

Data Marketing

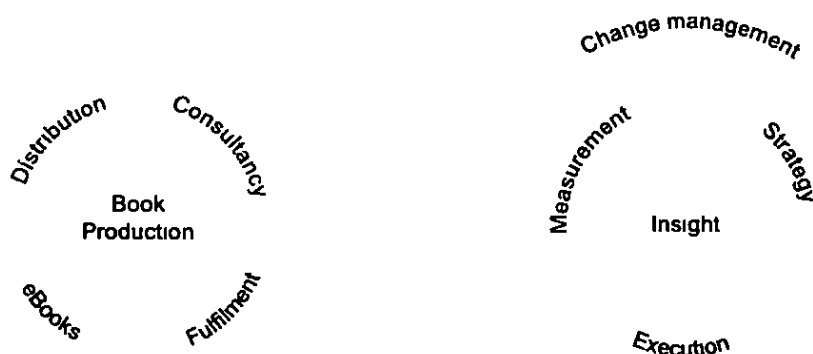
Our Data Marketing businesses, Occam and Response One, represented 52.8% of Marketing Services revenue at £24.8 million (2011 – £6.8 million). This combined offering gives us a unique end-to-end proposition enabling the delivery of highly targeted and sophisticated communications to help our clients both acquire and retain customers.

Market Sector Propositions**Publishing Services:**

Unrivalled for quality, service and innovation, we are the largest book printer in the country and exclusive supplier to many leading publishing houses.

Marketing Solutions:

We provide a range of marketing solutions through each individual business as well as the combination of capabilities which delivers efficient, effective marketing communications across a range of market sectors.



These services all contribute to our seamless product offering. Pages 12 to 23 provide a snapshot into how we are building integrated capabilities across our business.

Please see the Group's website (www.st-ives.co.uk) for more information.

Chief Executive's Strategic Review *continued*

“We have successfully integrated the Marketing Services acquisitions into the Group and we are very pleased with how the businesses have performed to date.”

Despite the current economic climate, which has resulted in client budget pressure and the deferral of some larger database builds, we have invested in our Data Marketing businesses to expand their capabilities. We have also been successful in winning new business and in sharing customers and expertise across our two businesses.

Field Marketing

Our Field Marketing business, Tactical Solutions, represented 31.7% of Marketing Services revenue at £14.9 million (2011 – £7.2 million). The business is one of the UK's leading and fastest growing field marketing companies working with major brands and retailers to drive increased sales in store through targeted intervention.

We have invested to grow this business and have adopted the latest tablet-based technology to support our teams when working in the retail environment.

Cross-sale success between Tactical Solutions and our Point of Sale business is starting to see some traction, with a number of projects having been commissioned across a range of clients.

Field Marketing is a growing marketing discipline and we are well placed to continue to benefit from this growth.

Consultancy Services

Our Consultancy Services businesses, Pragma and Incite, represented 15.5% of Marketing Services revenue at £7.3 million (2011 – £nil).

Pragma is a leading consultancy firm which specialises in retail and consumer markets, since its acquisition in September 2011 the business has integrated well and made an excellent contribution to the Group.

Within Incite, our strategic market research business, acquired in February 2012, our team of senior consultants work with clients to help them make decisions and initiate change through identifying and communicating market research insights. We are very pleased with the quality of the business and have already identified good opportunities to grow its offering both in the UK and overseas.

Both Pragma and Incite have potential for significant growth and it is our intention to invest further in these businesses moving forward.

Mobile Marketing

We have made a minority investment in Sponge, one of the UK's leading mobile marketing agencies, allowing us to offer these services as the desire for cross-media campaign execution grows.

Outlook

St Ives' future is in selling services which enable organisations and brands to improve the effectiveness of their marketing.

We have successfully integrated the Marketing Services acquisitions into the Group and we are very pleased with how the businesses have performed to date.

As a result of the major rationalisation across our Print businesses, the requirement for capital expenditure is substantially reduced versus historic levels. Investment is now predominantly focused on additional staff, expertise and capability within the Marketing Services businesses in order to realise growth opportunities, extend our customer propositions and develop the business for the long term.

We do not expect the current extremely difficult trading conditions to ease. However, our market positions are strong, we continue to improve operational efficiencies, our financial position is robust and we have recently renewed our banking facilities. We are proposing an increased dividend and remain confident that further progress can be made.

We believe that the actions we have taken during the year have significantly improved the Group's prospects and positioned it well for the future.

Patrick Martell
Chief Executive

2 October 2012

Key Performance Indicators

At the heart of current and future success of the business is evaluating the Key Performance Indicators, allowing us to measure and manage each segment against expectations. Each year targets are set and monitored to ensure we continue to build on our success to date.

Group*

Print*

Marketing Services*

* Continuing operations before non-underlying items

Integrating our capabilities

As an organisation covering many businesses, our future success will be built on continuing to deliver successful solutions for our clients based on the integrated capabilities across the Group. Here are some examples of our client work this year.

Building integrated capabilities:

Engaging customers for Sainsbury's

Sainsbury's was founded in 1869 by John James Sainsbury and his wife Mary Ann Sainsbury in London and has grown to become one of the UK's largest retailers

Challenge

Supermarket shopping, as with all retail, is going through difficult times. The combination of shifting demographics, the recession and the impact of online shopping has made the need to engage customers in-store even more important. The retailers who survive will be those who use their stores effectively, but also provide a cross-media model for shoppers.

The changing nature of our Group allows us to provide increased capability to our clients across the key marketing disciplines

For further information on our Business model see page 9

Solution

St Ives works closely with Sainsbury's to deliver engaging in-store and point of sale material, as well as providing customer campaign execution to ensure that the long-term relationships with customers are maintained. This includes direct marketing through mail and email. For example during the autumn of 2011, a 'New Look & Feel' was designed, produced and installed into four key new development stores around the UK.

Result

By providing a much clearer definition of product categories within each aisle, using new materials, colours and fonts, the existing look was transformed. The overall impact on the store was very different and very well received. The 'New Look & Feel' has been so successful that it has now become business as usual for all new store developments since June 2012.

Cross-selling for St Ives

Execution

St Ives Direct printed all Sainsbury's direct mail campaigns from local marketing to UK-wide customer communications.

Response One provided data cleaning and email execution.

SP and Service Graphics provided in-store point of sale material across the entire estate.

Tactical Solutions called in 350 stores every week for a variety of brands, driving new product launches and assuring availability.

Change Management

Forward Thinking provided a wide variety of consultancy services including compliance audits, competitor reviews and store surveys.

Connected Thinking delivered technology including datastore.

Building integrated capabilities:

Direct solutions for HSBC

HSBC is a multinational banking and financial services company headquartered in London. It is the world's second-largest banking and financial services group with some 7,200 offices in 85 countries and territories across Africa, Asia, Europe, North America and South America and around 89 million customers worldwide.

Challenge

As a large multinational organisation working across a range of products and services in many geographical areas, keeping track and managing efficiency in marketing campaigns is very challenging. HSBC knew there were inefficiencies in their communications, whether direct or in branch, but how to drive these inefficiencies out – and save money – was a major concern.

The changing nature of our Group allows us to provide increased capability to our clients across the key marketing disciplines

For further information on our Business model see page 9

Solution

St Ives started by understanding the challenge, it was essential to understand existing processes to implement changes. Having defined the current state, St Ives worked with HSBC to review and refine processes across the full marketing spectrum. The Connected Thinking team implemented our DNA Workflow & Tracking modules, enabling HSBC to directly enter print brief details, request quotations and place orders for direct mail campaigns, all online.

Result

The direct result was money saved, reduced end to end campaign times, efficient re-ordering management and re-use of assets, increased accuracy when monitoring performance against KPIs, and better targeting and consistency in media usage across all HSBC brands, including First Direct and M&S Money.

Cross selling for HSBC

Insight

Occam built a small database to manage campaign response tracking.

Execution

St Ives Direct printed and executed direct mail campaigns.

Service Graphics provided high profile ad hoc projects including exhibition and internal display projects as well as airport branding.

SP provided in-branch point-of-sale material.

Change Management

Forward Thinking delivered monthly competitor reviews, store surveys and provided the transition management from HSBC's previous partner.

Connected Thinking used DNA for a number of technology based projects to ensure consistent execution and management of campaigns and assets.

Building integrated capabilities:

Serving an integrated Punch

As the largest pub and bar operator in the United Kingdom, with around 5,000 pubs nationwide, Punch Taverns aims to become the UK's highest quality, most trusted and best value leased pub company

Challenge

The British pub is an institution under threat. The trading environment for pubs and bars has become increasingly challenging over recent years, because of changes in the law, the recession and food price inflation.

Punch Taverns are looking to buck these trends. Plans are in place to open more pubs, whilst the running of existing pubs will be more tailored to customers' needs. A bespoke marketing programme, covering all pubs is needed.

The changing nature of our Group allows us to provide increased capability to our clients across the key marketing disciplines

For further information on our Business model see page 9

Solution

Punch Taverns knew it needed a more integrated approach. St Ives is able to offer a one stop solution, utilising the expertise of a number of its businesses. Far from just focusing on print, the account, managed by SP, encompasses the development of bespoke communications packages for each pub, plus on-demand design and print of locally required materials such as menus to ensure consistency of brand messages.

Result

As a brand new piece of business for St Ives, we are still working towards the end results. However, by combining capabilities from across the Group, we are very confident that we can provide an integrated solution that will allow Punch to develop bespoke solutions, at pub level, to engage and retain customers.

Cross selling for Punch Taverns

This account is managed by SP but, with such a complex account, a number of other additional St Ives businesses have been engaged.

Insight

Response One and Occam will manage data campaigns for the client.

Execution

In addition to SP, Sponge will provide SMS solutions. In the future there is also potential to incorporate digital signage in Punch's pubs.

Change Management

Connected Thinking, which specialises in online campaign management, is devising an automated art working system.

Building integrated capabilities:

Attracting new customers for Bacardi

Bacardi is the largest privately-held, family-owned spirits company in the world. Its brand portfolio comprises more than 200 brands and labels, including the eponymous Bacardi rum.

The changing nature of our Group allows us to provide increased capability to our clients across the key marketing disciplines

For further information on our Business model see page 9

Challenge

Persuading drinkers to change brand or try something new is never easy. To cut through the noise in the retail/leisure environment, it is essential to be eye-catching and engaging, with the adaptability to react to current trends.

Solution

St Ives worked to create innovative, high impact material ranging from static displays to digital pricing and posters. SP and Tactical Solutions designed, built and deployed point of sale material in store and on premise.

Result

Sales were increased for both on and off trade. The provision of staff to deliver and deploy this material means it reaches the customer quickly and end to end implementation time is reduced.

Cross selling for Bacardi

Execution

SP provided in store point of sale material.

St Ives Digital Media provided electronic point of sale and advertising including shelf edge pricing displays.

Tactical Solutions ensured that the project was managed by one team, removing additional organisation from the client. This also created logistical cost savings as all items were fulfilled in one place.

The changing nature of our Group allows us to provide increased capability to our clients across the key marketing disciplines

For further information on our Business model see page 9

Building integrated capabilities:

Serving customers for Carphone Warehouse

Carphone Warehouse is a UK based company, established in 1989. With over 1,700 stores across Europe, Carphone Warehouse is Europe's largest independent mobile phone retailer.

Challenge

The world of mobile technology is fast moving, demanding and consumer driven. Carphone Warehouse realised that an effective multi-channel strategy was vital to its success and commissioned Incite to develop and align their strategy with a consumer Pathways to Purchase study.

Solution

Incite carried out a multi-stage qualitative and quantitative research programme, which identified and sized the commercial opportunity for the key journeys that consumers take. This highlighted how Carphone Warehouse needed to engage with and serve their customers across all key touchpoints.

Result

In utilising this truly customer-centric approach to mobile technology, Carphone Warehouse gained insight into creating real relationships with their customers. Whilst the programme provided a means to harmonise and optimise each customer journey, it also went deeper to inform messaging and in-situ tactical execution.

What we provide

Strategy

Incite conducted large quantitative usage and attitude-type surveys across various markets, exploring its brand architecture and opportunities for growth.

The changing nature of our Group allows us to provide increased capability to our clients across the key marketing disciplines

For further information on our Business model see page 9

Building integrated capabilities:

Targeting strategy for Battersea Dogs & Cats Home

Established in 1860, Battersea Dogs & Cats Home is the UK's oldest and most famous home for dogs and cats. It is situated in the Battersea area of London and is financed by voluntary donations.

Challenge

Battersea Dogs & Cats Home reunites lost dogs and cats with their owners, or gives them shelter and the highest standards of veterinary care until new homes can be found. The charity relies heavily on the continued generosity of long-term, loyal supporters.

Solution

Response One envisaged a new customer acquisition programme, empowering the charity to translate the existing insight they had about their loyal supporters into a targeting strategy, to find the most long-term, valuable supporters for the charity.

Result

The campaign exceeded all targets with a 27% increase in response against budget and a 24% increase in income against target.

"We are delighted with the results", says Maddy Eastwood, Direct Marketing Manager Fundraising.

What we provide

Insight, strategy and execution

Response One provides data analysis, planning services and e-mail campaign execution.

The changing nature of our Group allows us to provide increased capability to our clients across the key marketing disciplines

For further information on our Business model see page 9

Building integrated capabilities:

Business development for Jessops

Founded in 1935, Jessops is the United Kingdom's largest specialist photographic retailer, with over 200 shops across the country

Challenge

Pragma carried out a business plan review and a brand development strategy for Jessops. A review of all the options for the business had to be executed rapidly due to the challenging market conditions that Jessops faced

Solution

Pragma's review identified a game-changing proposition that could be implemented without further lending or shareholder investment. Crucial recommendations were made regarding Jessops' future trading position to secure the successful future of the company

Result

Jessops saw an EBITDA increase of 30%, to £5.7m, due to strong cost control and margin improvement. Total sales rose to £236.8m and like-for-like sales increased by 1.3%.

What we provide Strategy

Pragma Consulting provided a strategic overview based on market insight and consumer understanding that helped grow a well-loved high street brand.

The changing nature of our Group allows us to provide increased capability to our clients across the key marketing disciplines

For further information on our Business model see page 9

Publishing Services:

Keeping it under wraps!

Clays were delighted to win the order from Little, Brown, to produce and distribute JK Rowling's new novel, 'The Casual Vacancy'

Challenge

Due to the intense interest surrounding this title, security was extremely high. It was essential that no part of this book was leaked before it was released on 8am on 27 September

Solution

Clays not only printed the book but also managed the despatch of The Casual Vacancy to retail destinations throughout the UK and worldwide, all within the very stringent pre-publication security requirements

Result

Heavy supermarket promotion was always going to be a major element of the book launch and Clays were asked to supply Tesco UK stores with ready-packed promotional pallet bins which were carefully prepared at Clays' on-site distribution centre

The bins were erected and filled with books before being securely wrapped and despatched direct to Tesco's distribution centres for onward delivery to stores in time for the launch date

Corporate and Social Responsibility

“St Ives is committed to operating in a socially responsible and ethical manner.”

Richard Stillwell
Chairman

53%

Reduction in energy consumption
2011 3%

33%

Reduction in total water consumption
2011 5%

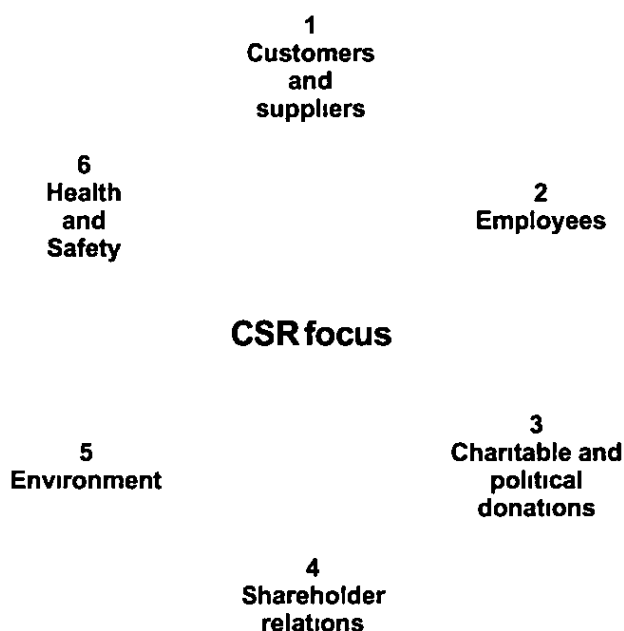
£43,339

In charitable donations
2011 £16,031

A focused approach

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



Occam's employees were invited to nominate charities of their choice to benefit from their fund raising activities in 2011. The most popular nominations were then put to the vote and, by an over-whelming majority, the Children's Hospice South West was selected, having a Hospice relatively local to Occam's site and which struck a particular chord with them.

A charity committee was formed and it soon set its aims for the campaign: to donate at least £10,000 to the Hospice and to engage as many people as possible in fund raising, by being as creative as possible to maximise interest in the project. Launching as many fun events as it could – large and small – the committee ensured that the campaign was constantly in everyone's minds and that a steady supply of donations was made, resulting in the presentation, in December 2011, of a final cheque to the Hospice to take the total donated to £13,590.

1 Customers and suppliers

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

It is the Group's practice to agree payment terms with all suppliers, which will be adhered to, provided that they perform in accordance with the agreed terms.

What we are doing

All subsidiaries report on how they manage their relationships with key customers. Their managing directors have 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 customers and suppliers on an arm's length, commercial basis. It is a disciplinary offence for any employee to breach the Group's Anti-corruption and Bribery Policy in their dealings with customers and suppliers. Payment terms granted to customers are negotiated according to the amount at risk and the financial strength of the customer concerned.

How we are performing

The average creditor days outstanding at 27 July 2012 for the Group and the Company were 66 and 56 days, respectively (2011 – 83 and 56 days).

The Company Secretary maintains a Bribery Risk Register and the board reviews this annually, 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.

2 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 to which they are suited. Employees who subsequently become disabled will be retained in employment wherever possible and will be given help with necessary rehabilitation and retraining and procedures or equipment suitably modified to make full use of an individual's ability.

What we are doing

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

Our employees are regularly consulted by local managers and are kept informed of matters affecting them and the overall development of the Group. This is supplemented by regular email and other communications to staff from the board on how the Group is performing, plans for the future and how individuals can contribute to achieving the Group's aims.

Details of the Group's pension schemes are set out on page 39 and in note 25 to the financial statements.

How we are performing

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

3 Charitable and political donations

As in prior years, the Group has made donations to registered charities. Generally, the Group supports smaller charities where even a modest donation can make a big difference. Donations can be financial or the provision of time and material to provide added value services for charities.

What we are doing

The Group supports charities in four ways. The first way is to set and then donate an annual budget to charities serving communities in which the Group operates or to which employees or customers have a particular affinity; the second is by matching contributions made by the Chairman from foregoing a proportion of his fees to registered charities that he nominates; and the third is to adopt a particular charitable project each year. This year the charity adopted was 'Face Britain', developed by the Prince's Trust. Finally, individual subsidiaries support initiatives of the kind undertaken by Occam for Children's Hospice South West.

How we are performing

The Group made charitable donations of £43,339 during the year (2011 – £16,031) to a wide spectrum of charities, including ACE Centre Advisory Trust, which offers help and support to individuals with complex physical and communication difficulties, and their carers, and contributions to a number of local Hospices.

The Group has never made donations to any political party and the board has no intention to seek shareholders' approval to permit the board to make political donations.

Corporate and Social Responsibility *continued*

4 Shareholder relations

The board attaches considerable importance to maintaining good relationships with shareholders. Effective two-way communication with institutional shareholders and analysts is established through regular presentations involving the Chief Executive and the Chief Financial Officer. Major shareholders are given the opportunity to meet with senior non-executive directors.

What we are doing

The board receives an investor relations report at each of its regular meetings. The Chief Executive and the Chief Financial Officer conduct bi-annual analysts' briefings and, where appropriate, meet with the Company's major shareholders to further explain the Group's investment proposition. The Group's website including its Investor Relations area, has been updated during the year.

How we are performing

The Company's top 20 shareholders hold approximately 68% of the Company's issued share capital. Year on year, we have seen little change in the make-up of our major shareholders. Those in the top 20 which have an obligation to notify the Company of their voting interests are shown on page 38.

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

5 Environment

St Ives is committed to continuously improving its environmental performance and ranks its responsibilities with regard to environmental protection equally with its other key business objectives. The board is responsible for setting the Group's Environmental Policy.

What we are doing

We continually monitor and attempt to reduce the Group's overall energy consumption, emissions from energy, waste sent to landfill and water consumption, and the board receives monthly reports on environmental initiatives and any issues arising.

Businesses in our Print segment apply an ISO14001:2004 – certified environmental management system to manage their performance against the Group's KPIs on the basis of their consumption per square metre of substrate used.

The Group's new headquarters and the Marketing Services businesses are office environments and their activities have minimal effect on the environment. Nevertheless, we apply good house-keeping practices such as segregating waste for recycling and using timers and low voltage lighting where practicable.

How we are performing

The Group's overall performance, year on year shows significant reductions in energy and water consumption, primarily due to site closures and the disposal of the Magazine business in April last year.

The Print segment also made pleasing year on year improvements against its KPIs, due in the main to improved efficiencies in its print production processes. Its customers have the final decision on which substrate they wish their work to be printed and indeed, many of the larger book publishers prefer to supply their own paper for use in producing their work.

The Group's overall performance and the Print segment's performance during 2012 and the previous two years are set out in the charts opposite. Full details are set out in the Group's Environmental Performance Report which will be made available on the Group's website (www.st-ives.co.uk) from 26 October 2012.

6 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. The board's Health and Safety Statement, which sets out its approach to health and safety, is publicised at all of the Group's sites. Each business has in place its own Health and Safety Policy which has been adapted to the specific nature of its operations.

The first item on the parent board's meeting agenda is to receive a report on:

- the circumstances of any accidents resulting in three days' or more absence and management action taken as a result,
- monthly and cumulative statistics on the total number of working days lost from all accidents 'RIDDORS' and 'near miss' incidents,
- the cumulative incident rate, by business, of three days' or more absence events, and
- Group initiatives for improving health and safety performance.

How we are performing

The total number of accidents at the Group's sites for the year ended 27 July 2012 which resulted in at least three days' absence each was 14 (2011 – 17) and the number of days' work lost from all accidents at work was 176 days (2011 – 230). These data relate to the Company's subsidiaries at 27 July 2012. The number of 'near miss' events recorded was 2,167 (2011 – 1,704).

A copy of the Group's Health and Safety Policy and performance data for 2012/2013 will be made available on the Group's website (www.st-ives.co.uk) from 26 October 2012.

The 'Face Britain' project was developed by the Prince's Trust Foundation for Children & The Arts and was officially awarded the Guinness World Records™ title for 'Most artists working on the same art installation'

Over 200,000 children and young people created self-portraits which were then combined to form an image of HM The Queen that was projected on to Buckingham Palace for three nights in April 2012 to coincide with Her Majesty's birth date. St Ives was proud to support the project's development by donating its technical expertise, hands-on support – with the mass mail-out facility to every school in the UK – and the print production of a wide and complex range of resource and display materials.

As a result of support from St Ives and other contributors, 'Face Britain' raised a lot of money, raised the profile of the charity and got many youngsters interested in art for the first time.

Group Environmental Key Performance Indicators

Print Environmental Key Performance Indicators

Richard Stillwell
Chairman

2 October 2012

Financial Review

“Underlying revenue has increased by £30.6 million and underlying profit before tax by £3.3 million. The total dividend has increased by 9.5% to 5.75 pence per share.”

Matt Armitage
Chief Financial Officer

Overview of revenue

Underlying revenue for the Group from continuing operations increased by £30.6 million (10.3%) to £327.4 million. Revenue of £25.2 million is included for Response One, Pragma and Incite, all acquired during the year.

Revenue from the Print segment decreased by £2.4 million (0.9%). Revenue decreased by 2.7% in the Books business but market share increased. Exhibitions and Events revenue increased by 9.6% and was helped by a late surge in Olympics related work towards the end of the year. Revenue for the Point of Sale business increased by £2.5 million (2.9%) but Direct Response revenue declined by 7.3%, due to planned reductions in capacity and our exit from unprofitable markets.

Revenue for the Marketing Services segment increased significantly due to the acquisitions of Response One, Pragma and Incite during the year.

From a geographical point of view, 96.6% (2011 – 95.8%) of our Print and Marketing Services' revenue is generated within the UK.

Gross profit margin and underlying profitability

Underlying gross profit margin has increased from 26.8% to 27.4%. Despite the revenue decline within the Print segment, gross margins in the segment were broadly maintained due to improved work mix, lower levels of outsourced work, improved production efficiencies, successful procurement initiatives and the labour cost reductions resulting from restructuring activities. Gross margins within the Marketing Services segment are significantly higher than those within the Print segment and therefore the growth of this segment has led to the overall improvement in margin at Group level.

Underlying selling and administrative overheads increased by £7.1 million driven by new acquisitions and investment within the Marketing Services businesses of £8.5 million, partially offset by restructuring related overhead reductions within the Print segment.

As a result of these management actions, underlying profit before taxation for the Group from continuing operations increased from £20.9 million to £24.2 million (7.0% to 7.4% of revenue).

Non-underlying items

The Group has undergone further restructuring during the year in order to mitigate the effects of the economic downturn, remove excess capacity, exit unprofitable markets and improve operating performance.

The £9.3 million net charge before tax (2011 – £4.0 million) relates to redundancy, asset impairment and other restructuring related costs (net of associated asset disposals) within our Direct Response, Point of Sale, Exhibition and Events and Data Marketing businesses of £5.9 million, acquisition related transaction costs of £1.4 million, and the amortisation of acquired intangibles of £3.7 million, partially offset by a reduction in estimated acquisition related deferred consideration of £1.7 million.

Balance sheet

The Consolidated Balance Sheet has strengthened with net assets increasing to £146.8 million (2011 – £136.6 million). The movement reflects the profit after taxation of £13.3 million, dividends of £5.8 million, actuarial losses on the defined benefits pension scheme (net of deferred tax) of £9.2 million, and the impact of the issue of shares of £11.9 million.

Net debt

Net debt increased during the year from a cash balance of £16.3 million to a net debt position of £13.4 million. The increase in debt was entirely growth-driven, partly due to the acquisitions of Response One, Pragma and Incite and partly due to the working capital requirements associated with a number of large contract wins and renewals.

In May 2012, the Group concluded a new £55.0 million committed revolving multicurrency credit agreement which expires on 31 October 2015.

Capital expenditure and depreciation

Capital expenditure in cash flow terms on property, plant and equipment, together with additions to intangible assets, other than in the context of acquisitions, was £7.0 million (2011 – £8.9 million) and cash receipts from asset disposals were £4.9 million (2011 – £9.3 million). Depreciation, amortisation and impairments charged in the year were £13.2 million (2011 – £35.0 million which included a £13.5 million impairment charge in respect of the disposed Magazine printing business).

The Group's businesses are very well invested and they are therefore able to operate at reduced levels of capital expenditure versus historic levels without any deterioration in competitive advantage. The Group will, however, continue to invest in those businesses that present opportunities for growth.

Acquisitions

On 14 September 2011, the Group acquired Response One Holdings Limited, one of the UK's leading data marketing companies. The total consideration payable for the business, net of cash acquired, was £18.4 million.

On 20 September 2011, the Group acquired Pragma Holdings Limited, a leading specialist retail and consumer strategy consultancy. The total consideration payable for the business, net of cash acquired, was £4.5 million.

On 28 February 2012, the Group acquired Incite Marketing Planning Limited, an industry leading consumer research consultancy. The total consideration payable for the business, net of cash acquired, was £14.2 million.

During the year the Group also invested, on a minority basis, in Easypress Group Limited (formerly EvolvedGroup), a provider of eBook conversion software, and Sponge Limited, a provider of mobile marketing solutions.

Tax

The Group's tax rate on underlying profit before tax was 26.1% (2011 – 27.6%).

The non-underlying tax credit of £4.7 million (2011 – £2.7 million) relates to the non-underlying items and the revaluation of deferred tax liabilities following the substantial enactment of the reduction in the corporation tax rate from 25% to 23%.

Dividends

The board is recommending a final dividend of 4.00p, bringing the total dividend for the year to 5.75p, resulting in an underlying dividend cover of 2.6 times.

The Group remains cash-generative with a modest level of debt at the end of the financial year. Distributable retained earnings in the Consolidated Balance Sheet at 27 July 2012 were £74.0 million (2011 – £76.4 million).

Pensions

The deficit (on an IAS 19 basis) in the Defined Benefits pension scheme at the end of the year, excluding the related deferred tax asset, was £20.0 million (2011 – £12.3 million). The increase of the deficit is due, primarily, to a reduction in corporate bond yields, which in turn reduced the applied discount rate, from 5.5% to 4.5%, partially offset by a reduction in the assumed rate of inflation.

The charge to underlying operating profit for this scheme was £0.2 million (2011 – £0.2 million) which represents the costs of its administration. The Consolidated Income Statement also includes a net financing credit of £1.1 million (2011 – £0.6 million) which reflects the expected return on assets of the scheme based on market rates available at the start of the financial year, less the effect of the fact that the benefits are one year closer to being paid.

The Group contributes £2.2 million per annum in order to meet its obligations regarding the current level of deficit within the scheme. The next triennial valuation for the scheme is scheduled for April 2013.

Matt Armitage

Chief Financial Officer

2 October 2012

Board of Directors

A board combining a wide range of relevant experience

Executive Directors

Non-Executive Directors

Matt Armitage **Chief Financial Officer &** **Group Managing Director** **– Marketing Services**

Matt Armitage, ACMA³ (43), joined the board on 3 September 2007, having previously worked for Tequila London Ltd – a below-the-line marketing services business owned by Omnicom Inc – for 5 years as their Finance Director. Matt has headed up the Group's Marketing Services businesses since March 2012. 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 10 years with Unilever plc.

Patrick Martell **Chief Executive**

Patrick Martell³ (48) joined the board on 2 August 2003. Patrick started with the Group in 1980, was appointed a director of Clays in 1994 and became its Managing Director in 2000. Since 2003 Patrick has held the positions of Managing Director – Media Products, then Managing Director – UK Operations and was appointed Chief Executive in April 2009.

Lloyd Wigglesworth **Group Managing Director** **– Print & Publishing Services**

Lloyd Wigglesworth³ (53) joined the board on 1 December 2008, initially as a non-executive director, taking an executive appointment the following year, and is now responsible for the Group's Print & Publishing Services businesses. Lloyd has previously been Managing Director of Entertainment UK, Smiths News, EMAP's Apex and Choice publishing companies, Frontline and The Dutch Meat Marketing Board in the UK. In addition he has served on the boards of a number of retailing, marketing and property companies after starting his career at Mars Inc. Lloyd is an advisory partner to NewMarket Partners, a business consultancy.

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

Mike Butterworth, ACA^{1 2 3} (51) joined the board on 1 August 2010. Mike has served as Group Finance Director of Cookson Group plc for the past 7 years, a FTSE250 company supplying products, processes and services to the ceramics, electronics and precious metals industries. Previously, Mike was Group Finance Director of Incepta Group plc for 5 years, an international marketing and communications group, prior to which he spent 5 years as Group Financial Controller at BBA Group plc, the international aviation and materials technology group. Mike chairs meetings of the Audit Committee.

1 Member of the Audit Committee
2 Member of the Remuneration Committee
3 Member of the Nominations Committee

Simon Marquis
Senior Independent
Non-Executive Director

Simon Marquis^{1 2 3} (59) joined the board on 1 January 2004. Simon has over 30 years' experience in the media and marketing industries, being Chairman of media agency ZenithOptimedia UK until 2006, and currently Chairman of C Squared Holdings Ltd and National Readership Surveys Ltd. Simon will be stepping down from the board at the conclusion of the 2012 AGM.

Helen Stevenson
Independent Non-Executive
Director

Helen Stevenson^{1 2 3} (51) joined the board on 1 May 2012. Helen was Chief Marketing Officer UK at Yell Group plc from 2006 to 2012 and, prior to this, served as Lloyds TSB Group Marketing Director. Helen started her career with Mars Inc where she spent 19 years, culminating in her role as European Marketing Director, leading category strategy development across Europe. Helen has additionally served as a non-executive director on the main board of the Department of Work and Pensions. Helen sits on the Henley Business School Strategic Advisory Board and is a non-executive director of Navitas IP, a boutique private equity partnership.

Richard Stillwell
Chairman

Richard Stillwell³ (63) joined the board on 1 September 2006 and was appointed Chairman of the Company on 26 April 2011. Richard is a qualified barrister (non-practising) and holds non-executive directorships with Fiberweb plc, Scott Bader Company Ltd (chairman) and TBI Ltd. Until 2000 Richard was executive vice president of ICI plc, where he had held various posts for 26 years. Richard chairs meetings of the Nominations Committee.

Tony Stuart
Independent Non-Executive
Director

Tony Stuart, ACA^{1 2 3} (60) joined the board on 31 January 2011. Tony is a former Managing Director at NM Rothschild, a leading UK investment bank, where he worked for more than 25 years. In the course of his career, Tony was a corporate finance adviser to many leading companies in the UK and overseas. Now a consultant at Rothschild, Tony also serves as a director of Cornwall Development Company and is an independent Governor at University College, Falmouth. Tony chairs meetings of the Remuneration Committee.

Corporate Governance

Responsible management

“St Ives is committed to the continuous improvement in its corporate governance practices.”

Richard Stillwell
Chairman

Compliance statement

The Company is required to comply with the UK Corporate Governance Code (June 2012) ('the Code'), to the extent that it applies to 'small-cap' companies, or explain the reasons for non-compliance. The Code is the corporate governance code to which the Company is subject and a copy can be found on the FRC's website (www.frc.org.uk)

In the opinion of the board throughout the year ended 27 July 2012 the Company has been in compliance with the Code

The following section, together with the Directors' Remuneration Report on pages 40 to 49, describes how the board has applied the Main and Supporting Principles contained in the Code and, where appropriate, it has adopted elements of corporate governance good practice

Board of directors

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. All directors receive agendas and papers in advance of each meeting, detailed minutes are recorded and actions followed up

The board's membership throughout the year and the directors' attendance at pre-arranged meetings of the board is set out on page 35

It is the opinion of the board that, throughout the year, each of the Company's non-executive directors was independent for corporate governance purposes and free from any business or other relationship which could materially interfere with the exercise of his or her judgement. In reaching this opinion, the board has carefully considered the balance between applying good practice and what it believes is in the shareholders' best interests. The non-executive directors each have a clear understanding of their roles and responsibilities, which are appropriately documented. The non-executive directors met during the year, with no Group executive being present. Simon Marquis fulfilled the role of senior independent non-executive director throughout the year.

During the year, the board carried out a review of matters reserved to it for decision. The executive directors meet regularly with the managing directors of the businesses within the Group's business segments to discuss major customers, sales growth (including cross-selling opportunities), people issues and Group-wide procurement initiatives.

Evaluations of the effectiveness of the board, its Audit and Remuneration Committees and individual directors, were carried out in 2011/2012. The effectiveness of the Nominations Committee will be reviewed in November 2012, 12 months after its inaugural meeting.

The Audit and Remuneration Committees evaluated their effectiveness by each member completing an extensive questionnaire which addressed the areas of behaviour and process. The annual review of the effectiveness of the board was led by the Chairman, who interviewed directors individually. The senior independent non-executive director then interviewed the Chairman. The key points arising from the review were then debated by the full board.

The roles of Chairman and Chief Executive are separate and distinct and an appropriate division of responsibilities between the two has been set out in writing and approved by the board.

All directors have full and timely access to all relevant information needed to enable them properly to discharge their responsibilities. 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. All directors also have unrestricted access to other executives within the business to discuss any matter of concern to them. Senior executives within the Group make regular presentations to the board on issues affecting their businesses and future challenges and how they propose to address them.

On appointment, each director receives an induction appropriate to their previous experience as a director and their knowledge of the industry.

The Company's articles of association require all directors to retire and offer themselves for re-appointment by shareholders at least once every three years and that any director appointed since the most recent Annual General Meeting ('AGM') shall retire at the next following AGM. Although not required under the Code, all of the directors have, however, voluntarily agreed to retire at the 2012 AGM and, where appropriate, seek re-election.

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.

Board of directors

Audit Committee

At least three independent non-executive directors served on each of the Audit, Nominations and Remuneration Committees.

Remuneration Committee

Current board of directors to be re-elected at the 2012 AGM.

Nominations Committee

Corporate Governance *continued*

Board Committees

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

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

The membership of each committee throughout the year and their attendance at pre-arranged meetings are set out on page 35. In the opinion of the board these committees each met sufficiently frequently to properly discharge their responsibilities set out in their respective terms of reference.

Audit Committee

The Audit Committee carries out the functions required by DTR 7.1.3R of the UKLA Disclosure and Transparency Rules. The board is of the opinion that throughout the year the Audit Committee had sufficient relevant financial experience and that its membership was made up of independent non-executive directors.

During the year, the Audit Committee discharged its functions by:

- receiving a report at the half year end from Deloitte on agreed procedures they had undertaken to review certain subsidiaries' balance sheets and income statements and controls,
- reviewing the Group's Interim Management Statements and Half Year Report prior to release,
- agreeing an internal audit plan and considering reports from the Group's Head of Internal Audit on work carried out during 2011/2012,
- reviewing annual internal controls questionnaires completed by the Group's operating sites and the controls over key business risks
- agreeing the nature and scope of the external annual audit for the financial year 2011/2012,
- reviewing and safeguarding the independence of Deloitte and reviewing its performance,
- recommending Deloitte's reappointment as auditors,
- approving Deloitte's fees for audit and non-audit services within the policy set by the Committee,
- reviewing the Group's 'whistle-blowing' policy, and
- reviewing the findings of the external audit for the financial year 2011/12.

The Chief Financial Officer and Group Managing Director – Marketing Services, the Chief Executive and the Head of Internal Audit were also invited to attend the meetings to ensure that Committee members were fully informed and supported in carrying out their duties.

The members of the Audit Committee have been given specific approval by the board to meet with the Group's external auditors whenever they, or the auditors, consider it appropriate. During the year, the Committee's members had private meetings with representatives of Deloitte and with the Head of Internal Audit.

Nominations Committee

The main role of the Nominations Committee is to lead the process for board appointments and make recommendations to the board.

During the year the Committee's principal task was to identify and recommend the appointment of an independent non-executive director to fill a vacancy which will arise when Simon Marquis retires from the board later this year. A summary of requirements for the candidate was agreed by the Committee which then engaged the services of JCA Partners LLP, an executive search consultant, to assist in the process. JCA produced a short list of potential candidates for the Committee members to interview. The process resulted in the appointment of Helen Stevenson to the board on 1 May 2012.

The Committee discharged its other duties by:

- deciding on which directors should retire at the forthcoming Annual General Meeting
- considering and approving potential conflicts in directors' interests,
- considering whether the non-executive directors were sufficiently independent for corporate governance purposes and
- approving the division of responsibilities between the Chairman and the Chief Executive.

Remuneration Committee

The role of the Remuneration Committee is to set the broad policy for remunerating the executive directors and certain members of the executive and recommend remuneration strategies which support the creation of value for shareholders and support the delivery of the Group's strategic priorities.

During the year the Committee:

- approved the payment of bonuses to certain directors for 2010/2011,
- approved the Directors' Remuneration Report for 2010/2011,
- approved the structure of the directors' bonus scheme for 2011/2012
- approved the grant of awards under the Company's Long-Term Incentive Plan 2010 to certain executives and the performance conditions attached to their vesting
- approved the executive directors' salaries for 2012/2013, and
- reaffirmed the Company's policy that directors' service contracts should make no specific provision for the payment of compensation in the event of termination.

Other board issues

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, in respect of liabilities incurred by virtue of their office.

In accordance with the provisions 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 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.

Helen Stevenson was appointed to the Audit and Remuneration Committees on 26 July 2012.

Details of directors' attendance at board and committee meetings based on their maximum possible attendance during the year are as follows:

	Board	Audit Committee	Nominations Committee	Remuneration Committee
Matt Armitage	9/9	–	2/2	–
Mike Butterworth (Chairman, Audit Committee)	9/9	3/3	2/2	3/3
Simon Marquis (Senior non-executive director)	9/9	3/3	2/2	3/3
Patrick Martell	9/9	–	2/2	–
Richard Stillwell (Chairman, Nominations Committee)	9/9	–	2/2	–
Helen Stevenson	4/4	–	–	1/1
Tony Stuart (Chairman Remuneration Committee)	9/9	3/3	2/2	3/3
Lloyd Wigglesworth	9/9	–	2/2	–

* This table only shows details of attendance at meetings in the pre-arranged annual meeting calendar. Other ad-hoc meetings, including a meeting of the full board to discuss strategic issues and board succession, were held during the year.

Throughout the year at least three independent non-executive directors served on each of the Audit, Nominations and Remuneration Committees.

Internal control and risk management

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 risks arising from social, environmental and ethical factors and the health and safety of the Group's employees are suitably managed and are referred to the board, as necessary. The board has identified and assessed legislative and regulatory regimes which may present a significant risk to the business.

The Group recognises that taking and managing risks is inherent in any business and in delivering its strategy. On pages 36 and 37 we set out the principal strategic, market, operational, financial, market and legislative, regulatory, contractual and reputational risks, their possible impact on the business, and what mitigating actions the board has implemented.

The board at least once a year reviews, both from a top-down and bottom-up perspective, the impact that these principal risks might have on the business.

The process by which the board exercises control is by holding (a) regular meetings with senior management drawn from each of the Print and Marketing Services segments and (b) monthly management meetings of each operation within these segments. These meetings are chaired by Lloyd Wigglesworth, the Group Managing Director – Print & Publishing Services, and by Matt Armitage, the Chief Financial Officer and Group Managing Director – Marketing Services, respectively. Risk is reported on and monitored at the monthly management meetings and any new areas of significant risk to the businesses are then raised at the next meeting of the parent board if considered appropriate.

During the year the Group's 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, stock and credit control cycles took place at selected sites.

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

Approved by the board of directors and signed on its behalf by

Richard Stillwell
Chairman
2 October 2012

Principal Risks and Uncertainties

Delivering our integrated business model through effective risk management

“The Group recognises that taking and managing risks is inherent in any business and in delivering its strategy. Here we set out the process by which these risks are managed.”

Patrick Martell
Chief Executive

Introduction

The Group maintains a high level register of risks that is reviewed by the board twice-yearly. The following table summarises these risks, which fall in to the following categories – strategic, market, operational, financial, legislative, regulatory, contractual and reputational risk – the possible impact that each may have on the business and examples of mitigating actions.

The Print businesses and Occam each has in place its own, business-specific, risk register which is kept under regular review by its management team. Each year the managing director of each of these businesses confirms to the parent board that he/she has formally reviewed their business's risk register. Any risk at local level that may have an effect on the Group is escalated to the board. Business-specific risk registers for Response One, Pragma and Incite are being formulated, but the board has considered the principal risks arising from these businesses and has included these in the high level risk register as appropriate.

Group risks

Risk

Inability to successfully integrate the newly acquired Marketing Services businesses

Acquisitions not fitting in to the Group's strategic direction

Mitigation

Regular discussion of strategy at board meetings and meetings of representatives from the Marketing Services businesses to develop the Group's proposition and cross-selling opportunities

Annual board strategic reviews to monitor progress against the business model to, as necessary, refresh and adapt the Group's acquisition strategy for helping deliver the business model

Market risks

Risk

A market decline in revenue from Books and reduced run lengths, due to the emergence of eBooks

Poor economic conditions inhibit growth and create uncertainty

Competitive pressure results in the loss of a key customer

Mitigation

Extend the range of pre- and post-production added value services including minimising customers' risk arising from holding stock. Increase market share and invest in digital book production to mitigate the impact on margin from producing more numerous, shorter, book production runs

Move away from the commoditised print market and invest in a wider range of services to enable customers to improve their return on spend. Rationalise production sites and reduce overhead. Secure long-term customer relationships. Increase market share by targeting potential customers from Retail, Financial Services, Publishing, FMCG, Leisure and Travel, Automotive, Charity and the Public Sectors. Regularly review performance against budget and take remedial action, where needed

Achieve or exceed service level agreements with customers. Broaden our capabilities, providing marketing solutions in support of our customers' marketing strategies. Avoid over reliance on any single customer. Implement bespoke propositions for securing the renewal of major accounts, providing Group support where appropriate

Operational risks

Risk	Mitigation
Increases in the cost of materials, consumables or utilities, or the failure of a key supplier	Avoid dependence on any single supplier. Continually monitor key suppliers' financial strength. Conduct arms length procurement tendering processes. Enter into long-term agreements where appropriate for paper, ink and other consumables. Receive monthly reports from the Group Commercial Director on procurement matters. Reduce the risk through implementing the strategy to reshape the Group's business.
Loss of facility due to catastrophe	Have in place business continuity planning and maintain a comprehensive insurance programme, including business interruption cover.
A failure to attract, develop and retain employees with the necessary talent for our businesses	Invest in a Group-wide HR function. Implement appraisals and fulfil training needs where identified. Develop a collaborative culture across the Group's businesses. Operate all-employee and discretionary LTIP share-based incentive schemes, and other benefits. Ingrain a robust health and safety culture throughout the Group.

Finance and treasury risks

Risk	Mitigation
The occurrence of an unplanned interest or foreign exchange risk	Ensure interest as a proportion of profit before tax is relatively low and so limit the impact of changes in interest rates on profit. Conduct the Group's trading, including purchases of property, plant and equipment, principally in Sterling. Use foreign currency forward contracts to manage foreign exchange risk relating to material transactional business. Ensure the Group's treasury function keeps these matters under review.
Inability to trade due to lack of cash funds	Regularly monitor the Group's performance against its banking covenants and conduct 'going concern' reviews on a twice yearly basis. Regularly review the Group's financial KPIs with our bankers.
A material unrecoverable debt arises from the Group's practice of trading with the majority of its customers on credit	Grant credit only to customers who agree to follow the Group's credit verification procedures. Apply a rigorous system of credit control and payments monitoring. Maintain credit insurance covering the Group's larger trade debtors. (Bad debt provisions represented 3.0% (2011 – 3.6%) of gross trade debtors at the year end)
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.

Legislative and regulatory, contractual and reputational risks

Risk	Mitigation
Changes in legislation affect the ability of the Group to operate effectively	Identify the principal laws and regulations that affect the Group's day-to-day business and markets it serves covering Employment, Health and Safety, the Environment, Planning, Data Protection, Taxation, Defamation, Bribery and Corruption, and Competition Law. Maintain systems to comply with these and keep developments under review.
Contractual liabilities are assumed under contracts with its customers or suppliers	Involve the Group's in-house legal team and, where appropriate, take external legal advice. Require board approval of major contracts (of more than three years' duration and/or of a value in excess of £5.0m) and contracts with potentially significant risks arising.
Exposure to reputational or financial damage due to accident, unethical trading, non-compliance with legislation or regulation or disputes	Operate 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. Apply the Group's policies on Ethical Trading, Share dealings, Equal Opportunities, Dignity at Work and Whistle-blowing. Have in place business recovery plans and a procedure for dealing with 'leaks' of Insider Information.

Directors' Report

The directors present their Directors' Report and the audited financial statements for the 52 weeks ended 27 July 2012

Principal activities

The principal activities of the Group are set out on pages 8 to 10 of the Business Review

The subsidiaries principally affecting the profits or net assets of the Group in the year are listed in note 32 of the consolidated financial statements

Business and operating review

A detailed review of the performance of the Group and its future prospects can be found in the Chief Executive's Strategic Review, the Key Performance Indicators and the Financial Review which should be read in conjunction with the Chairman's Statement on pages 4 and 5, the report on Corporate and Social Responsibility on pages 24 to 27 and the Principal Risks and Uncertainties set out on pages 36 and 37, all of which are incorporated by reference into and form part of this Directors' Report

This Directors' Report covers the year under review and the period to the date of signature

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.

Results and dividends

The Group profit for the year before taxation amounted to £14,908,000 (2011 – loss of £882,000). The directors propose a final dividend of 4.00 pence for each ordinary share payable on 21 December 2012 to holders on the register as at 30 November 2012. If approved, the final dividend will make total dividends for the year of 5.75 pence per ordinary share.

		£ 000
Ordinary dividends	– interim	2,018
	– proposed final	4,793

Share capital

Details of the Company's share capital are set out in note 27 to the financial statements. The Company's share capital is composed of one class of ordinary shares of 10 pence each. The shares carry no rights to fixed income and each share carries the right to one vote at general meetings. All shares are fully paid. There are no specific restrictions on the size of a shareholding nor on the transfer of shares, which are both covered by the provisions of the articles of association and prevailing legislation.

Major interests in shares

As at 27 July 2012, 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	%
Silchester International Investors Limited and its subsidiaries	16,158,999	13.69
Delta Lloyd NV and subsidiaries	13,661,073	11.40
Standard Life Investments Limited	9,161,139	7.99
Prudential plc and its subsidiaries	6,628,182	6.40
Schroder plc	5,594,902	4.99
State Teachers' Retirement System of Ohio	5,625,000	4.73
Majedie Asset Management Limited	3,804,459	3.59

Directors

The present membership of the board is set out on pages 30 and 31.

Richard Stillwell holds a number of external non-executive directorships (set out on page 31) which, in the opinion of the board, does not prevent him from devoting sufficient time to his responsibilities as chairman of the board.

Helen Stevenson was appointed a non-executive director during the year on 1 May 2012.

The directors' interests in shares of the Company are set out in the Directors' Remuneration Report on page 46.

Annual General Meeting

The notice of Annual General Meeting 2012, included with the copy of the Annual Report and Accounts, will be mailed to shareholders on 26 October 2012 and sets out the following non-routine business in addition to routine business.

Allotment of share capital

The board will seek to renew the shareholders' authority to permit it to allot relevant securities within the limits laid down by the Companies Act 2006 and the December 2008 guidelines issued by the Association of British Insurers.

Disapplication of statutory pre-emption rights

The directors also seek authority to allot shares in the capital of the Company pursuant to the foregoing authority granted, subject to certain stringent conditions.

Authority for the Company to purchase its own ordinary shares

It will also be proposed to renew the shareholders' approval for the directors to effect market purchases of the Company's ordinary shares on behalf of the Company under the authority of the Companies Act 2006 and subject to certain limits and restrictions.

Notice for calling a general meeting

It will be proposed that a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

Full explanations of the foregoing non-routine business are given in the Chairman's letter which accompanies the notice of Annual General Meeting

Employment policies

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 are provided in the Report on Corporate and Social Responsibility

Pension Scheme

The Group's companies contribute to a number of defined contribution schemes, the principal one of which is the St Ives Defined Contribution Pension Plan, which is available for all eligible employees to join and which was established in 2002 on the closure of the Group's defined benefits scheme to new membership. The investments of the defined benefits scheme are managed separately, partly passively and partly actively under the direction of a trustee company ('the Trustee'). The fund managers of the actively managed portfolios are proscribed from holding any investment in, or lending to, the Group. The number of directors of the Trustee is split equally between member-nominated and Company-nominated Trustee directors, subject to casual vacancies which may arise from time to time.

Those employees who were active members of the defined benefits scheme on 1 September 2009 were each offered an invitation to participate in an alternative defined contribution Group Personal Pension Plan administered by Prudential.

Charitable and political donations

Details are given in the Report on Corporate and Social Responsibility on page 25.

Creditor payments

Details are given in the Report on Corporate and Social Responsibility on page 25.

Auditors

The Company held a competitive tender in 2009 and retained Deloitte LLP ('Deloitte') at that time as the Group's auditor.

The Audit Committee has considered the effectiveness of the external audit undertaken by Deloitte in the light of their internal quality control procedures, the promptness and accuracy of their work, and other services obtained from them. 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. During the year, the Committee satisfied itself that the Company's policy on the provision by the Group's external auditors of non-audit services had been appropriately applied.

Based on a review of Deloitte's performance during 2011/2012 and after reviewing their independence, the Committee has recommended to the board that Deloitte be re-appointed. The recommendation was accepted and therefore a resolution to re-appoint them as the Group's auditors will be proposed at the forthcoming Annual General Meeting.

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 Chairman's Statement, the Chief Executive's Strategic Review and the report on Corporate and Social Responsibility. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 26 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 foregoing statement, review and report are to be found on pages 4 to 37.

As highlighted in note 21 to the financial statements, the Group meets its day-to-day working capital requirements through an overdraft facility of £15.0 million that is part of an overall funding facility of £55.0 million which falls due for renewal on 31 October 2015.

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

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

Directors' disclosures to the auditors

Each of the directors of the Company as at 2 October 2012 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 ought to have taken as a director to make himself 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.

Approved by the board of directors and signed on its behalf by



Philip Harris
Company Secretary

2 October 2012

Directors' Remuneration Report

This report has been prepared in accordance with the relevant conditions of the UK Corporate Governance Code (June 2010) ('the Code') relating to directors' remuneration and the Companies Act 2006. The relevant 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 Report has therefore been divided into separate sections containing unaudited and audited information.

In accordance with the Companies Act 2006, a resolution to approve this Report will be proposed at the Company's Annual General Meeting on Tuesday, 27 November 2012. Details of the resolution may be found in the Notice accompanying this Annual Report. The vote will be advisory but will be considered carefully by the members of the Committee and the board in the formulation and approval of the Company's future remuneration policies.

UNAUDITED INFORMATION

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the board the overall remuneration strategy and individual remuneration packages and contractual arrangements for the executive directors, senior management and the Chairman of the board.

The membership, the number of meetings held, attendances and a description of the business transacted by the Committee during the year are detailed in the corporate governance section on pages 34 and 35.

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

Throughout the year, the Committee and the Company were advised by AonHewitt Limited (operating through the brand Hewitt New Bridge Street (HNBS)). Other than in relation to advice on remuneration, neither AonHewitt Limited, nor any other part of the Aon Corporation group provided other services to the Company.

The Committee recognises that, although the Committee fully accepts the independence of HNBS, there may be occasions when there could be a conflict of interests when proposals are put by management on the recommendation of HNBS. It therefore retains PricewaterhouseCoopers LLP ('PwC') to act solely for the Committee to review proposals where appropriate.

PwC has provided pensions consulting services to the Company in relation to the Group's defined benefits pension scheme and due diligence work in respect of potential acquisitions. The Committee is satisfied that the provision of these services to the Company does not affect PwC's ability to comment on proposals for remunerating its executive directors and certain members of senior management.

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

Remuneration policy

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

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

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

With regard to the core elements of executive directors' remuneration to feature in the forthcoming year, the Committee has taken the following approach

- Base salaries remain frozen at the levels payable at the end of 2011/2012,
- Any bonus awarded shall be capped at 125 per cent of basic salary,
- Any bonus earned which is in excess of 50 per cent of basic salary shall normally be satisfied by the award of shares in the Company which shall be held in trust for two years. Any shares so awarded are subject, in specified circumstances, to a 'clawback' from any bonuses paid going forward,
- A third award will be made under the Group's Long-Term Incentive Plan,
- The Committee's share ownership guideline, requiring executive directors over a five year period to build up and then retain a shareholding equal to 100 per cent of their basic salaries, will be retained, and
- 50 per cent of the number of shares received under any bonus share deferral or Long-Term Incentive Plan ('LTIP') award will normally be required to be retained by the executive director until the share ownership guideline is met. The Committee may take account of progress towards achieving this target when determining LTIP awards and/or the proportion of annual bonus that is subject to this requirement

The main components of the remuneration package for executive directors are

Basic salary

In setting the basic salary for each executive director, the Committee takes into account the performance of each individual director, any changes in position or responsibility, market competitiveness, as well as pay and conditions in the Group as a whole. Basic salary is the only element of pay that is pensionable.

The basic salary of each executive director for the year under review, and for the forthcoming year is

Matt Armitage	£248,000
Patrick Martell	£350,000
Lloyd Wigglesworth	£248,000

Save for a modest correctional adjustment in the basic salary of Matt Armitage in the 2009/2010 financial year, this will be the fourth consecutive year of a basic salary freeze at executive director level.

Benefits in kind

Executive directors may receive benefits in kind, which may include the provision of a car, fuel and medical expenses insurance costs, or their cash equivalent.

Pension arrangements

Matt Armitage and Lloyd Wigglesworth each participated during the year in the Group's defined contribution pension scheme to which the Company also contributes. The defined contribution pension scheme has a normal retirement age of 65.

Patrick Martell's entitlement to a deferred pension from the Group's defined benefits pension scheme ('the DB Scheme') ceased during the year on the payment out of the scheme to a self-managed pension arrangement. The sum of £941,471 transferred out was calculated by the DB Scheme's actuary after applying a reduction factor agreed by the Trustee and applied generally to such calculations to take account of the underfunded position of the DB Scheme.

Directors' Remuneration Report *continued*

Annual bonus

Bonuses for 2011/2012

At the beginning of the year the Remuneration Committee took the view that, for 2011/2012, the executive directors should be directed, primarily, to growing earnings per share ('EPS'), supported by secondary, personal, objectives in the case of Matt Armitage and Lloyd Wigglesworth based, respectively, on the integration of the Group's acquisitions and sales performance. For 2011/2012, therefore, directors were incentivised to earn a bonus of up to 125 per cent of basic salary split as follows:

Director	Portion of bonus relating to EPS targets	Portion of bonus relating to personal targets
Patrick Martell	125% of basic salary	0% of basic salary
Matt Armitage	112.5% of basic salary	12.5% of basic salary
Lloyd Wigglesworth	62.5% of basic salary	62.5% of basic salary

As in prior years, in the event that the total bonus earned in 2011/2012 exceeded 50 per cent of basic salary, the excess is satisfied in shares under the rules of the Deferred Bonus Scheme ('the DBS' – see below). Part, or all, of the deferred portion of the bonus, however, would be forfeited if it became apparent during the holding period that the bonus was paid by reference to materially misstated results.

The Group's reported underlying EPS for 2011/2012 is 15.61 pence and the Committee has decided that the portion of each director's bonus which is dependent on the achievement of a significant growth in EPS has been met in full, resulting in an EPS performance-related bonus of 125 per cent of basic salary for Patrick Martell, 112.5 per cent of basic salary for Matt Armitage and 62.5 per cent of basic salary for Lloyd Wigglesworth. The Committee, having compared the personal targets set for Matt Armitage and Lloyd Wigglesworth with the outcome for the year, decided that an additional bonus of 6.25 per cent of basic salary should be paid to Matt Armitage and 37.5 per cent of basic salary to Lloyd Wigglesworth in relation to this portion of their potential bonuses.

Bonuses earned by directors in excess of 50 per cent of basic salary will be satisfied in the form of shares in the Company, the full beneficial ownership of which shall be deferred until expiry of a holding period. The share deferral element of the bonus shall be purchased from net pay by the directors at market value from the Group's Employee Benefit Trust ('the EBT'), to be held under the rules of the DBS. In accordance with the rules of the DBS these shares shall, *inter alia*, vest immediately, but be held on trust during a holding period, for release to the director in November 2014, provided that he remains employed by the Group at that time. During the holding period, the executive will be entitled to vote the shares and receive dividends on them but will be unable to sell, transfer, assign or charge any interest in the shares during the holding period without the consent of the Committee.

Details of the 2011/2012 bonuses paid to directors are disclosed on page 45.

Bonuses for 2012/2013

The Committee has determined that delivering growth in EPS should be the sole determinant of executive directors' bonus for 2012/2013. Therefore, a range of stretching EPS targets has been established for the executive directors to strive to achieve which may result in a maximum potential bonus of 125 per cent of basic salary.

Should the bonus earned by a director in 2012/2013 exceed 50 per cent of his basic salary, the excess shall, after the usual deductions of income tax and employee's national insurance contributions, be applied to purchase shares from the EBT at market value. Such shares, once purchased, will be held in trust during the two-year holding period under the rules of the DBS. These shares shall form part of the director's shareholding qualification under the Committee's share ownership guideline for executive directors.

Share incentive arrangements

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

The Company operates the LTIP as its long-term incentive plan for senior executives. The LTIP was approved by shareholders at the 2010 Annual General Meeting.

In line with current practice the LTIP provides for the award of 'performance shares' up to a maximum potential award limit of 125 per cent of basic salary (200 per cent in exceptional circumstances). The Committee takes the view that this limit allows for market competitive grants to be made whilst applying challenging performance conditions. The three performance conditions set for the awards made under the LTIP in 2010 and 2011 are described fully on pages 47 to 49.

The Committee is aware that the use of three different performance metrics is not common. Consequently, and having reviewed the operation of the LTIP in the context of the Group's strategic objectives, it is intended to make awards under the LTIP in the forthcoming year and apply EPS and relative Total Shareholder Return targets as the sole conditions for vesting. The exact targets have not yet been finalised but these will be no less challenging than last year's.

The Committee does not currently consider it necessary to apply any 'clawback' provision to LTIP awards (noting that a clawback feature does form part of the annual bonus), but will keep this matter under review.

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

The ESOS 2001 (which has both HMRC 'approved' and 'unapproved' elements) provided for the grant of options to participants over shares having a market value of up to 150 per cent of salary in any year (400 per cent in exceptional circumstances). Options granted and outstanding under the ESOS 2001 are capable of exercise three years after grant, subject to continued employment and the satisfaction of performance conditions. The final award of options to executive directors under this plan was made on 3 November 2009, further details of which are set out on pages 46 and 47.

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

The Company operates a standard HMRC-approved all-employee Sharesave Plan under which eligible employees, including executive directors, may from time to time be invited to participate. The Sharesave Plan was approved by shareholders at the 2011 Annual General Meeting and the first invitations to enter into three year savings contracts with The Royal Bank of Scotland plc were issued to all eligible employees on 12 March 2012. The option price set by the Committee was 65.67 pence per share, which represented a 20 per cent discount to the market price of the shares at the date of invitation. Due to the popularity of the Sharesave Plan, applications were significantly scaled back and grants of options adjusted to ensure that the maximum number of options awarded as a result of this year's invitation did not exceed one million shares. The directors' interests arising from the award of options under the Sharesave Plan, after scale-back, are disclosed in the table on page 46.

Dilution

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

As at 27 July 2012, excluding lapsed options, options over 6,303,058 shares (5.26 per cent of the Company's issued share capital) remain outstanding and so count towards this limit.

Directors' Remuneration Report *continued*

Non-executive directors' fees

The Company's policy on setting non-executive directors' remuneration, which is decided by the board (but with the non-executive directors not voting where it affects their personal position) is to offer fees sufficient to attract and retain individuals of appropriate calibre such that they are able to apply an independent view based on their experience and skills. These fees, which have been unchanged since 2007, comprise a base responsibility fee of £30,000 per annum plus additional fees of £8,000 per annum for the post of Senior Independent non-executive Director and £4,000 per annum for chairing the Audit and Remuneration Committees respectively. The Nominations Committee has acknowledged that the non-executives directors' fees are now out of line with market rates, however it has been decided for the time being not to increase the fees paid.

The fee paid to the Chairman is set separately by the Committee and has been set at £120,000 per annum. Mr Richard Stillwell has elected to forego £10,000 per annum of this fee. The Company donates this £10,000 withheld to registered charities nominated by Richard Stillwell, with such contributions being matched by contributions by the Company.

Non-executive directors may not participate in the Group's cash or share-based incentive arrangements.

Service contracts and letters of appointment

It is the Company's policy that executive directors should serve under rolling service contracts of 12 months' duration or less and that there should be no special provisions for compensation in the event of termination (neither in the normal course nor following a change in control of the Company) and that any compensation payments made should take account of the executive's duty to mitigate his loss. This policy was confirmed during the year and the service contracts and letters of appointment disclosed below comply with this policy.

The policy on non-executive directors' letters of appointment is that they shall be for an initial period of no more than three years, but subject to notice at any time (six months' notice in the case of the Chairman and three months' in the case of other non-executive directors).

Summaries of the directors' contracts are disclosed below and brief biographical details are set out on pages 30 and 31. Directors' contracts and letters of appointment are available for inspection in accordance with Provision A 4.4 of the Code.

Executive	Date of contract	Unexpired term/ Notice period
Matt Armitage	1 June 2007	12 months
Patrick Martell	1 August 2003	12 months
Lloyd Wigglesworth	11 February 2009	12 months

Non-executive	Date of letter of appointment	Notice period
Mike Butterworth	14 July 2010	3 months
Simon Marquis	5 December 2003	3 months
Helen Stevenson	3 April 2012	3 months
Richard Stillwell	11 August 2006	6 months
Tony Stuart	23 December 2010	3 months

External appointments

Executive directors may accept appointments outside the Company with the permission of the board. The extent to which any fees are retained by the individual or are remitted to the Company will be considered on a case-by-case basis. Lloyd Wigglesworth is an Advisory Partner for NewMarket Partners for which he receives fees of £10,000 per annum, which he is permitted to retain. NewMarket Partners helps their clients to develop corporate marketing and financial strategies in a wide range of markets in the UK and globally. It is also an investor in some of the companies it advises.

AUDITED INFORMATION**Directors' remuneration**

The total amounts for directors' remuneration were as follows

	2012 £'000	2011 £'000
Emoluments	2,095 2	2,205 4
Termination payments	–	32 5
Gains on exercise of share options	–	–
Money purchase pension contributions	19 4	19 4
	2,114 6	2,257 3

Patrick Martell is the highest paid director of the Company

Individual directors' emoluments from the Group were as follows

	Basic salary/fee (note 1) £'000	Cash bonus £'000	DBS shares £'000	Benefits in kind (note 2) £'000	Total emoluments	
					2012 £'000	2011 £'000
Executive						
Matt Armitage	260 5	124 0	170 5	1 5	556 5	571 9
Patrick Martell	365 3	175 0	262 5	1 5	804 3	805 9
Lloyd Wigglesworth	260 8	124 0	124 0	2 1	510 9	572 7
Non-executive						
Mike Butterworth	34 0	–	–	–	34 0	32 7
Simon Marquis	38 0	–	–	–	38 0	38 0
Helen Stevenson (from 1 May 2012)	7 5	–	–	–	7 5	–
Richard Stillwell	110 0	–	–	–	110 0	54 2
Tony Stuart	34 0	–	–	–	34 0	16 2
Past directors						
David Best (to 30 November 2010)	–	–	–	–	–	11 3
Miles Emley (to 25 April 2011)	–	–	–	–	–	135 0
	1,110 1	423 0	557 0	5 1	2,095 2	2,237 9

In respect of DBS shares, Matt Armitage, Patrick Martell and Lloyd Wigglesworth will acquire shares in the Company from their net pay, that is pay after deduction of income tax and employees' national insurance contributions, of £81,840, £126,000 and £59,520 (gross pay of £170,500, £262,500 and £124,000) respectively, which will be held under the terms of the DBS. A description of the DBS is given on page 42

Notes

- 1 The basic salaries of Matt Armitage, Patrick Martell and Lloyd Wigglesworth include additional payments of £12,532, £15,250 and £12,815, respectively (2011 – £12,532, £13,119 and £12,815, respectively) in lieu of the provision of a company car and fuel benefit. Richard Stillwell's fees are shown after foregoing £10,000 of fees during 2011/2012.
- 2 Benefits in kind constitute medical expenses insurance cover for Matt Armitage, Patrick Martell and Lloyd Wigglesworth.

Directors' Remuneration Report *continued*

Directors' interests in the share capital of the Company

Interests of directors and their connected persons in 10 pence ordinary shares (fully paid) of the Company at 27 July 2012 were as follows

	27 July 2012	29 July 2011 or date of appointment if later
Executive		
Matt Armitage	205,879	74,752
Patrick Martell	191,555	120,286
Lloyd Wigglesworth	115,080	30,914
Non-executive		
Mike Butterworth	11,000	11,000
Simon Marquis	3,000	3,000
Helen Stevenson (Appointed 1 May 2012)	—	—
Richard Stillwell	42,000	13,000
Tony Stuart	20,000	10,000

All the above share interests were held beneficially and the information given is accurate as at 2 October 2012. The share interests of Matt Armitage, Patrick Martell and Lloyd Wigglesworth disclosed above include shares purchased from their 2009/2010 and 2010/2011 bonuses which are held in the Company's EBT under the rules of the Company's DBS.

Directors' share options and LTIP awards

Details of the share options held by directors are shown below. All options were granted for nil consideration.

Share Options – ESOS 2001 and Sharesave Plan

	Date of grant	Number of options				27 July 2012	Exercise price pence	Date from which exercisable	Expiry date
		29 July 2011	Exercised during year	Lapsed during year	Granted during year				
Matt Armitage									
ESOS 2001	3 Nov 2009	544,000	—	—	—	544,000	66 17	3 Nov 2012	2 Nov 2019
Sharesave Plan	18 Apr 2012	—	—	—	2,576	2,576	65 67	1 Jun 2015	1 Dec 2015
		544,000	—	—	2,576	546,576			
Patrick Martell									
ESOS 2001	3 Nov 2009	544,000	—	—	—	544,000	66 17	3 Nov 2012	2 Nov 2019
Sharesave Plan	18 Apr 2012	—	—	—	2,576	2,576	65 67	1 Jun 2015	1 Dec 2015
		544,000	—	—	2,576	546,576			
Lloyd Wigglesworth									
ESOS 2001	3 Nov 2009	544,000	—	—	—	544,000	66 17	3 Nov 2012	2 Nov 2019
Sharesave Plan	18 Apr 2012	—	—	—	2,576	2,576	65 67	1 Jun 2015	1 Dec 2015
		544,000	—	—	2,576	546,576			

The vesting of the grant of options awarded on 3 November 2009 under the ESOS 2001 is conditional on the Group achieving a range of profit before tax for 2011/2012 as follows

Profit before tax	Percentage of award vesting (stepped scale)
Above £15m and below £17m	20%
Above £17m and below £19m	20%
Above £19m and below £21m	30%
£21m or more	30%

The conditions of vesting provide that, unless the Committee determines otherwise, for the purposes of calculating the Group's profit before tax, non-underlying items shall be excluded. The Committee may make such adjustments to the method of calculating the Group's profit before tax as it considers appropriate to take account of (a) any increase or variation of the share capital of the Company, (b) any change to accounting standards practices affecting the calculation of profit before tax, or (c) any other factors considered by the Committee to be relevant.

LTIP Awards

	Date of award	Market price per share at date of award	29 July 2011	Awarded during year	27 July 2012	End of performance period	Vesting date	Expiry date
Matt Armitage	5 Jan 2011	97.75p	232,600	–	232,600	July 2013	5 Jan 2014	4 Jan 2021
	11 Nov 2011	95.25p	–	266,800	266,800	July 2014	11 Nov 2014	11 Nov 2021
			232,600	266,800	499,400			
Patrick Martell	5 Jan 2011	97.75p	410,500	–	410,500	July 2013	5 Jan 2014	4 Jan 2021
	11 Nov 2011	95.25p	–	470,800	470,800	July 2014	11 Nov 2014	11 Nov 2021
			410,500	470,800	881,300			
Lloyd Wigglesworth	5 Jan 2011	97.75p	232,600	–	232,600	July 2013	5 Jan 2014	4 Jan 2021
	11 Nov 2011	95.25p	–	266,800	266,800	July 2014	11 Nov 2014	11 Nov 2021
			232,600	266,800	499,400			

The vesting of LTIP awards made on 5 January 2011 is subject to performance conditions (a), (b) and (d) below and the vesting of awards made on 11 November 2011 is subject to performance conditions (a), (c) and (d) below, set by the Committee over a three year period as follows

(a) The EPS target

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

No part of the award made on 5 January 2011 subject to the EPS target will vest unless EPS for the 2012/2013 financial year is equal to or greater than 14 pence, with full vesting for EPS of 16 pence or more, as follows

EPS for the 2012/2013 financial year	Percentage of the total number of shares subject to the EPS target that will vest
16 pence or more	100% (i.e. 50% of the total number of shares subject to the award)
From 14 pence to 16 pence	Between 25% and 100% on a straight-line basis (i.e. between 12.5% and 50% of the total number of shares subject to the award)
Less than 14 pence	0%

Directors' Remuneration Report *continued*

No part of the award made on 11 November 2011 subject to the EPS target will vest unless EPS for the 2013/2014 financial year is equal to or greater than 16 pence, with full vesting for EPS of 17.80 pence or more, as follows

EPS for the 2013/2014 financial year	Percentage of the total number of shares subject to the EPS target that will vest
17.80 pence or more	100% (i.e. 50% of the total number of shares subject to the award)
From 16.00 pence to 17.80 pence	Between 25% and 100% on a straight-line basis (i.e. between 12.5% and 50% of the total number of shares subject to the award)
Less than 16 pence	0%

(b) Non-print added value target

One quarter of the total number of shares over which an award is granted is subject to a target based on the increase in 'added value' attributable to non-print activities for the 2012/2013 financial year and an absolute EPS underpin. For these purposes added value attributable to non-print activities for the 2012/2013 financial year will be defined as sales less the costs of materials and bought-in costs attributable to non-print activities such as database marketing, pre-retail services and retail consultancy. No part of the award subject to the non-print added value target will vest unless the added value attributable to non-print activities for the 2012/2013 financial year is equal to 16%, with full vesting for added value attributable to non-print activities of 20% or more, as follows

Added value attributable to non-print activities for the 2012/2013 financial year	Percentage of the total number of shares subject to the non-print added value target that will vest, subject to satisfaction of the EPS underpin
20% or more	100% (i.e. 25% of the total number of shares subject to the award)
From 16% to 20%	Between 25% and 100% on a straight-line basis (i.e. between 6.25% and 25% of the total number of shares subject to the award)
Less than 16%	0%

(c) Marketing Services segment underlying operating profit target

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

Percentage of Group Operating Profit attributable to the Marketing Services segment for the 2013/2014 financial year	Percentage of the total number of shares subject to the non-print added value target that will vest, subject to satisfaction of the EPS underpin
40% or more	100% (i.e. 25% of the total number of shares subject to the award)
From 25% to 40%	Between 25% and 100% on a straight-line basis (i.e. between 6.25% and 25% of the total number of shares subject to the award)
Less than 25%	0%

(d) Relative TSR target

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

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

No part of the award subject to the TSR target will vest unless the Company's TSR at the end of the performance period is at least the median as follows

Rank of the Company's TSR against the comparator group at the end of the performance period	Percentage of the total number of shares subject to the TSR target that will vest, subject to satisfaction of the EPS underpin
Upper quartile or above	100% (i.e. 25% of the total number of shares subject to the award)
Between median and upper quartile	Between 25% and 100% on a straight-line basis (i.e. between 6.25% and 25% of the total number of shares subject to the award)
Median	25% (i.e. 6.25% of the total number of shares subject to the award)
Below median	0%

In addition, no part of the award subject to conditions (a), (b) and (c) described above will vest if EPS is less than 12 pence for the 2012/2013 financial year (for the 5 January 2012 award) or is less than 14.50 pence for the 2013/2014 financial year (for the 11 November 2011 award) (unless the Committee, in its discretion, determines otherwise)

The market price of St Ives plc ordinary shares of 10 pence each at 27 July 2012 was 71.50 pence and the range during the financial year was 67.50 pence to 95.25 pence

Pension

Pension contributions made by the Company to defined contribution schemes in respect of executive directors are shown below

	2012 £'000	2011 £'000
Matt Armitage	9.7	9.7
Lloyd Wigglesworth	9.7	9.7
	19.4	19.4

Performance graph

The graph below shows the Company's performance, measured by Total Shareholder Return, compared with the performance of the FTSE Small Cap Index over the past five years. The FTSE Small Cap has been chosen as a comparator as it represents a broad equity index of which the Company has been a constituent member for the majority of the relevant five year period

Approved by the board and signed on its behalf by

Tony Stuart

Chairman of the Remuneration Committee

2 October 2012

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration 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 elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

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

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

In preparing the parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom 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 Group's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The directors confirm that to the best of their 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 management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

Approved by the board of directors and signed on its behalf by

Patrick Martell
Chief Executive

2 October 2012

Independent Auditors' Report to the Members of St Ives plc

We have audited the Group financial statements of St Ives plc for the 52 weeks ended 27 July 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 27 July 2012 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' Report in relation to going concern, and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review,
- certain elements of the report to shareholders by the board on directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of St Ives plc for the 52 weeks ended 27 July 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Kate J Houldsworth (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

2 October 2012

Consolidated Income Statement

	Note	52 weeks to 27 July 2012			52 weeks to 29 July 2011		
		Underlying £'000	Non underlying* (note 7) £'000	Total £'000	Underlying £'000	Non underlying* (note 7) £'000	Total £'000
Revenue	3 4	327,376	2,083	329,459	296,790	454	297,244
Cost of sales		(237,686)	(4,066)	(241,752)	(217,284)	(4,645)	(221,929)
Gross profit/(loss)		89,690	(1,983)	87,707	79,506	(4,191)	75,315
Selling costs		(24,469)	(739)	(25,208)	(24,160)	(276)	(24,436)
Administrative expenses		(40,952)	(8,019)	(48,971)	(34,207)	(3,842)	(38,049)
Other operating income		184	1,421	1,605	181	4,300	4,481
Profit/(loss) from operations	4 5	24,453	(9,320)	15,133	21,320	(4,009)	17,311
Investment income	8	15,239	–	15,239	13,973	–	13,973
Finance costs	9	(15,464)	–	(15,464)	(14,388)	–	(14,388)
Profit/(loss) before tax		24,228	(9,320)	14,908	20,905	(4,009)	16,896
Income tax (charge)/credit	10	(6,316)	4,737	(1,579)	(5,764)	2,692	(3,072)
Profit/(loss) for the period from continuing operations		17,912	(4,583)	13,329	15,141	(1,317)	13,824
Loss from discontinued operations	12	–	–	–	(1,312)	(17,273)	(18,585)
Net profit/(loss) for the period		17,912	(4,583)	13,329	13,829	(18,590)	(4,761)
Attributable to							
Shareholders of the Parent Company		17,795	(4,532)	13,263	13,748	(18,551)	(4,803)
Non-controlling interests		117	(51)	66	81	(39)	42
		17,912	(4,583)	13,329	13,829	(18,590)	(4,761)
Basic earnings per share (p)							
From continuing operations	14	15 61	(3 97)	11 64	14 45	(1 23)	13 22
From continuing and discontinued operations	14	15 61	(3 97)	11 64	13 19	(17 80)	(4 61)
Diluted earnings per share (p)							
From continuing operations	14	15 44	(3 93)	11 51	14 36	(1 22)	13 14
From continuing and discontinued operations	14	15 44	(3 93)	11 51	13 11	(17 69)	(4 58)

* Non-underlying items comprise restructuring costs, provision releases, operating results of non-continuing sales, acquisition costs, adjustments to deferred consideration, net profit on disposal of property, plant and equipment, amortisation of acquired intangibles and other one-off items.

Consolidated Statement of Comprehensive Income

	52 weeks to 27 July 2012 £'000	52 weeks to 29 July 2011 £'000
Profit/(loss) for the period	13,329	(4,761)
Actuarial (loss)/gains on defined benefits pension schemes	(11,256)	16,696
Transfers of gains on cash flow hedges to hedged items	(5)	(59)
Gains on cash flow hedges	66	4
Tax credit/(charge) on items taken directly to equity	2,049	(4,697)
Other comprehensive (expense)/income for the period	(9,146)	11,944
Total comprehensive income for the period	4,183	7,183
Attributable to		
Shareholders of the Parent Company	4,117	7,141
Non-controlling interests	66	42
	4,183	7,183

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Hedging and translation reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
Balance at 31 July 2010	10,358	46,706	(1,913)	1,238	60	43	46,134	73,394	–	129,886
(Loss)/profit for the period	–	–	–	–	–	–	–	(4,803)	42	(4,761)
Other comprehensive (loss)/income for the period	–	–	–	–	–	(39)	(39)	11,983	–	11,944
Comprehensive (loss)/income for the period	–	–	–	–	–	(39)	(39)	7,180	42	7,183
Arising on acquisition of subsidiary (note 11)	–	–	–	–	–	–	–	–	620	620
Dividends	–	–	–	–	–	–	–	(3,616)	–	(3,616)
Issue of share capital	227	1,834	769	–	–	–	2,603	(606)	–	2,224
Recognition of share-based payments	–	–	–	–	284	–	284	–	–	284
Balance at 29 July 2011	10,585	48,540	(1,144)	1,238	344	4	48,982	76,352	662	136,581
Profit for the period	–	–	–	–	–	–	–	13,263	66	13,329
Other comprehensive income/(loss) for the period	–	–	–	–	–	46	46	(9,192)	–	(9,146)
Comprehensive income for the period	–	–	–	–	–	46	46	4,071	66	4,183
Adjustment in respect of acquisition of subsidiary (note 11)	–	–	–	–	–	–	–	–	(13)	(13)
Dividends	–	–	–	–	–	–	–	(5,774)	–	(5,774)
Issue of share capital	1,398	9,467	788	–	–	–	10,255	(607)	–	11,046
Recognition of share-based payments	–	–	–	–	767	–	767	–	–	767
Balance at 27 July 2012	11,983	58,007	(356)	1,238	1,111	50	60,050	74,042	715	146,790

Consolidated Balance Sheet

	Note	27 July 2012 £'000	29 July 2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	56,361	62,376
Goodwill	16	87,169	67,443
Other intangible assets	16	31,325	11,522
Other financial assets	17	3,050	2,429
		177,905	143,770
Current assets			
Inventories	18	7,038	7,182
Trade and other receivables	19	89,498	65,110
Derivative financial instruments	19	76	4
Cash and cash equivalents	19	12,109	16,262
		108,721	88,558
Total assets		286,626	232,328
Liabilities			
Current liabilities			
Trade and other payables	20	79,101	69,255
Income tax payable		1,752	3,283
Deferred consideration payable		4,731	1,677
Deferred income	22	824	376
Provisions	23	1,348	1,626
		87,756	76,217
Non-current liabilities			
Loans	21	25,550	–
Retirement benefits obligations	25	19,991	12,295
Deferred consideration payable		–	2,621
Provisions	23	1,190	687
Deferred tax liabilities	24	5,349	3,927
		52,080	19,530
Total liabilities		139,836	95,747
Net assets		146,790	136,581
Equity			
Capital and reserves			
Share capital	27	11,983	10,585
Other reserves		60,050	48,982
Retained earnings		74,042	76,352
Attributable to shareholders of the Parent Company		146,075	135,919
Non-controlling interests		715	662
Total equity		146,790	136,581

These financial statements were approved by the board of directors on 2 October 2012 and signed on its behalf by

Patrick Martell
Chief Executive

Matt Armitage
Chief Financial Officer

Consolidated Cash Flow Statement

	Note	52 weeks to 27 July 2012 £'000	52 weeks to 29 July 2011 £'000
Operating activities			
Cash generated from operations	28	10,822	22,282
Interest paid		(1,442)	(1,079)
Income taxes paid		(5,700)	(1,323)
Net cash generated from operating activities		3,680	19,880
Investing activities			
Purchase of property, plant and equipment		(6,426)	(6,814)
Purchase of other intangibles		(613)	(2,070)
Proceeds on disposal of property, plant and equipment		4,917	9,263
Disposal proceeds of subsidiaries, net of cash disposed		2,255	14,772
Acquisition of subsidiaries, net of cash acquired	11	(24,692)	(12,170)
Purchase of available-for-sale financial assets	17	(2,500)	–
Net cash (used in)/generated from investing activities		(27,059)	2,981
Financing activities			
Dividends paid	13	(5,774)	(3,616)
Increase/(decrease) in bank loans		25,000	(13,494)
Net cash generated from/(used in) financing activities		19,226	(17,110)
Net (decrease)/increase in cash and cash equivalents		(4,153)	5,751
Cash and cash equivalents at beginning of the period		16,262	10,515
Effect of foreign exchange rate changes		–	(4)
Cash and cash equivalents at end of the period	28	12,109	16,262

Notes to the Consolidated Financial Statements

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 Business Review, pages 6 to 29.

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:

Improvements to IFRSs 2010 (May 2010)

Amendments to IFRS 7 (October 2010) Financial Instruments Disclosures

Amendments to IAS 24 (November 2009) Related Party Disclosures

Two interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 19 Extinguishing financial liabilities with equity

The adoption of these interpretations has not led to any changes in the Group's accounting policies.

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)	Presentation of Items of Other Comprehensive Income, this standard is mandatory for accounting periods effective after 1 July 2012
IAS 12 (amendments)	Deferred Tax: Recovery of Underlying Assets, this standard is mandatory for accounting periods effective after 1 January 2012
IAS 19 (revised)	Employee Benefits, this standard is mandatory for accounting periods effective after 1 January 2013
IAS 28 (revised)	Investments in Associates and Joint Ventures, this standard is mandatory for accounting periods effective after 1 January 2013
IAS 32 (amendments)	Offsetting Financial Assets and Financial Liabilities, this standard is mandatory for accounting periods effective after 1 January 2014
IFRS 1 (amendments)	Government Loans, this standard is mandatory for accounting periods effective after 1 January 2013
IFRS 9	Financial Instruments, this standard is mandatory for accounting periods effective after 1 January 2015
IFRS 10	Consolidated Financial Statements, this standard is mandatory for accounting periods effective after 1 January 2013
IFRS 11	Joint Arrangements, this standard is mandatory for accounting periods effective after 1 January 2013
IFRS 12	Disclosure of Interest in Other Entities, this standard is mandatory for accounting periods effective after 1 January 2013
IFRS 13	Fair Value Measurement, this standard is mandatory for accounting periods effective after 1 January 2013

In addition, 'Annual Improvements 2009-2011 Cycle' includes amendments to a number of Standards and Interpretations including IAS 1, IAS 16, IAS 12, IAS 32, IAS 34, IFRS 1 and IFRS 8. The effective date of all the amendments is for annual periods beginning on or after 1 January 2013.

Notes to the Consolidated Financial Statements *continued*

2. Significant accounting policies

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

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

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 39

(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 or disposed of during the period are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate

The Consolidated Income Statement does not consolidate line by line the trading of operations classified as discontinued operations. These are shown on a single line under 'Profit/(loss) from discontinued operations' in the Consolidated Income Statement

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 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 amortisation charges on acquired intangible assets

(c) Revenue recognition

Revenue

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

Revenue for goods is recognised in the Consolidated Income Statement when 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 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

(d) Intangible assets***Goodwill***

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

Other intangible assets – computer software

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

Other intangible assets – customer relationships

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

(e) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods, or for administration purposes is stated in the Consolidated 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.

(f) Impairment of property, plant 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.

Notes to the Consolidated Financial Statements *continued*

2. Significant accounting policies *continued*

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

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

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

(g) Impairment of goodwill

Goodwill arising on acquisition is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit represents the lowest level at which goodwill is monitored by the Group's board of directors for internal management purposes. The recoverable amount of the group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, 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.

(h) Inventories

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

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

(i) Tax

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise on 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.

(j) Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the Consolidated Income Statement over a period to match the expected useful lives of the assets to which they relate. Grant income is recognised separately from the related expense.

(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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

Notes to the Consolidated Financial Statements *continued*

2. Significant accounting policies *continued*

(n) Financial instruments

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

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits

Bank borrowings

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

Available for sale investments

Unlisted shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair values of unlisted shares are based on cost. 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

Unsecured loan notes

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

Trade payables

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transition occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Consolidated Income Statement.

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

(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 year 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.

(q) Leases

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

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

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

Notes to the Consolidated Financial Statements *continued*

2 Significant accounting policies *continued*

(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, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

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 profit or loss. 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) 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 £87.1 million (2011 – £67.4 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 £29.0 million and £20.3 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.

Retirement benefits obligations

The calculation of retirement benefits obligations requires estimates to be made of discount rates, inflation rates, future salary and pension increases and mortality. The net liability in the Consolidated Balance Sheet for retirement benefits obligations is £20.0 million (2011 – £12.3 million).

Allowances against amounts receivable

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

3. Revenue

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

	2012 £'000	2011 £'000
Continuing operations		
Revenue from the sale of goods and rendering of services	329,459	297,244
Investment income (note 8)	15,239	13,973
Total revenue	344,698	311,217

4 Segment reporting

The Group manages its business on a market segment basis. The nature of the market segments is described in the Business Review. The Print segment comprises the Group's Books, Exhibition and Events, Point of Sale and Direct Response businesses. The Marketing Services segment comprises the Data Marketing, Field Marketing and Consultancy Services businesses.

During the current period, the Group acquired a Data Marketing business, Response One, and two Consultancy Services businesses, Pragma and Incite. The acquired entities are recorded within Marketing Services together with Occam, a Data Marketing business, and Tactical Solutions, a Field Marketing business.

As detailed in Note 12, the Group's Magazine printing business was sold on 6 April 2011 and is classified as a discontinued operation throughout the comparative period and is not included within segmental reporting.

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

Notes to the Consolidated Financial Statements *continued*

4 Segment reporting *continued*

Business segments

	52 weeks to 27 July 2012			
	Print £'000	Marketing Services £'000	Eliminations £'000	Total £'000
Revenue				
External sales	280,327	47,049	–	327,376
Group sales	211	608	(819)	–
Underlying revenue	280,538	47,657	(819)	327,376
Non-underlying revenue	2,083	–	–	2,083
Total revenue	282,621	47,657	(819)	329,459

Result

Result before non-underlying items	20,442	4,011	–	24,453
Non-underlying items	(5,608)	(3,712)	–	(9,320)
Profit from operations	14,834	299	–	15,133
Investment income				15,239
Finance costs				(15,464)
Profit before tax				14,908
Income tax charge				(1,579)
Profit for the period from continuing operations				13,329

	52 weeks to 29 July 2011		
	Print £ 000	Marketing Services £ 000	Total £ 000
Revenue			
Underlying revenue	282,736	14,054	296,790
Non-underlying revenue	454	–	454
Total revenue	283,190	14,054	297,244

Result

Segmental result before non-underlying items	20,870	450	21,320
Non-underlying items	(2,483)	(1,526)	(4,009)
Profit/(loss) from operations	18,387	(1,076)	17,311
Investment income			13,973
Finance costs			(14,388)
Profit before tax			16,896
Income tax charge			(3,072)
Profit for the period from continuing operations			13,824

Other information (excluding discontinued operations)

	52 weeks to 27 July 2012		
	Print £'000	Marketing Services £'000	Total £'000
Capital additions	4,999	1,084	6,083
Depreciation and amortisation	7,805	4,588	12,393
Impairments	832	–	832

	52 weeks to 29 July 2011		
	Print £'000	Marketing Services £'000	Total £'000
Capital additions	8,850	530	9,380
Depreciation and amortisation	9,914	1,478	11,392
Impairments	3,508	–	3,508

Balance sheet

	27 July 2012		
	Print £'000	Marketing Services £'000	Total £'000
Assets			
Segment assets	185,377	86,090	271,467
Unallocated corporate assets			15,159
Consolidated total assets			286,626
Liabilities			
Segment liabilities	71,706	15,488	87,194
Unallocated corporate liabilities			52,642
Consolidated total liabilities			139,836

	29 July 2011		
	Print £'000	Marketing Services £'000	Total £'000
Assets			
Segment assets	176,214	37,423	213,637
Unallocated corporate assets			18,691
Consolidated total assets			232,328
Liabilities			
Segment liabilities	72,300	3,942	76,242
Unallocated corporate liabilities			19,505
Consolidated total liabilities			95,747

Notes to the Consolidated Financial Statements *continued*

4. Segment reporting *continued*

Geographical segments

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

The largest customer of the Group accounted for £32.2 million (2011 – £33.2 million) of revenue in the current period

Reconciliation of segment assets and liabilities

	27 July 2012 £'000	29 July 2011 £'000
Unallocated corporate assets comprise		
Financial assets	3,050	2,429
Cash and cash equivalents	12,109	16,262
Unallocated assets as per balance sheet	15,159	18,691
Unallocated corporate liabilities comprise		
Deferred tax liabilities	5,463	3,927
Current tax payable	1,752	3,283
Loans and bank overdrafts (non-current)	25,550	–
Retirement benefit obligations	19,991	12,295
Unallocated liabilities as per balance sheet	52,756	19,505

5 Profit/(loss) from operations

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

	Continuing operations		Discontinued operations		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Auditors' remuneration						
<i>Audit fees</i>						
– Audit of the Company accounts	68	69	–	–	68	69
– Audit of the accounts of the Company's subsidiaries	197	178	–	–	197	178
Other assurance	25	28	–	–	25	28
<i>Non-audit fees</i>						
Corporate finance services	85	55	–	–	85	55
	375	330	–	–	375	330
Staff costs (note 6)	98,340	92,947	–	16,435	98,340	109,382
Depreciation of property, plant and equipment (note 15)	7,837	9,551	–	3,058	7,837	12,609
Impairment of property, plant and equipment (note 15)	832	3,392	–	13,526	832	16,918
Impairment of software (note 16)	–	116	–	–	–	116
Amortisation of intangible assets (note 16)	4,556	1,841	–	53	4,556	1,894
Operating lease rentals						
– land and buildings	1,309	1,093	–	175	1,309	1,268
– plant and equipment	1,356	1,371	–	101	1,356	1,472
– other	1,488	460	–	22	1,488	482
Profit on disposal of property, plant and equipment	(1,605)	(4,481)	–	(19)	(1,605)	(4,500)
Regional grant amortisation (note 22)	–	–	–	(465)	–	(465)

6. Staff costs

The average monthly number of employees (including executive directors) was

	Continuing operations		Discontinued operations		Total	
	2012 Number	2011 Number	2012 Number	2011 Number	2012 Number	2011 Number
Production	2,026	2,004	–	598	2,026	2,602
Sales	450	437	–	21	450	458
Administration	418	374	–	101	418	475
	2,894	2,815	–	720	2,894	3,535

Their aggregate remuneration comprised

	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Wages and salaries	85,496	80,664	–	14,745	85,496	95,409
Social security costs	9,205	9,049	–	968	9,205	10,017
Other pension costs	2,872	2,950	–	722	2,872	3,672
	97,573	92,663	–	16,435	97,573	109,098
Share-based payment (note 30)	767	284	–	–	767	284
	98,340	92,947	–	16,435	98,340	109,382

The number of employees in discontinued operations for 2011 represents an average calculated over the period from 30 July 2010 to 6 April 2011, the date of disposal

7 Non-underlying items

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

	2012 £'000	2011 £'000
Expense/(income)		
<i>Restructuring items</i>		
Redundancies, impairments and other charges	6,699	6,788
Provision releases	–	(316)
Profit on disposal of property, plant and equipment	(1,421)	(4,299)
	5,278	2,173
<i>Other</i>		
Operating losses from non-continuing sites	601	16
Amortisation of acquired intangibles	3,729	1,149
Costs associated with the acquisition of subsidiaries and other investments	1,384	608
Reduction in deferred consideration of acquired subsidiaries	(1,689)	–
Remaining other non-underlying expenses	17	63
	9,320	4,009
Income tax credit	(4,737)	(2,692)
	4,583	1,317

Notes to the Consolidated Financial Statements *continued*

7 Non-underlying items *continued*

Restructuring items

Current period

Included within redundancies, impairment and other charges are redundancies and other charges of £4,333,000 relating to the closures of the Blackburn and Westerham sites. Also included are redundancies and other charges of £1,314,000 relating to restructuring activities in the Direct Response, Point of Sale and Exhibition and Events businesses. The activities of the sites and businesses are recorded within the Print segment. An impairment charge of £832,000 was recognised in respect of the disposal of the Crayford building. Redundancy costs of £220,000 were recorded in the Data Marketing business, part of the Marketing Services segment.

Profit on disposal of fixed assets includes a £1,427,000 gain on disposal of plant and machinery following the closure of the Blackburn and Westerham sites, all within the Print segment.

Prior period

Included within redundancies, impairment and other charges are impairments of £3,508,000 in respect of plant, equipment and software located at the Bradford, Blackburn and Leeds sites. The activities of the sites are recorded within the Print segment. Also included are redundancy and other charges associated with restructuring activities principally in the Direct and Service Graphics operating businesses. Provision releases include the release of £316,000 in respect of costs associated with the Edenbridge site closure. Profit on disposal of fixed assets includes a gain from the disposal of the Lavington Street building, as well as gains on the disposal of buildings at the Edenbridge site, offset by losses on disposal of plant and machinery following the relocation of certain operations of Service Graphics to a new site. All restructuring items are recorded within the Print segment.

Other

Current period

Operating losses from non-continuing sites classified as non-underlying items relate to operating results arising after the decision to close a site. In the current period, £601,000 arose in respect of the Blackburn and Westerham sites. Amortisation of acquired intangibles relates to customer relationships and proprietary techniques acquired with Incite, Pragma and Response One in the current period as well as to customer relationships and in-house developed software acquired with Occam and Tactical Solutions in prior periods. Costs associated with the acquisition of subsidiaries and investments include £970,000 in respect of the Incite, Pragma and Response One acquisitions and £414,000 in respect of the Easypress Group and Sponge investments. The fair value of the second tranche of deferred consideration payable in respect of the Tactical Solutions acquisition was reduced by £1,689,000.

Prior period

In the prior period, operating losses from non-continuing sites arose in the Edenbridge site. Amortisation of acquired intangibles relates to customer relationships and in-house developed software acquired with Occam and Tactical Solutions in prior periods. Costs associated with the acquisition of subsidiaries of £608,000 relate to the Tactical Solutions acquisition, principally professional advisers' fees.

Tax

In the current period, the tax credit relates to the items discussed above, and to the revaluation of deferred tax liabilities following the substantial enactment of the reduction of the corporation tax rate from 25% to 23% (2011 – 27% to 25%).

8 Investment income

	2012 £'000	2011 £'000
Interest on bank deposits	6	3
Expected return on defined benefit pension scheme assets (note 25)	15,009	13,898
Notional interest on loan notes receivable	224	72
	15,239	13,973

9 Finance costs

	2012 £'000	2011 £'000
Interest on bank overdrafts and loans	1,486	995
Notional interest on deferred consideration payable	71	46
	1,557	1,041
Finance charge on retirement benefits obligations (note 25)	13,907	13,347
	15,464	14,388

10. Income tax charge/(credit)

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

	Continuing operations		Discontinued operations		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
United Kingdom corporation tax charge/(credit) at 25 35% (2011 – 27 33%)						
Current period	3,842	4,891	–	456	3,842	5,347
Adjustments in respect of prior periods	28	(838)	–	148	28	(690)
Total current tax charge	3,870	4,053	–	604	3,870	4,657
Deferred tax on origination and reversal of temporary differences						
United Kingdom deferred tax (credit)/charge	(1,303)	(1,123)	–	64	(1,303)	(1,059)
Adjustments in respect of prior periods	(988)	142	–	139	(988)	281
Total deferred tax (credit)/charge (note 24)	(2,291)	(981)	–	203	(2,291)	(778)
Total income tax charge	1,579	3,072	–	807	1,579	3,879

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

	Continuing operations		Discontinued operations		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Tax charge on profit before non-underlying items	6,316	5,764	–	439	6,316	6,203
Tax (credit)/charge on non-underlying items	(4,737)	(2,692)	–	368	(4,737)	(2,324)
	1,579	3,072	–	807	1,579	3,879

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

	Continuing operations		Discontinued operations		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Profit/(loss) before tax	14,908	16,896	–	(17,778)	14,908	(882)
Tax calculated at a rate of 25 35% (2011 – 27 33%)	3,779	4,617	–	(4,858)	3,779	(241)
Non-deductible charges on impairment of assets	–	–	–	4,641	–	4,641
Expenses not deductible for tax purposes	654	561	–	734	654	1,295
Non-taxable income	(12)	(583)	–	–	(12)	(583)
Effect of alternative use tax basis on sale of buildings	(957)	(595)	–	–	(957)	(595)
Effect of change in UK corporate tax rate	(925)	(232)	–	4	(925)	(228)
Adjustments in respect of prior periods	(960)	(696)	–	286	(960)	(410)
Total income tax charge	1,579	3,072	–	807	1,579	3,879

Notes to the Consolidated Financial Statements *continued*

11. Acquisitions

Response One

On 14 September 2011, the Group acquired 100% of all classes of shares in Response One Holdings Limited. Response One Holdings Limited owns 100% of Response One Limited ('Response One'), a provider of data marketing services. Goodwill arising on the acquisition relates to the value of future growth from new customers and of the assembled workforce.

Purchase price allocation

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Customer relationships	-	11,244	11,244
Software	-	1,103	1,103
Property, plant and equipment	162	-	162
Available for sale financial assets	802	(252)	550
Trade and other receivables	4,142	330	4,472
Bank balances and cash	4,667	(27)	4,640
Trade and other payables	(5,228)	(1,136)	(6,364)
Deferred tax liabilities	(184)	(2,921)	(3,105)
Net assets acquired	4,361	8,341	12,702
Goodwill arising on acquisition			10,379
Total consideration			23,081

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

	£'000
Paid in cash in the current period	17,398
St Ives plc ordinary shares issued in the current period	5,683
Total consideration	23,081

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

	£'000
Cash paid	17,398
Less cash acquired	(4,640)
Net cash outflow	12,758

Had Response One been acquired at the beginning of the current period, it would have had the following incremental impact on revenue and operating profit for the Group in the current period

	£'000
Revenue	2,723
Operating profit	398

Pragma

On 20 September 2011, the Group acquired 100% of all classes of shares in Pragma Holdings Limited, which owns 100% of Pragma Consultancy Limited ('Pragma'), a provider of consultancy services to businesses in the retail and consumer strategy sectors. Goodwill arising on the acquisition relates to the value of future growth from new customers and of the assembled workforce.

Purchase price allocation

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Proprietary techniques	-	2,649	2,649
Property, plant and equipment	53	-	53
Trade and other receivables	731	29	760
Bank balances and cash	1,067	-	1,067
Trade and other payables	(885)	(53)	(938)
Deferred tax liabilities	-	(636)	(636)
Net assets acquired	966	1,989	2,955
Goodwill arising on acquisition			2,595
Total consideration			5,550

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

	£'000
Paid in cash in the current period	3,800
St Ives plc ordinary shares issued in the current period	1,750
Total consideration payable	5,550

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

	£'000
Cash paid	3,800
Less cash acquired	(1,067)
Net cash outflow	2,733

Deferred consideration is payable in two tranches which are dependent upon the level of EBITDA achieved by Pragma in the years ending 31 March 2012 and 31 March 2013 respectively. The first of these was settled by cash of £1,086,000 and 835,596 newly issued ordinary shares in St Ives plc. The second deferred consideration is estimated to be £nil. The total consideration payable is capped at £6,000,000 excluding a working capital adjustment of £823,000.

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

	£'000
Revenue	498
Operating profit	147

Notes to the Consolidated Financial Statements *continued*

11. Acquisitions *continued*

Incite

On 28 February 2012, the Group acquired 100% of all classes of shares in Incite Marketing Planning Limited ('Incite'), an industry leading market research and insights consultancy. Goodwill arising on the acquisition relates to the value of future growth from new customers and of the assembled workforce.

Purchase price allocation

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Customer relationships	–	8,720	8,720
Property, plant and equipment	315	–	315
Trade and other receivables	3,849	–	3,849
Bank balances and cash	2,810	–	2,810
Trade and other payables	(2,804)	(61)	(2,865)
Deferred tax liabilities	(16)	(2,006)	(2,021)
Net assets acquired	4,155	6,653	10,809
Goodwill arising on acquisition			6,215
Total consideration			17,024

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

	£'000
Paid in cash in the current period	10,382
St Ives plc ordinary shares issued in the current period	3,432
Estimated consideration payable in cash and shares	3,210
Total consideration	17,024

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

	£'000
Cash paid	10,382
Less cash acquired	(2,810)
Net cash outflow	7,572

Deferred consideration is payable in three tranches which are dependent upon the level of EBITDA achieved by Incite in the years ending 29 February 2012, 28 February 2013 and 28 February 2014 respectively. The first of these was settled by cash of £1,594,000 and 967,561 newly issued ordinary shares in St Ives plc. The total consideration payable is capped at £17,500,000 excluding a working capital adjustment of £2,374,000.

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

	£'000
Revenue	6,105
Operating profit	1,104

Tactical Solutions

In the prior period, on 9 February 2011, the Group acquired 90% in aggregate of all shares in Tactical Solutions UK Limited ('Tactical Solutions'), a provider of field marketing services. Deferred consideration for Tactical Solutions is payable in two tranches, based on the EBITDA achieved for the calendar years 2011 and 2012. The Group paid £1,629,000 in respect of the first tranche of deferred consideration. The Group received an option to purchase the remaining 10% of the single class of ordinary shares from August 2013 at a price dependent on the level of EBITDA achieved by Tactical Solutions in the financial year preceding the date of the exercise of the option. A nominal value of £1 has been attributed to this option at the balance sheet date.

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

	Historical net assets £'000	Fair value adjustments £'000	Fair value of net assets £'000
Customer relationships	–	6,840	6,840
Property, plant and equipment	219	–	219
Trade and other receivables	3,069	162	3,231
Bank balances and cash	169	–	169
Trade and other payables	(2,266)	(275)	(2,541)
Deferred tax liabilities	1	(1,847)	(1,846)
Net assets acquired	1,192	4,880	6,072
Goodwill arising on acquisition			13,597
Non-controlling interest			(607)
Total consideration			19,062

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

	£'000
Paid in cash prior to 29 July 2011	12,339
St Ives plc ordinary shares issued prior to 29 July 2011	2,000
Estimated consideration payable in cash	4,723
Total consideration	19,062

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 29 July 2011 £'000	Adjustments £'000	At 27 July 2012 £'000
Fair value of consideration	18,637	425	19,062
Allocated to			
Identifiable net assets acquired	6,197	(125)	6,072
Goodwill arising on acquisition	13,060	537	13,597
Non-controlling interest	(620)	13	(607)
	18,637	425	19,062

These amounts are not considered to be material and are shown in the current year. There are no other changes to the acquisition fair values disclosed in the 2011 financial statements.

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

	£'000
Cash paid in the period	1,629
Net cash outflow in the period	1,629

As at 27 July 2012, there was an adjustment to the second tranche of deferred consideration, resulting in a reduction of £1,689,000. The adjustment is shown as a non-underlying item in the Consolidated Income Statement (see note 7). The fair value of consideration payable at 27 July 2012 was £1,521,000.

Notes to the Consolidated Financial Statements *continued*

12. Discontinued operations

In the prior period, on 6 April 2011, the Group completed the disposal of the four operating subsidiaries that made up the Group's Magazine printing business, namely St Ives Peterborough Limited, St Ives Plymouth Limited, St Ives Roche Limited and St Ives Web Limited ('the Magazine printing business'). The Magazine printing business was classified as a discontinued operation in the prior period.

The profit after tax for the prior period from the discontinued operation is analysed below

Loss from discontinued operations

	31 July 2010 to 6 April 2011 £'000
Loss from the Magazine printing business before non-underlying items	
Revenue	51,248
Operating costs	(51,754)
Operating loss before non-underlying items	(506)
Finance cost	(367)
Loss before tax before non-underlying items	(873)
Income tax charge	(439)
Loss after tax before non-underlying items	(1,312)

Non-underlying items

	31 July 2010 to 6 April 2011 £'000
Non-underlying items	
Impairment of property, plant and equipment of the Magazine printing business	(13,526)
Impairment of US promissory loan note	(3,454)
Defined benefits pension scheme curtailment credit	1,345
Other non-underlying items	(1,270)
Total non-underlying items before tax	(16,905)
Tax charge on non-underlying items	(368)
Total non-underlying items after tax	(17,273)

Loss from discontinued operations

	31 July 2010 to 6 April 2011 £'000
Loss after tax before non-underlying items	(1,312)
Non-underlying items	(17,273)
Total loss from discontinued operations	(18,585)

In the prior period, the impairment of property, plant and equipment in the Magazine printing business was recorded in light of the decision to dispose of this business and was established by reference to the fair value less costs to sell of the assets.

The US promissory loan note was fully impaired in the prior period following a continued downturn in the previously disposed US business, resulting in a charge of £3,454,000

The defined benefits pension scheme curtailment credit arose as a result of the change in membership status of employees of the Magazine printing business from in-service members to deferred members following the disposal of this business in the prior period

Other non-underlying items recorded in the prior period comprise redundancy and other restructuring charges arising in the Group's Magazine printing business. The sale of the four operating subsidiaries that make up the Magazine printing business was free of tax

The net assets of the Magazine printing business at the date of disposal 6 April 2011 were as follows

	31 July 2010 to 6 April 2011 £'000
Other intangible assets	55
Property, plant and equipment	20,653
Inventories	4,308
Trade and other receivables	23,678
Bank overdraft	(386)
Trade and other payables	(26,627)
Tax liabilities	(1,898)
Other liabilities	(982)
Net assets	18,801
Profit on disposal before tax	–
Total consideration receivable, net of selling costs	18,801

The fair value of the consideration receivable for the Magazine printing business, net of selling costs, is comprised as follows

	£'000
Consideration net of selling costs, received in cash on completion	14,178
Loan note receivable and received prior to 29 July 2011	208
Fair value of loan notes receivable	4,415
Fair value of consideration receivable, net of selling costs	18,801

	£'000
Loan notes receivable within one year	1,986
Loan notes receivable in more than one year	2,429
Total consideration receivable	4,415

Net cash inflow

Net cash inflow arising from the disposal in the prior period

	£'000
Total consideration net of selling costs, received in cash in the period	14,386
Overdraft included in net assets disposed of in the period	386
Proceeds in the period from disposal, net of cash disposed	14,772

The terms of the loan note are detailed in note 17

Notes to the Consolidated Financial Statements *continued*

13. Dividends

	Per share	2012 £'000	2011 £'000
Final dividend paid for the 52 weeks ended 30 July 2010	1 75p	–	1,806
Interim dividend paid for the 26 weeks ended 28 January 2011	1 75p	–	1,810
Final dividend paid for the 52 weeks ended 29 July 2011	3 50p	3,756	–
Interim dividend paid for the 26 weeks ended 27 January 2012	1 75p	2,018	–
Dividends paid during the period		5,774	3,616
Proposed final dividend at the period end of 4 00p per share (2011 – 3 50p per share)	4 00p	4,793	3,749

The proposed final dividend is subject to the approval by shareholders at the 2012 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

	2012 '000	2011 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	114,017	104,206
Weighted average number of ordinary shares for the purposes of diluted earnings per share	115,228	104,879

Basic and diluted earnings per share

	2012		2011	
	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	17,795	15 61	15,060	14 45
Non-underlying items	(4,532)	(3 97)	(1,278)	(1 23)
Earnings and basic earnings per share	13,263	11 64	13,782	13 22

Earnings and diluted earnings per share from continuing activities

Underlying earnings and underlying earnings per share	17,795	15 44	15,060	14 36
Non-underlying items	(4,532)	(3 93)	(1,278)	(1 22)
Earnings and basic earnings per share	13,263	11 51	13,782	13 14

	2012		2011	
	Earnings £'000	Earnings per share pence	Earnings £'000	Earnings per share pence
Loss and basic loss per share from discontinued activities	–	–	(18,585)	(17 83)
Loss and diluted loss per share from discontinued activities	–	–	(18,585)	(17 72)
Basic earnings/(loss) per share from continuing and discontinued activities	13,263	11 64	(4,803)	(4 61)
Diluted earnings/(loss) per share from continuing and discontinued activities	13,263	11 51	(4,803)	(4 58)

Underlying earnings is calculated by adding back non-underlying items, as adjusted for tax, to the profit/(loss) for the period (see note 7)

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 31 July 2010	50,050	5,349	221,297	12,820	289,516
Acquisitions	–	–	185	34	219
Additions	(10)	2,771	3,905	737	7,403
Disposals	(2,958)	(315)	(4,118)	(480)	(7,871)
Disposals – discontinued operations	–	–	(100,261)	(1,481)	(101,742)
Reclassification – non-current assets	(27)	28	900	(1,478)	(577)
At 29 July 2011	47,055	7,833	121,908	10,152	186,948
Acquisitions	–	29	115	386	530
Additions	–	29	5,071	370	5,470
Disposals	(7,003)	(56)	(17,222)	(1,076)	(25,357)
Reclassification – non-current assets	–	–	(218)	117	(101)
At 27 July 2012	40,052	7,835	109,654	9,949	167,490
Accumulated depreciation and impairment					
At 31 July 2010	13,152	2,513	156,467	9,946	182,078
Charge for the period	741	555	10,465	848	12,609
Impairment losses	–	–	16,791	127	16,918
Disposals	(771)	(263)	(3,896)	(437)	(5,367)
Disposals – discontinued operations	–	–	(79,660)	(1,429)	(81,089)
Reclassification – non-current assets	(28)	28	647	(1,224)	(577)
At 29 July 2011	13,094	2,833	100,814	7,831	124,572
Charge for the period	742	594	5,737	764	7,837
Impairment losses	832	–	–	–	832
Disposals	(3,803)	(43)	(17,155)	(1,044)	(22,045)
Reclassification – non-current assets	–	–	(44)	(23)	(67)
At 27 July 2012	10,865	3,384	89,352	7,528	111,129
Net book value					
At 27 July 2012	29,187	4,451	20,302	2,421	56,361
At 29 July 2011	33,961	5,000	21,094	2,321	62,376

Impairment losses of £832,000 arose on disposal of the freehold building at the Crayford site. The impairment losses have been measured by reference to consideration receivable less cost to sell and have been recorded as a non-underlying item.

The Group has freehold land, included within property, plant and equipment with a book value of £4,385,000 (2011 – £5,325,000), which has not been depreciated. The amount of fully depreciated property, plant and equipment is £75,615,000 (2011 – £54,722,000).

Notes to the Consolidated Financial Statements *continued*

16 Goodwill and other intangible assets

	£ 000
Cost and carrying amount of goodwill	
At 31 July 2010	54,383
Acquisitions	13,060
At 29 July 2011	67,443
Acquisitions	19,726
At 27 July 2012	87,169

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

	£ 000
SP Group	31,322
Service Graphics	14,952
Data Marketing	18,488
Tactical Solutions	13,597
Pragma	2,595
Incite	6,215
	87,169

SP Group and Service Graphics are reported within the Print segment. Data Marketing, Tactical Solutions, Pragma and Incite are reported within the Marketing Services segment. The Occam and Response One CGUs are presented together as Data Marketing. The businesses were combined due to future expectations of synergies in assets held by the businesses.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of Pragma and Incite were tested by reference to market value at 27 July 2012. The recoverable amounts of the other CGUs are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs (and therefore profits and losses) during the forecast period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent medium-term business forecasts with a terminal value calculation. The key assumptions used in the value-in-use calculations and the sensitivities to the key revenue growth and pre-tax discount rate assumptions are detailed below.

	SP Group	Service Graphics	Data Marketing	Tactical Solutions
Value-in-use assumptions:				
Pre-tax discount rate	10.2%	10.2%	10.2%	10.2%
Terminal growth used in terminal value calculation	2.5%	2.5%	2.5%	2.5%
Average annual revenue growth used in five year forecast calculation	2.3%	1.5%	6.7%	6.6%
Excess of value-in-use over carrying value (£'000)	39,134	8,140	16,414	21,417
Sensitivity of value-in-use to changes in key growth assumption				
Average annual revenue growth in five year forecast calculation resulting in potential impairment	0.0%	0.7%	4.7%	4.6%
Increase to pre-tax discount rate resulting in potential impairment	8.0%	3.5%	2.0%	8.0%

Other intangible assets

	Computer software £'000	Customer relationships £'000	Proprietary techniques £'000	Total £'000
Cost				
At 31 July 2010	6,661	1,801	–	8,462
Acquisitions	–	6,840	–	6,840
Additions	2,070	–	–	2,070
Reclassifications	125	–	–	125
Disposals	(9)	–	–	(9)
Disposals – discontinued operations	(759)	–	–	(759)
At 29 July 2011	8,088	8,641	–	16,729
Acquisitions	1,103	19,964	2,650	23,717
Additions	613	–	–	613
Reclassifications	101	–	–	101
Disposals	(78)	–	–	(78)
At 27 July 2012	9,827	28,605	2,650	41,082
Accumulated amortisation				
At 31 July 2010	3,728	51	–	3,779
Charge for the period	1,071	823	–	1,894
Impairment losses	116	–	–	116
Reclassifications	125	–	–	125
Disposals	(3)	–	–	(3)
Disposals – discontinued operations	(704)	–	–	(704)
At 29 July 2011	4,333	874	–	5,207
Charge for the period	1,489	2,866	201	4,556
Reclassifications	67	–	–	67
Disposals	(73)	–	–	(73)
At 27 July 2012	5,816	3,740	201	9,757
Net book value				
At 27 July 2012	4,011	24,865	2,449	31,325
At 29 July 2011	3,755	7,767	–	11,522

Notes to the Consolidated Financial Statements *continued*

17 Other financial assets

	2012 £'000	2011 £'000
Available-for-sale investments carried at fair value		
Unlisted shares	2,050	–
Convertible loan stock	1,000	–
	3,050	–
Loans receivable carried at amortised cost		
Loans to other entities	–	2,429
Total other financial assets	3,050	2,429

As at 27 July 2012, unlisted shares represent a 15.75% non-controlling interest in Easypress Group Limited and shares that were acquired with the Response One acquisition, which are secured against non-current loans of £550,000. The Group holds convertible loan stock in Sponge Limited, returning interest of 5% per annum. The Group has the option to convert the loan stock to acquire 18.18% of the equity in Sponge Limited. A nominal value of £1 has been attributed to this option at the balance sheet date.

In the prior period, loans receivable comprise loan notes in respect of the sale of the Magazine printing business receivable in more than one year. During the current period, the Group received £2,255,000 in respect of these loan notes.

18. Inventories

	2012 £'000	2011 £'000
Raw materials	3,694	3,069
Work-in-progress	3,338	4,080
Finished products	6	33
	7,038	7,182

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

19 Other financial assets

Trade and other receivables

	2012 £'000	2011 £'000
Current		
Amounts receivable for the sale of goods and services	65,502	56,074
Allowance for doubtful debts	(1,945)	(2,034)
Trade receivables	63,557	54,040
Other receivables	10,138	4,271
Prepayments and other assets	15,803	6,799
	89,498	65,110

Trade and other receivables include an amount of £4,023,000 that is receivable in more than one year. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Derivative financial instruments

	2012 £'000	2011 £'000
Forward foreign currency contracts	76	4

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

Cash and cash equivalents

	2012 £'000	2011 £'000
Cash and cash equivalents	12,109	16,262

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

20 Trade and other payables

	2012 £'000	2011 £'000
Trade payables	36,086	45,662
Accruals for goods and services	17,362	8,616
Other taxes and social security	16,182	12,126
Other payables	9,471	2,851
	79,101	69,255

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

21 Loans

	2012 £'000	2011 £'000
Bank loans	25,000	–
Others	550	–
	25,550	–

The borrowings are repayable as follows

Between two and five years	25,550	–
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Bank loans

In May 2012, the Group entered into a three-year £55 million revolving multicurrency loan facility. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 2.00% and 2.50%, depending on the ratio of the Group's net debt to EBITDA excluding non-underlying items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

As at 27 July 2012, the Group's outstanding loans, within this facility, were £25 million (2011 – £nil). The undrawn portion of this facility at 27 July 2012 was £30 million (2011 – £55 million).

Others

The loans are interest bearing and secured against unlisted shares (see note 17). The loan is due for repayment in 2015.

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

Notes to the Consolidated Financial Statements *continued*

22 Deferred income

	2012 £'000	2011 £'000
Advance billings and other deferred income	824	376

	2012 £'000	2011 £'000
Movement in UK regional capital grants		
Balance at the beginning of the period	–	708
Transfer to the Consolidated Income Statement	–	(465)
Disposal of the Magazine printing business	–	(243)
Balance at the end of the period	–	–

23 Provisions

	Provision for repairs £'000	Provision for reorganisation £'000	Total £'000
Balance at 31 July 2010	1,242	3,176	4,418
Charged to the Consolidated Income Statement	145	2,192	2,337
Credited to the Consolidated Income Statement	(165)	(40)	(205)
Disposal – discontinued operations	7	(122)	(115)
Utilised during the period	(71)	(4,050)	(4,121)
Balance at 29 July 2011	1,158	1,156	2,314
Charged to the Consolidated Income Statement	258	3,144	3,402
Credited to the Consolidated Income Statement	(133)	–	(133)
Utilised during the period	–	(3,045)	(3,045)
Balance at 27 July 2012	1,283	1,255	2,538
Current	545	803	1,348
Non-current	738	452	1,190
	1,283	1,255	2,538

Provision for repairs

Where the Group is committed under the terms of a lease to make repairs to leasehold premises, provision for repairs is made for these estimated costs over the period of the lease. It is anticipated that these liabilities will crystallise between 2013 and 2021.

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 2014 financial year. The charge in the current period relates principally to the closure of the Blackburn and Westerham sites within the Direct Response business, as well as to restructuring activities in the Point of Sale and Exhibition and Events businesses, all of which are included within the Print segment.

24 Deferred tax

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 23% (2011 – 25%)

The total movement in the deferred tax liability/(asset) is as follows

	2012 £'000	2011 £'000
At the beginning of the period	3,927	(88)
Acquisitions	5,762	1,846
Disposals	–	(1,751)
Credit to the Consolidated Income Statement	(2,291)	(777)
Items taken directly to equity	(2,049)	4,697
At the end of the period	5,349	3,927

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	Revenue tax losses £ 000	Short term timing differences £ 000	Derivative financial instruments £'000	Acquired intangible assets £ 000	Total £ 000
Balance at 31 July 2010	9,082	(8,880)	369	(324)	(1,248)	16	897	(88)
Acquisitions	(1)	–	–	–	–	–	1,847	1,846
Disposals	(1,751)	–	–	–	–	–	–	(1,751)
(Credit)/charge to Consolidated Income Statement	(2,461)	1,095	340	324	191	–	(266)	(777)
Items taken directly to equity	–	4,712	–	–	–	(15)	–	4,697
Balance at 29 July 2011	4,869	(3,073)	709	–	(1,057)	1	2,478	3,927
Acquisitions	34	–	–	–	–	–	5,728	5,762
(Credit)/charge to Consolidated Income Statement	(803)	539	(617)	–	291	–	(1,701)	(2,291)
Items taken directly to equity	–	(2,063)	–	–	–	14	–	(2,049)
Balance at 27 July 2012	4,100	(4,597)	92	–	(766)	15	6,505	5,349

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

At 27 July 2012, deferred tax assets in respect of losses, at current tax rates, all of which have an unlimited life, are as follows

	2012 £'000	2011 £'000
Unrecognised deferred tax in respect of trading losses	289	314
Unrecognised deferred tax in respect of capital losses	896	206
	1,185	520

Notes to the Consolidated Financial Statements *continued*

25 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 £1,299,000 (2011 – £1,634,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. At 27 July 2012, contributions of £183,000 (2011 – £215,000) due in respect of the 2012 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. This scheme was closed to new entrants from 6 April 2002, and closed to future benefit accruals with effect from 31 August 2008.

The most recent full actuarial valuations of the scheme assets and the present value of the defined benefits obligations were carried out in April 2010 by Jonathan Punter, Fellow of the Institute of Actuaries, Punter Southall & Co Ltd, ('the actuary') who is independent of the Group. This valuation was updated at 27 July 2012. 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 were as follows:

	2012 per annum	2011 per annum
Discount rate	4.50%	5.50%
Expected rate of inflation	2.70%	3.50%
Expected rate of salary increases	nil	nil
Future pension increases	2.65%	3.25%

Post-retirement mortality in the 2011 and 2012 calculation is in accordance with the S1PA tables with an allowance of 1% lighter mortality for females. Future improvements from 2004 have been assumed in line with the 2009 CMI model and a long-term improvement of 1% per annum. No adjustment has been made to the base table for males.

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

	2012 £'000	2011 £'000
Present value of funded obligations	270,909	258,269
Fair value of scheme assets	(250,918)	(245,974)
	19,991	12,295

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

	2012 £'000	2011 £'000
Current service cost	200	200
Curtailments	(397)	(1,345)
Interest on obligation (note 9)	13,907	13,347
Expected return on scheme assets (note 8)	(15,009)	(13,898)
	(1,299)	(1,696)

The current service cost was allocated to functional cost lines in the Consolidated Income Statement. Expected return on assets is recorded under investment income and interest on obligation is recorded under finance costs. The actual return on scheme assets was a profit of £13,240,000 (2011 – £32,673,000).

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

	52 weeks to 27 July 2012 £'000	52 weeks to 29 July 2011 £'000
Opening defined benefits obligation	258,269	251,105
Service cost	200	200
Interest cost	13,907	13,347
Curtailments and settlements	(1,338)	(1,345)
Age-related rebates	39	214
Actuarial losses	9,487	2,079
Benefits paid	(9,655)	(7,331)
Closing defined benefits obligation	270,909	258,269

Curtailments and settlements of £1,338,000 incurred in the current period includes Patrick Martell's transfer out value of £941,000 which was paid on 1 March 2012.

Changes in the fair value of scheme assets are as follows

	52 weeks to 27 July 2012 £'000	52 weeks to 29 July 2011 £'000
Opening fair value of scheme assets	245,974	218,218
Expected returns	15,009	13,898
Actuarial (losses)/gains	(1,769)	18,775
Contributions by employer	2,261	2,200
Age-related rebates	39	214
Benefits paid	(9,655)	(7,331)
Settlements	(941)	–
Closing fair value of scheme assets	250,918	245,974

The fair value of the scheme assets at the balance sheet date is analysed as follows

	Long-term rate of return expected at 27 July 2012 per annum	Value at 27 July 2012 £'000	Long-term rate of return expected at 29 July 2011 per annum	Value at 29 July 2011 £'000
Equity instruments	6.30%	158,829	7.50%	148,950
Bonds	2.80%	89,440	4.30%	94,902
Other	0.50%	2,649	0.50%	2,122
		250,918		245,974

Notes to the Consolidated Financial Statements *continued*

25. Retirement benefits *continued*

The scheme 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 expected rates of return on the individual categories of the scheme assets are determined following actuarial advice. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the scheme's investment portfolio.

The history of the scheme for the current and prior period is as follows

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefits obligations	270,909	258,269	251,105	232,482	226,605
Fair value of scheme assets	(250,918)	(245,974)	(218,218)	(194,199)	(178,261)
Net obligation	19,991	12,295	32,887	38,283	48,344
Experience adjustments on scheme liabilities	9,487	2,700	8,844	(1,462)	(1,462)
Percentage of total scheme obligation	3.5%	1.1%	3.5%	(0.6%)	(0.6%)
Experience adjustments on scheme assets	(1,769)	18,775	16,431	(4,049)	(13,915)
Percentage of scheme assets	(0.7%)	7.6%	7.5%	(2.1%)	(7.8%)

The Group expects to contribute £2,200,000 to the scheme in 2013

26 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 rate.

Interest rate management

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

Financial assets subject to interest rate risk

	2012 £'000	2011 £'000
Sterling	11,566	15,544
US Dollar	160	–
Other	383	718
	12,109	16,262

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

	2012 £'000	2011 £'000
Sterling bank loans	25,000	–

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

Interest rate sensitivity analysis

The analysis below has been performed assuming that the amount of the liability outstanding at the balance sheet date was outstanding for the entire period

	2012 £'000	2011 £'000
100% movement in Sterling LIBOR	140	–

The changes would not have impacted other equity reserves as all interest bearing financial assets and liabilities are subject to floating interest rates and their fair values do not fluctuate with changes in interest rates

Foreign exchange risk

From time to time the Group enters into contracts to supply goods to customers trading in continental Europe at prices denominated in Euros and to customers trading in the USA at prices denominated in US Dollars

Forward foreign exchange contracts

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

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

	Average exchange rate Sterling foreign currency	Foreign currency 000	Contract value £'000	Fair value £'000
Sell US dollars (up to 12 months)	1.58	270	171	(1)
Sell Euros (up to 12 months)	1.20	1,566	1,309	77

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 27 July 2012, 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 £66,000. It is anticipated that the sales will be made in the 12 months following the balance sheet date

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group's credit risk is relatively low as the Group maintains credit insurance up to a maximum aggregate claim in any one year of £7 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. Trade receivables include an amount with a single large customer which represents more than 10% of the total balance. This customer has the highest credit score attributable under the credit scoring method used by the Group.

Included in the Group's trade receivables balance are debtors with a carrying amount of £16.2 million (2011 – £19.4 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.

Notes to the Consolidated Financial Statements *continued*

26. Financial risk management *continued*

Ageing of impaired receivables

	2012 £'000	2011 £'000
Between 0 and 59 days	–	18
Between 60 and 89 days	767	1,196
Between 90 and 119 days	810	232
120 days and above	368	588
	1,945	2,034

Movement in the allowance for doubtful debts

	2012 £'000	2011 £'000
Balance at the beginning of the period	2,034	2,851
Impairment losses recognised	239	505
Amounts written off as uncollectible	(318)	(402)
Impairment losses reversed	(10)	(793)
Disposals	–	(127)
Balance at the end of the period	1,945	2,034

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

	2012 £'000	2011 £'000
Between 0 and 59 days	14,894	19,168
Between 60 and 89 days	1,310	229
	16,204	19,397

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 entered into a £55.0 million, three year revolving multicurrency facility 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 21.

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 21, 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.

27. Share capital

	Number of shares	Ordinary shares of 10p each £'000
Issued and fully paid		
At 30 July 2011	105,848,507	10,585
Issued in the period	13,977,862	1,398
At 27 July 2012	119,826,369	11,983

All authorised and issued share capital is represented by equity shareholdings

28 Notes to the Consolidated Cash Flow Statement

Reconciliation of cash generated from operations

	2012 £'000	2011 £'000
Profit from continuing operations	15,133	17,311
Loss from discontinued operations	–	(17,411)
	15,133	(100)
Adjustments for		
Depreciation of property, plant and equipment	7,837	12,609
Impairment losses	832	20,488
Amortisation of intangible assets	4,556	1,894
Profit on disposal of property, plant and equipment	(1,605)	(4,652)
Increase/(decrease) in deferred income	436	(393)
Share-based payment charge	766	284
Cash contributions to defined benefits pension schemes	(2,458)	(3,345)
Increase/(decrease) in provisions	225	(1,880)
Operating cash inflows before movements in working capital	25,722	24,905
Decrease/(increase) in inventories	212	(1,379)
Increase in receivables	(14,955)	(8,375)
(Decrease)/increase in payables	(157)	7,131
Cash generated from operations	10,822	22,282

Analysis of net debt

	29 July 2011 £'000	Cash flow £'000	Acquired (note 11) £'000	27 July 2012 £'000
Cash and cash equivalents	16,262	(4,153)	–	12,109
Bank loans	–	(25,000)	(550)	(25,550)
	16,262	(29,153)	(550)	(13,441)

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

Notes to the Consolidated Financial Statements *continued*

28. Notes to the Consolidated Cash Flow Statement *continued*

Cash flows from discontinued operations

Included within the Consolidated Cash Flow Statement are the following cash flows from discontinued operations

	2012 £'000	2011 £'000
Net cash used in operating activities	–	(733)
Net cash used in investing activities	–	(123)
Net cash generated from financing activities	–	182
Net decrease in cash from discontinued activities	–	(674)

29. Capital and other commitments

	2012 £'000	2011 £'000
Capital expenditure contracted but not provided	1,921	141

At 27 July 2012, the Group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows

	2012 Land and buildings £'000	2012 Other £'000	2011 Land and buildings £'000	2011 Other £'000
Within one year	1,680	1,758	1,466	1,405
Between two and five years	6,410	1,894	4,690	1,605
After five years	4,678	3	4,250	96
	12,768	3,655	10,406	3,106

30 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 on pages 46 and 47 of the Directors' Remuneration Report

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

Executive directors and certain members of senior management have been granted nil-cost share options under the Company's long term incentive plan. Details of the LTIP are included on pages 47 to 49 of the Directors' Remuneration Report

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 Sharesave Plan are included on page 43 of the Directors' Remuneration Report

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

	ESOS 2001		LTIP		Sharesave Plan	
	2012	2011	2012	2011	2012	2011
Number of options						
Outstanding at the beginning of the period	2,232,000	2,494,800	1,197,000	–	–	–
Granted during the period	–	–	2,250,600	1,197,000	995,335	–
Lapsed during the period	(150,000)	(262,800)	(202,800)	–	(19,077)	–
Outstanding at the end of the period	2,082,000	2,232,000	3,244,800	1,197,000	976,258	–
Exercisable at the end of the period	–	–	–	–	–	–

	ESOS 2001		LTIP		Sharesave Plan	
	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £
Weighted average exercise price						
Outstanding at the beginning of the period	0 66	0 84	–	–	–	–
Granted during the period	–	–	–	–	0 66	–
Lapsed during the period	0 62	2 37	–	–	–	–
Outstanding at the end of the period	0 66	0 66	–	–	0 66	–

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

	Sharesave Plan	LTIP
Weighted average mid-market share price	£0 73	£0 94
Weighted average exercise price	£0 66	£nil
Expected life	3 years	3 years
Expected volatility	30 00%	30 00%
Risk free rate	2 00%	2 00%
Dividend yield	5 00%	5 00%

The Group recognised a total charge of £767,000 (2011 – £284,000) relating to equity-settled share-based payment transactions. The exercise price of options outstanding at 27 July 2012 ranges between nil and 66 17 pence.

Deferred Bonus Scheme

On 25 October 2011, pursuant to the Directors and Senior Executives Deferred Bonus Scheme outlined on page 45 of the Directors' Remuneration Report, a portion of the net bonus payable to Patrick Martell, Matt Armitage and Lloyd Wigglesworth in respect of the 2011 financial year was used to purchase 205,934 shares in the Company from the Group's Employee Benefit Trust ('the EBT') on behalf of these directors at 87 95 pence per share. An ESOP reserve was set up when the EBT originally purchased these shares at a price of 383 pence per share. When the shares were purchased on behalf of the directors in the current period, an amount equivalent to their original cost of £788,000 was released from the ESOP reserve with the difference of £607,000 between the price paid on behalf of the directors and the original cost to the EBT of the shares taken directly to retained earnings.

31 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 25 October 2011, shares in the Company were purchased from the Group's Employee Benefit Trust on behalf of Patrick Martell, Matt Armitage and Lloyd Wigglesworth as outlined in note 30.

No other executive officers of the Company or their associates had material transactions with the Group during the current period.

Notes to the Consolidated Financial Statements *continued*

31. Related party transactions *continued*

Remuneration of key management personnel

The remuneration of the directors and other executives who are key management personnel of the Group is set out below in aggregate for each of the categories specified in International Accounting Standard 24 – Related Party Disclosures

	2012 £'000	2011 £'000
Short-term employee benefits	2,095	2,103
Post-employment benefits	19	19
Termination benefits	–	33
Share-based payment	427	229
	2,541	2,384

32 List of principal undertakings

The principal trading subsidiaries of the Company as at 27 July 2012 are shown below. All are wholly-owned subsidiaries, with the exception of Tactical Solutions (UK) Limited which is 90% owned. With the exception of any marked (†) which are owned directly, all are owned via wholly-owned intermediate holding companies.

The following companies are incorporated and registered in England and Wales

	Location
Clays Limited	Bungay
Incite Marketing Planning Limited †	London
Pragma Consulting Limited	London
Response One Limited	Bath
Occam DM Limited †	Chilcompton
St Ives Burnley Limited	Burnley
St Ives Direct Bradford Limited	Bradford
St Ives Direct Leeds Limited	Leeds
St Ives Management Services Limited	London
Service Graphics Limited †	London & other UK sites
SP Group Limited †	Birmingham/Redditch
Tactical Solutions (UK) Ltd †	Flintshire

Clays, St Ives Burnley, St Ives Direct Bradford, St Ives Direct Leeds, St Ives Management Service, Service Graphics and SP Group are engaged in the activities of printing and related services. Incite Marketing Planning, Pragma Consulting, Response One, Occam and Tactical Solutions are engaged in the activity of Consultancy, Data Marketing and Field Marketing services.

Independent Auditors' Report to the Members of St Ives plc

We have audited the Parent Company financial statements of St Ives plc for the 52 weeks ended 27 July 2012, which comprise the Parent Company Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Parent Company 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 Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements

- give a true and fair view of the state of the company's affairs as at 27 July 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of St Ives plc for the 52 weeks ended 27 July 2012.

Kate J Houldsworth (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

2 October 2012

Company Balance Sheet

	Note	27 July 2012 £'000	29 July 2011 £'000
Fixed assets			
Tangible assets	5	33,928	39,173
Investments	6	152,524	105,404
		186,452	144,577
Current assets			
Debtors – amounts falling due within one year	7	13,998	9,371
Debtors – amounts falling due after more than one year	7	–	2,429
		13,998	11,800
Creditors – amounts falling due within one year	8	(34,801)	(33,439)
Net current liabilities		(20,803)	(21,639)
Total assets less current liabilities		165,649	122,938
Creditors – amounts falling due after more than one year	8	(25,000)	(2,621)
Provision for liabilities	10	(551)	(276)
Net assets		140,098	120,041
Capital and reserves			
Share capital	11	11,983	10,585
Share premium account	11	58,007	48,540
Other reserves	12	2,054	442
Profit and loss account	13	68,054	60,474
Total equity		140,098	120,041

These financial statements were approved by the board of directors on 2 October 2012 and signed on its behalf by



Patrick Martell
Chief Executive



Matt Armitage
Chief Financial Officer

Notes to the Company Financial Statements

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 39

(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 27 July 2012 ('the financial year'). Comparative figures are for the 52 weeks ended 29 July 2011

(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 %
Fixtures, fittings and equipment	10% – 33 %
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

Notes to the Company Financial Statements *continued*

1 Accounting policies *continued*

(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 Group 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.

(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 £14.0 million (2011 – £7.2 million).

3. Auditors' remuneration

Fees paid to the auditors in respect of their audit of the Company were £68,000 (2011 – £69,000).

4 Employee information

The average monthly number of employees (including executive directors) was

	2012 Number	2011 Number
Sales	14	16
Administration	36	44
	50	60

Their aggregate remuneration comprised

	2012 £'000	2011 £'000
Wages and salaries	4,222	3,571
Social security costs	372	346
Other pension costs	93	99
Share-based payment	766	284
	5,453	4,300

Notes to the Company Financial Statements *continued***5 Tangible fixed assets**

	Land and buildings Freehold £'000	Land and buildings Long leases £'000	Plant and machinery £'000	Fixtures, fittings equipment and motor vehicles £'000	Total £'000
Cost or valuation					
At 31 July 2010	51,484	6,194	2,810	2,287	62,775
Additions	–	542	236	1,393	2,171
Transfers from subsidiaries	–	–	99,741	1,920	101,661
Transfers to subsidiaries	(108)	–	(99,741)	(1,934)	(101,783)
Reclassifications	–	–	576	(576)	–
Disposals	(5,255)	–	(131)	(879)	(6,265)
At 29 July 2011	46,121	6,736	3,491	2,211	58,559
Additions	–	29	24	332	385
Transfers from subsidiaries	314	–	–	–	314
Disposals	(6,994)	–	–	(21)	(7,015)
At 27 July 2012	39,441	6,765	3,515	2,522	52,243
Accumulated depreciation and impairment					
At 31 July 2010	13,784	2,726	2,056	1,249	19,815
Charge	691	334	850	252	2,127
Transfers from subsidiaries	–	–	66,102	1,890	67,992
Transfers to subsidiaries	–	–	(66,699)	(1,911)	(68,610)
Reclassifications	–	–	297	(297)	–
Disposals	(1,440)	–	(88)	(410)	(1,938)
At 29 July 2011	13,035	3,060	2,518	773	19,386
Charge	691	300	251	375	1,617
Impairment	832	–	–	–	832
Transfers from subsidiaries	300	–	–	–	300
Disposals	(3,799)	–	–	(21)	(3,820)
At 27 July 2012	11,059	3,360	2,769	1,127	18,315
Net book value					
At 27 July 2012	28,382	3,405	746	1,395	33,928
At 29 July 2011	33,086	3,676	973	1,438	39,173

The Company has freehold land with a book value of £4,320,000 (2011 – £5,214,000) which has not been depreciated

The net book value of the Company's land and buildings includes £192,000 (2011 – £198,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £76,000 (2011 – £80,000)

6 Investments held as fixed assets

	Shares in subsidiaries at cost £ 000	Loans to subsidiaries £ 000	Other investments £ 000	Total £ 000
At 30 July 2011	94,510	10,894	–	105,404
Acquisitions	51,080	–	2,500	53,580
Loan advances	–	1,500	–	1,500
Loan repayments	–	(1,680)	–	(1,680)
Loan reclassification	–	(6,280)	–	(6,280)
At 27 July 2012	145,590	4,434	2,500	152,524

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 32 of the Group financial statements.

Acquisitions of shares in subsidiaries at cost and loans relate to the acquisition of Response One Holdings Limited, Pragma Holdings Limited and Incite Marketing Planning Limited on 14 September 2011, 20 September 2011 and 28 February 2012 respectively, as disclosed in note 11 of the notes to the Group financial statements. Other investments represent investments in Easypress Group Limited and Sponge Limited, as disclosed in note 17 of the notes to the Group financial statements.

Certain subsidiary loans have been reclassified to debtors due within one year.

7 Debtors: amounts falling due within and after more than one year

	2012 £ 000	2011 £ 000
Within one year		
Amounts owed by Group undertakings	6,890	4,326
Loans receivable	2,456	1,986
Other debtors	959	918
Tax recoverable	2,427	1,466
Prepayments and accrued income	1,205	671
Derivative assets	61	4
	13,998	9,371
After more than one year		
Loans receivable	–	2,429
	–	2,429

Loans receivable within one year of £2,456,000 (2011 – £1,986,000) and after more than one year of £nil (2011 – £2,429,000) comprise Sterling amounts receivable as deferred consideration for the sale of the Magazine printing business on 6 April 2011. These loans are non-interest bearing and are carried at amortised cost.

Notes to the Company Financial Statements *continued***8 Creditors: amounts falling due within and after more than one year**

	2012 £'000	2011 £'000
Within one year		
Amounts owing to Group undertakings	18,929	8,673
Bank loans and overdrafts (note 9)	3,694	18,190
Consideration payable on purchase of subsidiaries	4,731	1,677
Trade creditors	1,565	878
Other creditors including tax and social security	4,335	2,402
Accruals and deferred income	1,547	1,619
	34,801	33,439
	2012 £'000	2011 £'000
After more than one year		
Consideration payable on purchase of subsidiaries	–	2,621
Bank loans and overdrafts (note 9)	25,000	–
	25,000	2,621

Consideration payable for the purchase of subsidiaries within one year of £4,731,000 (2011 – £1,677,000) and after more than one year of £nil (2011 – £2,621,000) represents the fair values of the loan notes issued as part of the consideration for Tactical Solutions (UK) Limited and the deferred consideration payable for Incite Marketing Planning Limited, as detailed in note 11 to the Group financial statements

9 Borrowings and finance obligations

	2012 £'000	2011 £'000
Within one year		
Bank overdrafts	3,694	18,190
	2012 £'000	2011 £'000
After more than one year		
Bank loans	25,000	–

Bank overdrafts and loans

In May 2012, the Company entered into a three-year £55 million revolving multicurrency loan facility. Up to £15 million may be drawn as an overdraft facility. Interest on loan drawdowns is charged at LIBOR plus a margin which varies between 2.00% and 2.50%, depending on the ratio of the Group's net debt to EBITDA excluding non-underlying items. Interest on overdraft drawdowns is charged at 2.00% over UK base rate.

As at 27 July 2012, the Company's outstanding loans, within this facility, were £25 million (2011 – £nil). The undrawn portion of this facility at 27 July 2012 was £30 million (2011 – £55 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 27 July 2012, the aggregate liability for the Company under this guarantee amounted to £35,772,000 (2011 – £11,765,000). The aggregate value of the Company's loans and overdraft liabilities guaranteed by certain United Kingdom subsidiaries amounted to £14,377,000 (2011 – £18,677,000).

As at 27 July 2012, there was no loan or overdraft secured against the assets of the Company (2011 – £nil). The directors consider that the carrying amount of the loans and overdrafts approximates their fair value.

The Company has guaranteed amounts payable to certain suppliers of some of its trading subsidiaries. The maximum aggregate liability under these guarantees is £812,000.

10 Provisions for liabilities and charges

	Provision for repairs £'000	Deferred tax £'000	Total £'000
Balance at 30 July 2011	166	110	276
Charge to profit and loss account	–	275	275
Balance at 27 July 2012	166	385	551

The amounts of deferred tax provided in the financial statements are as follows

	2012 £'000	2011 £'000
Capital allowances in excess of depreciation	413	230
Other timing differences	(28)	(120)
	385	110

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 30 July 2011	105,848,507	10,585	48,540
Issue of share capital	13,977,862	1,398	9,467
At 27 July 2012	119,826,369	11,983	58,007

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 year

	Number of shares issued	Consideration received £'000	Share premium account £'000
Response One Holdings Limited	7,308,235	5,682	4,951
Pragma Holdings Limited	2,401,078	1,751	1,511
Incite Marketing and Planning Limited	4,268,549	3,432	3,005
	13,977,862	10,865	9,467

Further details of these acquisitions are contained in note 11 to the Group financial statements

Notes to the Company Financial Statements *continued***12 Other reserves**

	Capital redemption reserve £'000	Share option reserve £'000	ESOP reserve £'000	Hedging reserve £'000	Total £'000
Balance at 30 July 2011	1,238	344	(1,144)	4	442
Recognition of share-based payments	–	766	–	–	766
Issue of share capital	–	–	788	–	788
Gains on cash flow hedges	–	–	–	–	–
Transferred to underlying hedged items	–	–	–	(4)	(4)
Arising on forward currency contracts	–	–	–	61	61
Balance at 27 July 2012	1,238	1,110	(356)	61	2,053

On 25 October 2011, 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 Patrick Martell, Matt Armitage and Lloyd Wigglesworth in respect of the 2011 financial year was used to purchase 205,934 shares in the Company from the Group's Employee Benefit Trust ('EBT') on behalf of these directors at 87.9 pence per share. An ESOP reserve was set up when the EBT originally purchased these shares at a price of 383 pence per share. When the shares were purchased on behalf of the directors in the period, an amount equivalent to their original cost of £766,000 was released from the ESOP reserve with the difference of £607,000 between the price paid on behalf of the directors and the original cost to the EBT of the shares taken directly to retained earnings.

13. Profit and loss account

	£'000
Balance at 30 July 2011	60,474
Net profit for the financial period	13,962
Issue of share capital	(607)
Dividends paid on equity shares	(5,774)
Balance at 27 July 2012	68,054

The adjustment to retained earnings in respect of the issue of share capital is explained in note 12 above.

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 schemes, 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 benefits accrual after 31 August 2008. Regular contributions of £2,200,000 were made in the period and the Company expects to contribute £2,200,000 to the scheme in 2013.

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 25 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 2010 adjusted to allow for the assumptions and actuarial methodology required by IAS 19 and updated to 27 July 2012 by the scheme's actuary. These disclosures show that the scheme's assets represented 92.6% of the scheme's liabilities (2011 – 95.2%).

15. Capital commitments

	2012 £'000	2011 £'000
Capital expenditure contracted but not provided	–	273

Five Year Record

	52 weeks to 27 July 2012 £'000	52 weeks to 29 July 2011 £'000	52 weeks to 30 July 2010 £'000	52 weeks to 31 July 2009 £'000	52 weeks to 1 August 2008 £'000
Revenue					
Print	280,327	282,736	290,542	386,782	391,200
Marketing Services	47,049	14,054	888	–	–
	327,376	296,790	291,430	386,782	391,200
Profit/(loss) from operations before non-underlying items					
Print	20,442	20,870	18,968	10,150	32,953
Marketing Services	4,011	450	(216)	–	–
	24,453	21,320	18,752	10,150	32,953
Non-underlying items*	(9,320)	(4,009)	(4,622)	(14,532)	1,126
Profit/(loss) from operations	15,133	17,311	14,130	(4,382)	34,079
Investment income	15,239	13,973	13,267	12,857	11,051
Finance costs	(15,464)	(14,388)	(14,222)	(15,716)	(14,508)
Profit/(loss) before taxation	14,908	16,896	13,175	(7,241)	30,622
Income tax (charge)/credit	(1,579)	(3,072)	(1,974)	916	(16,096)
Profit/(loss) on ordinary activities after taxation	13,329	13,824	11,201	(6,325)	14,526
(Loss)/profit on discontinued operations	–	(18,585)	(3,463)	(8,233)	1,714
Profit/(loss) for the period	13,329	(4,761)	7,738	(14,558)	16,240
Earnings per share					
Basic	11 64	13 22	10 87	(6 14)	14 10
Continuing before non-underlying items	15 61	14 45	11 83	4 94	19 57
Balance sheet					
Property, plant and equipment	56,361	62,376	107,438	122,178	141,581
Goodwill	87,169	67,443	54,383	46,274	54,679
Other intangible assets	31,325	11,522	4,683	1,215	1,753
Other non-current assets	3,050	2,429	5,052	8,008	2,517
Assets held for sale	–	–	2,140	1,282	6,650
Other current assets	108,721	88,558	89,402	98,218	116,811
Liabilities held for sale	–	–	–	–	(1,142)
Other current liabilities	(87,756)	(76,217)	(84,606)	(113,717)	(79,015)
Non-current liabilities	(52,080)	(19,530)	(48,606)	(41,390)	(88,964)
Net assets	146,790	136,581	129,886	122,068	154,870

Revenue and profit/(loss) from operations before non-underlying items is shown by business segment. The figures for Print segment for the periods ended 1 August 2008 and 31 July 2009 include the results of the operations previously classified within the Media and Commercial segments, including those of the Magazine printing business.

The Five Year Record is not audited.

* Non-underlying items comprise restructuring costs, provision releases, operating results of non-continuing sites, acquisition costs, adjustments to deferred consideration, net profit on disposal of property, plant and equipment, amortisation of acquired intangibles and other one-off items.

Financial Calendar

Financial year ended 29 July 2011

Record date for final dividend	2 December 2011
Annual General Meeting	29 November 2011
Payment date for final dividend of 3.50 per ordinary share	23 December 2011

Financial year ended 27 July 2012

Half year end	27 January 2012
Announcement of Half year results	6 March 2012
Record date for interim dividend	10 April 2012
Payment date for interim dividend of 1.75p per ordinary share	9 May 2012
Financial year end	27 July 2012
Announcement of Full year results	2 October 2012
Earliest date for IMS	5 October 2012
Ex-dividend date	28 November 2012
Record date for proposed final dividend	30 November 2012
Annual General Meeting	27 November 2012
Latest date for IMS	21 December 2012
Payment date for proposed final dividend of 4.00p per ordinary share	21 December 2012*

Financial year ended 2 August 2013

Half year end	1 February 2013
Announcement of Half year results	March 2013
Financial year end	2 August 2013

* If approved by shareholders at the 2012 Annual General Meeting the proposed final dividend will be paid on 21 December 2012

Shareholder Information

Corporate information

Further information about the Group can be found on our website www.st-ives.co.uk

This year's Annual Report and Accounts, as well as copies of past years' Annual Reports and Accounts, Half year and Interim Management Statements and Shareholder circulars, are available to view and download from our website. Regulatory announcements and press releases made during the year, and in past years, are also available to view in the Regulatory News section of the Investor Relations area of the website.

Should you wish to receive further copies of the Annual Report and Accounts or a copy of our Environmental Performance report, please contact the Company Secretary, St Ives plc, One Tudor Street, London EC4Y 0AH.

Shares

St Ives plc ordinary shares of 10 pence each are listed on the London Stock Exchange and trade under the symbol SIV. Our International Securities Identification Number (ISIN) is GB0007689002 and our Stock Exchange Daily Official List (SEDOL) number is 768900.

Share price information and our latest regulatory announcements can be obtained from the Stock Exchange website, www.londonstockexchange.com

Shareholding enquiries

St Ives plc's register is maintained by Capita Registrars, 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
- the payment of dividends directly into a bank or building society account

Their contact details are: St Ives plc Shareholder Services, Capita Registrars, 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 you are calling from overseas, please telephone +44 208 639 3399. Lines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday.

Alternatively, you can email your query to our registrars at ssd@capitaregistrars.com although, for legal reasons, they may subsequently require you to confirm any instruction in writing.

Our principal advisers

Stockbrokers

Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT

Financial Advisers

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

Bankers

HSBC Bank plc, 76 Edgware Road, London W2 2EQ

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

Solicitors

Herbert Smith LLP, Exchange House, Pimrose Street, London EC2A 2HS

St Ives plc

Registered in England & Wales No 1552113

Registered office

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