

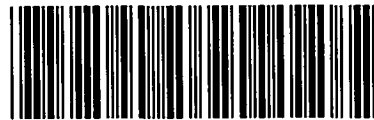
Company Registration No. 04103199

TACTICAL SOLUTIONS (UK) LIMITED

Annual Report and Financial Statements

Fifty three weeks to 2 August 2013

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TACTICAL SOLUTIONS (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

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TACTICAL SOLUTIONS (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Armitage

L Davidson

P Martell

(Resigned on 6 September 2013)

SECRETARY

P Harris

REGISTERED OFFICE

1 Tudor Street

London EC4Y 0AH

PRINCIPAL BANKERS

HSBC Bank plc

76 Edgware Road

London W2 2EQ

SOLICITORS

Herbert Smith LLP

Exchange House

Primrose Street

London EC2A 2HS

AUDITOR

Deloitte LLP

Chartered Accountants and Statutory Auditor

London

TACTICAL SOLUTIONS (UK) LIMITED

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the fifty three weeks to 2 August 2013 ("the financial period" or "period"). Comparative figures are for the fifty two weeks ended 27 July 2012.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly-owned subsidiary of St Ives plc ("the Group") and operates as part of the Group's Marketing Services segment. The Company's principal activity is the provision of field marketing services. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this Report, of any likely major changes in the Company's activities in the coming year.

The Company remains one of the UK's leading field marketing companies providing outsourced in-store marketing for leading brands. During the period, turnover decreased by 19.0% as the extremely successful trading period experienced in the run up to Christmas 2011 was not repeated to the same extent in the period under review. There has however been closer integration this year between the Company and SP Group Ltd, a fellow St Ives subsidiary specialising in point of sale (POS) print products, which we plan to build upon next year.

'Non-underlying items' included in the profit and loss account comprise a release of accrued contingent consideration required to be treated as remuneration of £1,019,859 (2012 – charge of £1,688,884). As explained in note 1, the prior period figures have been restated following a change in accounting policy.

Profit before tax, Group charges and non-underlying items during the period was £859,742 (2012 – £1,822,152). The Company's profit for the period after tax, as shown in the profit and loss account on page 6 of the financial statements, amounted to £531,597 (2012 – loss of £695,194). The Directors do not recommend the payment of a final dividend (2012 – £nil).

The balance sheet on page 7 of the financial statements shows that the company's financial position at the period end has, in net liability terms, improved since the prior year-end due to the profit arising during the period.

The Group's Marketing Services segment is reviewed in greater detail in the St Ives plc Annual Report and Accounts, which does not form part of this Report. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development and performance of the Company during the period or the position of its particular business at the end of the period.

PRINCIPAL RISKS AND UNCERTAINTIES

As with any business, the Company may be affected by a number of risks and uncertainties, some of which are beyond its controls. The principal risks facing the company are described below.

The Company is vulnerable to the effect of poor economic conditions, which could inhibit growth and create uncertainty. The Company continually reviews its cost base and seeks to secure long-term client relationships. The Directors regularly review performance of the Company against its budget and implements timely remedial action, where needed.

Competitive pressure in the UK is a continuing risk for the Company and its subsidiary, which could result in a loss of sales to competitors. The Company manages this risk by providing added value, cross-selling services to its customers, achieving or exceeding service level agreements and by maintaining strong relationships with customers.

A material unrecoverable debt may arise from the Company's practice of trading with some of its customers on credit. This risk is mitigated by only granting credit to clients who agree to follow the Group's credit verification procedures and by applying a rigorous system of credit control and payment monitoring. Credit insurance is provided by the Group that covers the Company's major trade debtors.

Further risks that affect the Company and the Group as a whole are discussed in St Ives plc's Annual Report and Accounts which does not form part of this report.

TACTICAL SOLUTIONS (UK) LIMITED

DIRECTORS' REPORT (continued)

FUTURE PROSPECTS

Over the next year, the Company aims to increase revenue through a structured, added value cross-sales programme with other subsidiaries in the Group. The relationships that already exist across the Group with many blue chip companies will be key to us developing our business. Additionally, through a combination of lead generation, competitive pricing and a new internal structure that gives focus to a rationalised targeted approach for new business development, we hope to add a significant number of new clients to our existing base.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future; accordingly, as explained in note 1, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The Directors who served during the period and at the date of this report (except as noted) are shown on page 1.

DIRECTORS' INDEMNITIES

The ultimate parent company has made qualifying third party indemnity provisions for the benefit of certain of its Directors which remain in force at the date of this Report.

SUPPLIER PAYMENT POLICY

It is the Company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions. The average creditor days outstanding at 2 August 2013 were 32 (2012 – 47).

EMPLOYMENT POLICIES

The company 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, sexual orientation, religious or philosophical beliefs.

It is the policy of the company that people with disabilities, whether registered disabled or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Company is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's ability. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees of the company are regularly consulted by the Directors and Managers and kept informed of matters affecting them and the overall development of the company.

The company has a positive approach to health and safety at work and regards compliance with statutory requirements as a minimum standard. Resources are available to ensure that continuing progress is made towards achieving a healthier and safer working environment for all employees.

ENVIRONMENT

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The company operates in accordance with Group policies, which are described in St Ives plc's Annual Report and Accounts which does not form part of this Report.

TACTICAL SOLUTIONS (UK) LIMITED

DIRECTORS' REPORT (continued)

AUDITOR

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as Auditor in the absence of an Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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 financial statements 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 these financial statements, the Directors are required to:

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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



P Harris
Secretary
21 November 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TACTICAL SOLUTIONS (UK) LIMITED

We have audited the financial statements of Tactical Solutions (UK) Limited for the fifty three weeks ended 2 August 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 19. 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 Statement of Directors' Responsibilities, the Directors are responsible the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 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 financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 August 2013 and of its profit for the fifty three weeks then ended;
- 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.

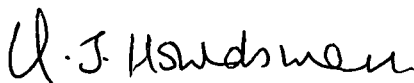
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.



Kate J. Houldsworth FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

21 November 2013

TACTICAL SOLUTIONS (UK) LIMITED

PROFIT AND LOSS ACCOUNT

For the fifty three weeks to 2 August 2013

| | Note | 53 weeks to 2 August 2013 | | | 52 weeks to 27 July 2012 (as restated)** | | |
|---|-----------|--|---|-------------|--|---|-------------|
| | | Before non- underlying items £ | Non- underlying items* (note 4) £ | Total £ | Before non- underlying items £ | Non- underlying items* (note 4) £ | Total £ |
| TURNOVER | 2 | 10,992,922 | – | 10,992,922 | 13,571,304 | – | 13,571,304 |
| Cost of sales | | (6,153,504) | – | (6,153,504) | (7,135,465) | – | (7,135,465) |
| GROSS PROFIT | | 4,839,418 | – | 4,839,418 | 6,435,839 | – | 6,435,839 |
| Selling expenses | | (476,694) | – | (476,694) | (490,392) | – | (490,392) |
| Administrative expenses | | (4,920,770) | 1,019,859 | (3,900,911) | (4,593,311) | (1,688,884) | (6,282,195) |
| OPERATING (LOSS)/PROFIT | 4 | (558,046) | 1,019,859 | 461,813 | 1,352,136 | (1,688,884) | (336,748) |
| Loss on disposal of fixed assets | | (14,182) | – | (14,182) | – | – | – |
| Interest receivable | | 3,204 | – | 3,204 | 3,723 | – | 3,723 |
| Interest payable | 5 | (4,238) | – | (4,238) | (7,707) | – | (7,707) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (573,262) | 1,019,859 | 446,597 | 1,348,152 | (1,688,884) | (340,732) |
| Tax on (loss)/profit on ordinary activities | 6 | 85,000 | – | 85,000 | (354,462) | – | (354,462) |
| (LOSS)/PROFIT FOR THE FINANCIAL PERIOD | 14, 16 | (488,262) | 1,019,859 | 531,597 | 993,690 | (1,688,884) | (695,194) |

* 'Non-underlying items' comprise contingent consideration required to be treated as remuneration.

** The results for the prior period have been restated following a change in accounting policy (note 18).

All transactions are derived from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the fifty three weeks to 2 August 2013

| | 53 weeks to 2 August 2013 | 52 weeks to 27 July 2012 (as restated) |
|---|------------------------------|--|
| | £ | £ |
| PROFIT/(LOSS) FOR THE FINANCIAL PERIOD | 531,597 | (695,194) |
| TOTAL GAINS/(LOSSES) RELATING TO THE PERIOD | 531,597 | (695,194) |
| Prior Period Adjustment (note 18) | (3,540,252) | |
| TOTAL LOSSES RECOGNISED SINCE LAST ANNUAL REPORT | <u>(3,008,655)</u> | |

BALANCE SHEET
As at 2 August 2013

| | | 2013 | 2012 |
|---|------|------------------|--------------------|
| | | | (as restated)* |
| | Note | £ | £ |
| FIXED ASSETS | | | |
| Tangible fixed assets | 7 | 543,317 | 604,889 |
| Investments | 8 | 100 | 100 |
| | | <u>543,417</u> | <u>604,989</u> |
| CURRENT ASSETS | | | |
| Stocks | 9 | – | 5,941 |
| Debtors | 10 | 2,876,498 | 3,914,666 |
| Cash at bank and in hand | | 1,095,422 | 427,774 |
| | | <u>3,971,920</u> | <u>4,348,381</u> |
| CREDITORS: amounts falling due within one year | 12 | (4,965,588) | (5,935,218) |
| NET CURRENT LIABILITIES | | <u>(993,668)</u> | <u>(1,586,837)</u> |
| NET LIABILITIES | | <u>(450,251)</u> | <u>(981,848)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 1,000 | 1,000 |
| Profit and loss account | 14 | (451,251) | (982,848) |
| SHAREHOLDERS' DEFICIT | 16 | <u>(450,251)</u> | <u>(981,848)</u> |

* The results for the prior period have been restated following a change in accounting policy (note 18).

The accompanying notes are an integral part of this balance sheet.

These financial statements were approved by the Board of Directors and authorised for issue on 21 November 2013 and signed on its behalf by



M Armitage
Director

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the fifty three weeks to 2 August 2013

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The accounting policies, which have been adopted and applied consistently throughout the accounting period and the preceding period, are described below.

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The Group's treasury function is responsible for managing the liquidity of the Group and the Company. The ultimate parent company, St Ives plc, funds the operations of the Company and other subsidiaries through a combination of equity, inter-company loans and bank overdrafts which it guarantees jointly with certain subsidiaries. The Group has sufficient funding facilities to fund the Company's operations for the twelve months following the date of approval of the financial statements and is committed to make this funding available.

The Company is exposed to a number of risks and uncertainties as outlined in the Directors' Report but, after making enquiries into the Group's and the Company's financial position, considering the forecast performance at a divisional level and having received written confirmation from St Ives plc that it will continue to support the company for a period of at least twelve months from the date of approval of the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(b) Accounting period

The financial statements are prepared for the fifty three weeks ended 2 August 2013 ("the financial period" or "period"). Comparative figures are for the fifty two weeks ended 27 July 2012.

(c) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Turnover for goods is recognised when they have been delivered and ownership has passed.

Turnover for services is recognised as they are delivered or in proportion to the level of services performed. Turnover 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.

(d) Distribution costs

Distribution costs are included within cost of sales on the face of the profit and loss account as these form an integral part of the Company's service to its customers.

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the fifty three weeks to 2 August 2013**

1 ACCOUNTING POLICIES (continued)

(e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and provision for impairment. Depreciation is not provided on assets in the course of construction. Depreciation is provided on cost, less estimated residual value, in equal annual instalments over the estimated useful economic lives of the assets. The annual rates of depreciation are as follows:

| | |
|---------------------|--------------|
| Plant and machinery | 10% – 33.33% |
| Motor vehicles | 20% – 25% |

(f) Investments

Investments in subsidiaries held as fixed assets are stated at cost less provision for impairment in value. Income from investments in subsidiary companies is recognised when it is declared or paid by the subsidiary.

The Company has taken advantage of the exemption from preparing and delivering consolidated financial statements under Section 400 of the Companies Act 2006 because it is itself a subsidiary undertaking of St Ives plc, a company also incorporated and registered in England and Wales, which has prepared consolidated financial statements.

(g) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Provision is made for obsolete, slow moving or defective items where appropriate.

(h) 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 substantively 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 the financial statements.

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.

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the fifty three weeks to 2 August 2013**

1 ACCOUNTING POLICIES (continued)

(i) Change in accounting policy

In January 2013, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued revised guidance in respect of IFRS 3 "Business Combinations". Under this guidance, contingent consideration for acquired subsidiaries where the selling shareholders continue to be employed by the Company, but which is automatically forfeited upon termination of employment, is now required to be classified as remuneration for post-combination services to the Company. Prior to this revised guidance, the contingent consideration could be treated for accounting purposes as either consideration or remuneration depending on the substance of the transaction.

Previously the Group reached an overall conclusion based on a balanced assessment of all indicators, including whether payments are dependent on continuing employment, and determined that these amounts were consideration rather than remuneration. As UK GAAP does not provide clear guidance on this issue, the Company has decided to change its accounting policy to conform with the revised IFRIC guidance and the 2012 comparatives have been restated. The impact of this restatement is shown in note 18.

(j) Foreign currencies

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.

(k) Share-based payments

St Ives plc makes equity-settled share-based payments to certain employees of the Company, 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.

(l) Pension costs

The Company operates defined contribution schemes for the benefit of its employees. Contributions payable are charged to the profit and loss account during the period in which they are payable.

(m) Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of leases.

(n) Cash flows

A cash flow statement has not been prepared as, in accordance with Financial Reporting Standard 1 (Revised 1996) "Cash Flow Statements", the Company is a 90% owned subsidiary undertaking of St Ives plc, whose consolidated financial statements are publicly available.

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the fifty three weeks to 2 August 2013

2 TURNOVER

The geographical analysis of turnover by destination is stated below:

| | 2013 £ | 2012 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 10,754,020 | 13,395,756 |
| Rest of the World | 238,902 | 175,548 |
| | <u>10,992,922</u> | <u>13,571,304</u> |

The Directors consider that the Company has only one class of business and consequently no further analysis of turnover or profit is given.

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 2013 £ | 2012 (as restated) £ |
|--|----------------|----------------------------|
| Directors' remuneration: | | |
| Emoluments (excluding pension contributions, share option gains and share options granted) | <u>140,000</u> | <u>1,134,492</u> |

During the period, 1 Director (2012 – 1) was remunerated by the Company. The remaining Directors were remunerated by other group companies for their services to the Group as a whole and it is not practicable to apportion their remuneration between the companies of which they are a Director.

| | 2013 Number | 2012 (as restated) Number |
|--|----------------|---------------------------------|
| Number of Directors who: | | |
| Exercised share options in the ultimate parent company | 2 | – |
| Received shares under a long-term incentive scheme | <u>–</u> | <u>1</u> |

During the period, the number of Directors who received shares under long-term incentive schemes included the highest paid Director.

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the fifty three weeks to 2 August 2013

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

| | 2013 | 2012 (as restated) |
|---|------------------|-----------------------|
| | £ | £ |
| Employee costs during the financial period (including Directors' costs): | | |
| Wages and salaries | 6,930,762 | 9,104,984 |
| Social security costs | 678,502 | 768,162 |
| Pension costs – defined contribution | – | 315 |
| | <u>7,609,264</u> | <u>9,873,461</u> |

The Company participates in a number of share-based payment schemes set up by St Ives plc. Details on the schemes are included in St Ives plc's Annual Report and Accounts which does not form part of these financial statements.

| | 2013 Number | 2012 Number |
|--|----------------|----------------|
| Monthly average number of persons employed (including Directors): | | |
| Sales | 249 | 296 |
| Administration and management | 39 | 50 |
| | <u>288</u> | <u>346</u> |

4 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging/(crediting):

| | 2013 | 2012 (as restated) |
|--|--------------------|-----------------------|
| | £ | £ |
| Fees payable to the Company's Auditor for the audit of the Company's annual accounts | 12,000 | 23,529 |
| Depreciation of owned fixed assets | 315,457 | 224,639 |
| Operating lease rentals – plant and machinery | 21,552 | 16,171 |
| Operating lease rentals – other | 773,646 | 909,002 |
| Charitable donations | 1,901 | 2,900 |
| Non-underlying items * | <u>(1,019,859)</u> | <u>1,688,884</u> |

* 'Non-underlying items' included in the profit and loss account comprise a release of accrued contingent consideration required to be treated as remuneration of £1,019,859 (2012 – charge of £1,688,884).

Fees paid to the company's Auditor, Deloitte LLP, for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated accounts of the Company's ultimate parent company, St Ives plc, are required to disclose non-audit fees on a consolidated basis.

5 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2013 | 2012 |
|----------------|--------------|--------------|
| | £ | £ |
| Bank interest | 428 | – |
| Group interest | 3,810 | 7,707 |
| | <u>4,238</u> | <u>7,707</u> |

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the fifty three weeks to 2 August 2013

6 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of tax (credit)/charge

| | 2013 £ | 2012 £ |
|---|------------------------|-----------------------|
| Current tax: | | |
| UK corporation tax (credit)/charge for the financial period | (80,770) | 362,802 |
| Adjustments in respect of prior periods | 26,667 | 8,231 |
| Total current tax | <u>(54,103)</u> | <u>371,033</u> |
| Deferred tax (note 11): | | |
| Timing differences, origination and reversal | (28,115) | (12,651) |
| Adjustments in respect of prior periods | <u>(2,782)</u> | <u>(3,920)</u> |
| Total deferred tax credit to profit and loss account | <u>(30,897)</u> | <u>(16,571)</u> |
| Total tax on profit/(loss) on ordinary activities | <u><u>(85,000)</u></u> | <u><u>354,462</u></u> |

(b) Reconciliation of tax (credit)/charge

| | 2013 £ | 2012 (as restated) £ |
|--|------------------------|----------------------------|
| Profit/(loss) before tax | <u>446,597</u> | <u>(340,732)</u> |
| UK corporation tax charge/(credit) at 23.67% (2012 – 25.35%) based on the profit/(loss) for the financial period | 105,710 | (86,375) |
| Effects of: | | |
| Disallowed expenses and non-taxable income | (224,030) | 434,151 |
| Capital allowances in deficit of depreciation | 36,224 | 15,026 |
| Movement in short-term timing differences | 1,326 | – |
| Adjustments in respect of prior periods | 26,667 | 8,231 |
| Current tax (credit)/charge | <u><u>(54,103)</u></u> | <u><u>371,033</u></u> |

In March 2013, the UK Government announced a reduction in the standard rate of UK corporation tax to 21% effective 1 April 2014 and to 20% effective 1 April 2015. These rate reductions became substantively enacted in July 2013 and so deferred tax balances have been provided according to these rates.

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the fifty three weeks to 2 August 2013

7 TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Motor vehicles £ | Total £ |
|----------------------------------|-----------------------------|------------------------|---------------------|
| Cost: | | | |
| At 28 July 2012 | 1,049,399 | 79,273 | 1,128,672 |
| Additions | 273,067 | – | 273,067 |
| Disposals | – | (79,273) | (79,273) |
| | <hr/> | <hr/> | <hr/> |
| At 2 August 2013 | 1,322,466 | – | 1,322,466 |
| Accumulated depreciation: | | | |
| At 28 July 2012 | 466,936 | 56,847 | 523,783 |
| Charge for the period | 312,213 | 3,244 | 315,457 |
| Disposals | – | (60,091) | (60,091) |
| | <hr/> | <hr/> | <hr/> |
| At 2 August 2013 | 779,149 | – | 779,149 |
| Net book value: | | | |
| At 2 August 2013 | <hr/> 543,317 <hr/> | <hr/> – <hr/> | <hr/> 543,317 <hr/> |
| At 27 July 2012 | <hr/> 582,463 <hr/> | <hr/> 22,426 <hr/> | <hr/> 604,889 <hr/> |

8 INVESTMENTS

| | Cost & Net book value £ |
|------------------------------------|-------------------------------|
| Investments in subsidiaries | |
| At 27 July 2012 and 2 August 2013 | <hr/> 100 <hr/> |

Investments represent ownership of the ordinary share capital of Flare Limited, a wholly-owned subsidiary incorporated and registered in England and Wales. Its principal activity during the current and past financial period was the provision of field marketing services.

9 STOCKS

| | 2013 £ | 2012 £ |
|----------------|---------------|-------------------|
| Finished goods | <hr/> – <hr/> | <hr/> 5,941 <hr/> |

There are no material differences between replacement cost and the values shown above for all stock categories for either period.

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the fifty three weeks to 2 August 2013

10 DEBTORS

| | 2013 £ | 2012 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 1,915,376 | 3,329,161 |
| Amounts owed by group undertakings | 251,851 | 222,999 |
| Prepayments and accrued income | 647,993 | 330,427 |
| Other debtors | 5,457 | 7,155 |
| Deferred tax asset (note 11) | 55,821 | 24,924 |
| | <u>2,876,498</u> | <u>3,914,666</u> |

11 DEFERRED TAX ASSET

| | £ |
|---------------------------------------|---------------|
| Balance at 28 July 2012 | 24,924 |
| Credit to the profit and loss account | 30,897 |
| | <u>55,821</u> |
| Balance at 2 August 2013 | <u>55,821</u> |

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

| | 2013 £ | 2012 £ |
|---|---------------|---------------|
| Capital allowances in deficit of depreciation | 54,700 | 22,279 |
| Short term timing differences | 1,121 | 2,645 |
| | <u>55,821</u> | <u>24,924</u> |

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2013 £ | 2012 (as restated) £ |
|------------------------------------|------------------|----------------------------|
| Trade creditors | 306,973 | 283,551 |
| Amounts owed to group undertakings | 3,426,957 | 3,879,840 |
| Other creditors | 171 | – |
| Corporation tax payable | 203,899 | 626,610 |
| Other taxes and social security | 512,743 | 509,035 |
| Accruals and deferred income | 514,845 | 636,182 |
| | <u>4,965,588</u> | <u>5,935,218</u> |

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the fifty three weeks to 2 August 2013

13 CALLED UP SHARE CAPITAL

| | 2013 Number of shares | 2013 £ | 2012 Number of shares | 2012 £ |
|--|-----------------------------|--------------|-----------------------------|--------------|
| Called up, allotted and fully paid: | | | | |
| Ordinary shares of £1.00 each | 800 | 800 | 800 | 800 |
| A Ordinary shares of £1.00 each | 100 | 100 | 100 | 100 |
| B Ordinary shares of £1.00 each | 100 | 100 | 100 | 100 |
| | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> | <u>1,000</u> |

14 RESERVES

| | Profit and loss account £ |
|-----------------------------------|---------------------------------|
| Balance at 28 July 2012 | 2,557,404 |
| Prior Period Adjustment (note 18) | <u>(3,540,252)</u> |
| Restated balance at 28 July 2012 | (982,848) |
| Profit for the financial period | 531,597 |
| | <u>(451,251)</u> |
| Balance at 2 August 2013 | |

15 OPERATING LEASE COMMITMENTS

The following commitments in respect of operating leases are due for payment during the next year:

| | 2013 Land and buildings £ | 2013 Other £ | 2013 Land and buildings £ | 2012 Other £ |
|-----------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Leases which expire: | | | | |
| Within one year | 27,768 | 322,720 | – | 210,530 |
| Within two to five years | – | 380,663 | 55,535 | 655,294 |
| | <u>27,768</u> | <u>703,383</u> | <u>55,535</u> | <u>865,824</u> |

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S DEFICIT

| | 2013 £ | 2012 (as restated) £ |
|--|------------------|----------------------------|
| Opening shareholder's deficit | (981,848) | (286,654) |
| Profit/(loss) for the financial period | 531,597 | (695,194) |
| | <u>(450,251)</u> | <u>(981,848)</u> |
| Closing shareholder's deficit | | |

TACTICAL SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the fifty three weeks to 2 August 2013

17 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 "Related Party Transactions" not to disclose transactions with Flare Limited.

Turnover includes sales of £424,331 made to the following companies, all of whom are wholly-owned subsidiaries of St Ives plc, the Company's ultimate parent:

| | 2013 £ | 2012 £ |
|---------------------------|-----------|-----------|
| SP Group Limited | 343,831 | 235,940 |
| Service Graphics Limited | 78,000 | – |
| Pragma Consulting Limited | 2,500 | – |

Cost of sales includes purchases of £175,980 (2012 – £Nil) from SP Group Limited. Administrative expenses include group charges of £1,433,004 (2012 – £474,000) from St Ives plc.

The following balances were due from/(to) the following companies, all of whom are wholly-owned subsidiaries of St Ives plc, as at 2 August 2013:

| | 2013 £ | 2012 (as restated) £ |
|-------------------------------------|-------------|----------------------------|
| St Ives plc | (3,178,051) | (3,637,287) |
| SP Group Limited | 116,861 | 142,580 |
| Service Graphics Limited | 88,602 | – |
| St Ives Direct Bradford Limited | 5,573 | – |
| St Ives Direct Leeds Limited | – | 1,152 |
| St Ives Management Services Limited | 1,200 | – |

18 PRIOR PERIOD ADJUSTMENT

The financial statements have been adjusted following the change in accounting policy for contingent consideration that is now required to be treated as remuneration, as described in note 1.

The effect of this change in accounting policy on these financial statements is as follows:

| | Per 27 July 2012 financial statements £ | Change in accounting policy £ | Restated 27 July 2012 financial statements £ |
|---|---|--|--|
| Non-underlying administrative expenses | – | 1,688,884 | 1,688,884 |
| Amounts owed to group undertakings | 339,588 | 3,540,252 | 3,879,840 |
| Profit and loss account at 30 July 2011 | 1,563,714 | (1,851,368) | (287,654) |

19 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate and ultimate parent company and controlling party is St Ives plc, a company incorporated and registered in England and Wales. Copies of the financial statements of St Ives plc can be obtained from the Company Secretary at the registered office at 1 Tudor Street, London EC4Y 0AH.

The smallest and largest group in which the results of the Company are consolidated is that headed by St Ives plc.