

**Company Registration No. 4332146**

**SERVICE GRAPHICS LIMITED**

**Annual Report and Financial Statements**

**Fifty two weeks ended 27 July 2012**

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**SERVICE GRAPHICS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2012**

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**SERVICE GRAPHICS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M Armitage

N Cole

(Resigned on 18 January 2012)

P Martell

S Parkin

(Appointed on 18 January 2012)

D Wicks

(Resigned on 29 February 2012)

L Wigglesworth

**SECRETARY**

P Harris

**REGISTERED OFFICE**

1 Tudor Street  
London EC4Y 0AH

**BANKERS**

HSBC Bank plc  
76 Edgware Road  
London W2 2EQ

**SOLICITORS**

Herbert Smith LLP  
Exchange House  
Primrose Street  
London EC2A 2HS

**INDEPENDENT AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London

## **SERVICE GRAPHICS LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the fifty two weeks ended 27 July 2012 ("the financial year") Comparative figures are for the fifty two weeks ended 29 July 2011

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The company is a wholly owned subsidiary of St Ives plc and operates as part of the St Ives plc group's ("the group") Print business segment The company's principal activity is large format print production for use in display applications in exhibitions, events, retail, interior and exterior advertising 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

During the period, the company received a cash capital contribution of £5,000,000 from its immediate parent company, St Ives plc, in order to strengthen the company's balance sheet position During the period the company incurred redundancy costs of £507,694 (2011 – £300,092), property-related costs of £79,472 (2011 – £1,101,787) and a loss on disposal of fixed assets of £14,389 (2011 – £68,804) in relation to restructuring activities These costs have been classified under the column 'restructuring, provision releases and other one-off items'

The company's loss for the financial year after tax, as shown in the profit and loss account on page 7 of the financial statements, amounted to £907,211 (2011 – £3,077,896) The directors do not recommend the payment of a final dividend (2011 – £nil)

Trading conditions have remained difficult throughout the course of the year and this continuing uncertainty has resulted in a number of our clients cutting back on their advertising, exhibition and outdoor media expenditure In response to the decline in activity the business has undergone further cost cutting and now has a cost base that has the capacity and flexibility to take on more as planned activity picks up

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year-end has, in net asset terms, improved since the prior year-end due to the capital contribution from the company's parent, St Ives plc, offsetting the loss arising in the period

The group manages its operations under two principal business segments The performance of the Print segment of St Ives plc, which includes the company, is discussed in the group's 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 year or the position of its particular business at the end of the year

## **SERVICE GRAPHICS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, delivering fast response times, not only in supplying products but also in handling all customer queries, and by maintaining strong relationships with customers.

All markets served by the company are influenced by the economic climate and in particular customer confidence. The company will continue to keep this risk under review.

The company's sales are invoiced in Sterling and exposure to movement in foreign exchange rates is minimal. Where significant exposure might arise, no risk is borne directly by this company as the group's treasury function takes out contracts to manage this risk at a group level. Bank balances and group loans carry variable interest fixed by reference to Sterling base rates. Thus, while base rate changes affect interest, the potential impact is not expected to be material.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience and the terms of any credit insurance policy which may apply at the time of the loss event, is evidence of a reduction in the recoverability of cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Group risks are discussed in St Ives plc's Annual Report and Accounts which does not form part of this Report.

#### **FUTURE PROSPECTS**

The company continues to focus on the UK market, where a quick turnaround is required and overseas competition is less able to compete.

The company is dependent on its clients' confidence in both the economy and their own business. The economic downturn and general uncertainty in the market place has affected client confidence resulting in projects being postponed at short notice due to the worsening economic climate and reductions in spend on the company's product offerings. Significant effort has been applied to position the company as an integral part of its clients' business success and together with recent capital investment, particularly in digital printing technology, has placed the company in a good position to pursue opportunities as they arise.

The directors are of the opinion that the company is well placed to perform satisfactorily during the coming year.

#### **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 throughout the year and up to 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 directors which remain in force at the date of this Report.

## **SERVICE GRAPHICS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **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 27 July 2012 were 74 (2011 – 76)

#### **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 St Ives 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.

#### **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.

## **SERVICE GRAPHICS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **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

19 November 2012

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVICE GRAPHICS LIMITED**

We have audited the financial statements of Service Graphics Limited for the fifty two weeks ended 27 July 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. 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 for preparing 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 27 July 2012 and of its loss for the fifty two weeks then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of 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 year 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 (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
19 November 2012



**SERVICE GRAPHICS LIMITED**

**PROFIT AND LOSS ACCOUNT**

**Fifty two weeks ended 27 July 2012**

|   |        | 52 weeks to 27 July 2012   |  |                  | 52 weeks to 29 July 2011   |  |                    |
|---|--------|--|--|------------------|--|--|--------------------|
|   | Note   | Before<br>restruct-<br>uring,<br>provision<br>releases<br>and other<br>one-off<br>items<br>£ | Restruct-<br>uring,<br>provision<br>releases<br>and other<br>one-off<br>items<br>(note 4)<br>£ | Total<br>£       | Before<br>restruct-<br>uring,<br>provision<br>releases<br>and other<br>one-off<br>items<br>£ | Restruct-<br>uring,<br>provision<br>releases<br>and other<br>one-off<br>items<br>(note 4)<br>£ | Total<br>£         |
| <b>TURNOVER</b>                                 | 2      | 39,859,135   | –  | 39,859,135       | 36,842,082   | –  | 36,842,082         |
| Cost of sales                                   |        | (28,424,798)   | (118,443)  | (28,543,241)     | (26,038,171)   | (9,107)  | (26,047,278)       |
| <b>GROSS<br/>PROFIT/(LOSS)</b>                  |        | 11,434,337   | (118,443)  | 11,315,894       | 10,803,911   | (9,107)  | 10,794,804         |
| Selling expenses                                |        | (5,388,206)  | (176,730)  | (5,564,936)      | (6,399,006)  | –  | (6,399,006)        |
| Administrative<br>expenses                      |        | (6,108,566)  | (291,993)  | (6,400,559)      | (6,367,932)  | (1,392,772)  | (7,760,704)        |
| <b>OPERATING LOSS</b>                           | 4      | (62,435)   | (587,166)  | (649,601)        | (1,963,027)  | (1,401,879)  | (3,364,906)        |
| Profit/(loss) on<br>disposal of fixed<br>assets |        | –  | (14,389)   | (14,389)         | 19,257   | (68,804)   | (49,547)           |
| Interest receivable<br>and similar income       | 5      | –  | –  | –                | 66   | –  | 66                 |
| Interest payable and<br>similar charges         | 6      | (232,655)  | –  | (232,655)        | (356,898)  | –  | (356,898)          |
| <b>LOSS BEFORE TAX</b>                          |        | (295,090)  | (601,555)  | (896,645)        | (2,300,602)  | (1,470,683)  | (3,771,285)        |
| Tax (charge)/credit on<br>loss                  | 7      | (145,566)  | 135,000  | (10,566)         | 336,588  | 356,801  | 693,389            |
| <b>LOSS FOR THE<br/>FINANCIAL YEAR</b>          | 16, 19 | <u>(440,656)</u>   | <u>(466,555)</u>   | <u>(907,211)</u> | <u>(1,964,014)</u>   | <u>(1,113,882)</u>   | <u>(3,077,896)</u> |

All transactions are derived from continuing operations

There are no recognised gains or losses in either the current or previous period other than the losses disclosed in the profit and loss account. Accordingly no separate statement of total recognised gains and losses is required

**SERVICE GRAPHICS LIMITED**

Company Registration No. 4332146

**BALANCE SHEET**

27 July 2012

27 July 2012 29 July 2011

|   | Note | £                       | £                       |
|---|------|-------------------------|-------------------------|
| <b>FIXED ASSETS</b>                                   |      |                         |                         |
| Goodwill  | 8    | 2,967,039               | 3,376,286               |
| Tangible assets                                       | 9    | 4,006,294               | 4,843,557               |
|   |      | <u>6,973,333</u>        | <u>8,219,843</u>        |
| <b>CURRENT ASSETS</b>                                 |      |                         |                         |
| Stocks  | 10   | 1,122,418               | 1,154,694               |
| Debtors – amounts due within one year                 | 11   | 9,919,384               | 10,307,323              |
| Debtors – amounts due in greater than one year        | 11   | 233,937                 | 539,529                 |
| Cash at bank and in hand                              |      | 3,997                   | 21,736                  |
|   |      | <u>11,279,736</u>       | <u>12,023,282</u>       |
| <b>CREDITORS: amounts falling due within one year</b> | 13   | <u>(13,898,864)</u>     | <u>(19,443,474)</u>     |
| <b>NET CURRENT LIABILITIES</b>                        |      | <u>(2,619,128)</u>      | <u>(7,420,192)</u>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | 4,354,205               | 799,651                 |
| <b>PROVISIONS FOR LIABILITIES</b>                     | 14   | <u>(975,500)</u>        | <u>(1,513,735)</u>      |
| <b>NET ASSETS/(LIABILITIES)</b>                       |      | <u><u>3,378,705</u></u> | <u><u>(714,084)</u></u> |
| <b>CAPITAL AND RESERVES</b>                           |      |                         |                         |
| Called up share capital                               | 15   | 800,000                 | 800,000                 |
| Share premium account                                 | 16   | 1,167,963               | 1,167,963               |
| Profit and loss account                               | 16   | (4,789,258)             | (8,882,047)             |
| Other reserves  | 16   | 6,200,000               | 6,200,000               |
| <b>SHAREHOLDER'S FUNDS / (DEFICIT)</b>                | 19   | <u><u>3,378,705</u></u> | <u><u>(714,084)</u></u> |

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 19 November 2012 and signed on its behalf by



M Armitage  
Director

## **SERVICE GRAPHICS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Fifty two weeks ended 27 July 2012**

#### **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 of the 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 to the company for the twelve months following the date of approval of the financial statements.

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 two weeks ended 27 July 2012 ("the financial year"). Comparative figures are for the fifty two weeks ended 29 July 2011.

##### ***(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 is recognised when goods and services have been delivered and ownership has passed.

##### ***(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.

##### ***(e) Goodwill***

Acquired goodwill is written off in equal instalments over its estimated useful economic life of twenty years.

## **SERVICE GRAPHICS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **Fifty two weeks ended 27 July 2012**

#### **1 ACCOUNTING POLICIES (continued)**

##### ***(f) Tangible fixed assets***

Tangible fixed assets are stated at cost less depreciation and provision for impairment. 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:

|                                  |                 |
|----------------------------------|-----------------|
| Leasehold properties             | Period of lease |
| Plant and machinery              | 14 33% – 20%    |
| Fixtures, fittings and equipment | 20% – 50%       |
| Motor vehicles                   | 25%             |

##### ***(g) Investments***

Investments held as fixed assets are stated at cost less provision for impairment in value.

##### ***(h) 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.

##### ***(i) Tax***

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid 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.

##### ***(j) Provision for repairs***

Where 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.

##### ***(k) 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 loss on ordinary activities before tax.

##### ***(l) 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.

## SERVICE GRAPHICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Fifty two weeks ended 27 July 2012

#### 1 ACCOUNTING POLICIES (continued)

##### *(m) 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 financial year in which they are payable.

##### *(n) Leases*

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease. The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the company's policy set out in the note above. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

##### *(o) Cash flows*

A statement of cash flows has not been prepared as, in accordance with Financial Reporting Standard 1 (Revised) "Cash Flow Statements", cash flow information has been shown in the financial statements of the ultimate parent company.

#### 2 TURNOVER

The geographical analysis of turnover by destination is stated below:

|                   | 2012<br>£  | 2011<br>£  |
|-------------------|------------|------------|
| United Kingdom    | 39,064,258 | 36,118,599 |
| Rest of the World | 794,877    | 723,483    |
|                   | <hr/>      | <hr/>      |
|                   | 39,859,135 | 36,842,082 |

The directors consider that the company has only one class of business and consequently no further analysis of turnover or loss is given.

## SERVICE GRAPHICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Fifty two weeks ended 27 July 2012

#### 3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

|  | 2012<br>£      | 2011<br>£      |
|--|----------------|----------------|
| <b>Directors' remuneration:</b>  |                |                |
| Emoluments (excluding pension contributions, share option gains and share options granted) | 258,169        | 246,423        |
| Pension contributions to a defined contribution scheme                                     | 15,670         | 14,094         |
|  | <u>273,839</u> | <u>260,517</u> |

Directors' emoluments include £52,814 (2011 - £nil) in respect of compensation for loss of office

|  | 2012<br>Number | 2011<br>Number |
|--|----------------|----------------|
| <b>Number of directors who:</b>                      |                |                |
| Accrued benefits under a defined contribution scheme | <u>2</u>       | <u>2</u>       |

|  | 2012<br>£      | 2011<br>£      |
|--|----------------|----------------|
| <b>Highest paid director's remuneration:</b>   |                |                |
| Emoluments (excluding pension contributions, share option gains and share options granted) | 97,740         | 123,712        |
| Pension contributions to a defined contribution scheme                                     | 10,000         | 10,000         |
|  | <u>107,740</u> | <u>133,712</u> |

Certain directors are 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. Consequently their remuneration has not been disclosed in the company's financial statements. The remuneration of P Martell and M Armitage is disclosed in the Annual Report and Accounts of St Ives plc.

|   | 2012<br>£         | 2011<br>£         |
|---|-------------------|-------------------|
| <b>Employee costs during the financial year (including directors) :</b> |                   |                   |
| Wages and salaries  | 10,702,391        | 11,485,642        |
| Social security costs   | 1,265,123         | 1,288,044         |
| Pension costs – defined contribution                                    | 68,113            | –                 |
|   | <u>12,035,627</u> | <u>12,773,686</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.

# SERVICE GRAPHICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Fifty two weeks ended 27 July 2012

### 3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

|   | 2012<br>Number | 2011<br>Number |
|---|----------------|----------------|
| <b>Monthly average number of persons employed (including directors) :</b> |                |                |
| Production  | 209            | 170            |
| Sales   | 68             | 89             |
| Administration and management   | 45             | 38             |
|   | <u>322</u>     | <u>297</u>     |

### 4 OPERATING LOSS

The operating loss is stated after charging

|  | 2012<br>£      | 2011<br>£        |
|--|----------------|------------------|
| Fees payable to the company's auditor for the audit of the company's annual financial statements | 42,370         | 38,500           |
| Depreciation   | 1,057,283      | 988,559          |
| Goodwill amortisation  | 409,247        | 409,247          |
| Operating lease rentals – land and buildings   | 435,952        | 620,270          |
| Operating lease rentals – plant and machinery  | 11,695         | –                |
| Operating lease rentals – other  | 370,239        | 252,270          |
| Repairs provision  | 184,000        | 84,000           |
| Losses on foreign exchange   | 2,829          | 8,848            |
| Charitable donations   | 550            | 2,723            |
| Exceptional costs relating to restructuring *  | <u>587,166</u> | <u>1,401,879</u> |

\* 'Restructuring, provision releases and other one-off items' included in the profit and loss account represent redundancy costs of £507,694 (2011 – £300,092) and property-related costs of £79,472 (2011 – £1,101,787) provided for in relation to restructuring activities

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 RECEIVABLE AND SIMILAR INCOME

|               | 2012<br>£ | 2011<br>£ |
|---------------|-----------|-----------|
| Bank interest | <u>–</u>  | <u>66</u> |

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

|                | 2012<br>£      | 2011<br>£      |
|----------------|----------------|----------------|
| Bank interest  | 116,621        | 78,557         |
| Group interest | 116,034        | 278,341        |
|                | <u>232,655</u> | <u>356,898</u> |

# SERVICE GRAPHICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Fifty two weeks ended 27 July 2012

### 7 TAX ON LOSS ON ORDINARY ACTIVITIES

#### (a) Analysis of tax charge/(credit)

|   | 2012<br>£        | 2011<br>£        |
|---|------------------|------------------|
| <b>Current tax:</b>   |                  |                  |
| UK corporation tax charge/(credit) at 25 35% (2011 – 27 33%) based on the loss for the financial year | (227,121)        | (729,613)        |
| Adjustments in respect of prior periods   | (67,905)         | 22,785           |
| <b>Total current tax</b>  | <b>(295,026)</b> | <b>(706,828)</b> |
| <b>Deferred tax (note 12):</b>  |                  |                  |
| Timing differences, origination and reversal  | 223,811          | (75,441)         |
| Adjustments in respect of prior periods   | 81,781           | 88,880           |
| <b>Total deferred tax charge to profit and loss account</b>   | <b>305,592</b>   | <b>13,439</b>    |
| <b>Total tax on loss on ordinary activities</b>   | <b>10,566</b>    | <b>(693,389)</b> |

#### (b) Reconciliation of tax credit

|  | 2012<br>£        | 2011<br>£        |
|--|------------------|------------------|
| Loss before tax  | (896,645)        | (3,771,285)      |
| UK corporation tax credit at 25 35% (2011 – 27 33%) based on the loss for the financial year | (227,299)        | (1,030,692)      |
| <b>Effects of:</b>   |                  |                  |
| Disallowed expenses and non-taxable income   | 206,495          | 161,013          |
| Capital allowances in (excess)/deficit of depreciation                                       | (25,727)         | 3,845            |
| Movement in short-term timing differences  | (180,590)        | 116,208          |
| Depreciation on non-qualifying assets  | –                | 20,013           |
| Adjustments in respect of prior periods  | (67,905)         | 22,785           |
| <b>Current tax credit</b>  | <b>(295,026)</b> | <b>(706,828)</b> |

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012 respectively. The UK government also proposed to further reduce the standard rate of UK corporation tax to 22% effective 1 April 2014, but this change has not been substantively enacted. The effect of this tax rate reduction on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.



# SERVICE GRAPHICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Fifty two weeks ended 27 July 2012

### 8 GOODWILL

|                                  | £                |
|----------------------------------|------------------|
| <b>Cost:</b>                     |                  |
| At 30 July 2011 and 27 July 2012 | <u>6,885,281</u> |
| <b>Accumulated amortisation:</b> |                  |
| At 30 July 2011                  | 3,508,995        |
| Charge for the year              | <u>409,247</u>   |
| At 27 July 2012                  | <u>3,918,242</u> |
| <b>Net book value:</b>           |                  |
| At 27 July 2012                  | <u>2,967,039</u> |
| At 29 July 2011                  | <u>3,376,286</u> |

### 9 TANGIBLE FIXED ASSETS

|                                  | Leasehold<br>land &<br>buildings<br>£ | Plant and<br>machinery<br>£ | Fixtures,<br>fittings and<br>equipment<br>£ | Motor<br>vehicles<br>£ | Total<br>£       |
|----------------------------------|---------------------------------------|-----------------------------|---|------------------------|------------------|
| <b>Cost.</b>                     |                                       |                             |   |                        |                  |
| At 30 July 2011                  | 2,490,460                             | 5,492,227                   | 918,006                                     | 20,999                 | 8,921,692        |
| Additions                        | –                                     | 78,134                      | 159,665                                     | –                      | 237,799          |
| Reclassification                 | –                                     | (82,350)                    | 82,350                                      | –                      | –                |
| Disposals                        | (55,682)                              | (327,677)                   | (55,006)                                    | –                      | (438,365)        |
| At 27 July 2012                  | <u>2,434,778</u>                      | <u>5,160,334</u>            | <u>1,105,015</u>                            | <u>20,999</u>          | <u>8,721,126</u> |
| <b>Accumulated depreciation:</b> |                                       |                             |   |                        |                  |
| At 30 July 2011                  | 346,219                               | 3,579,648                   | 132,180                                     | 20,088                 | 4,078,135        |
| Charge for the year              | 236,903                               | 600,215                     | 219,254                                     | 911                    | 1,057,283        |
| Reclassification                 | –                                     | (57,253)                    | 57,253                                      | –                      | –                |
| Disposals                        | (43,432)                              | (325,120)                   | (52,034)                                    | –                      | (420,586)        |
| At 27 July 2012                  | <u>539,690</u>                        | <u>3,797,490</u>            | <u>356,653</u>                              | <u>20,999</u>          | <u>4,714,832</u> |
| <b>Net book value:</b>           |                                       |                             |   |                        |                  |
| At 27 July 2012                  | <u>1,895,088</u>                      | <u>1,362,844</u>            | <u>748,362</u>                              | <u>–</u>               | <u>4,006,294</u> |
| At 29 July 2011                  | <u>2,144,241</u>                      | <u>1,912,579</u>            | <u>785,826</u>                              | <u>911</u>             | <u>4,843,557</u> |

# SERVICE GRAPHICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Fifty two weeks ended 27 July 2012

### 10 STOCKS

|                               | 2012<br>£        | 2011<br>£        |
|-------------------------------|------------------|------------------|
| Raw materials and consumables | 594,716          | 580,630          |
| Work in progress              | 527,702          | 562,264          |
| Finished goods                | –                | 11,800           |
|                               | <u>1,122,418</u> | <u>1,154,694</u> |

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

### 11 DEBTORS

|  | 2012<br>£         | 2011<br>£         |
|--|-------------------|-------------------|
| <b>Amounts falling due within one year:</b>          |                   |                   |
| Trade debtors  | 8,946,432         | 7,049,413         |
| VAT and other taxes                                  | –                 | 1,137,838         |
| Group tax relief receivable                          | 256,272           | 651,301           |
| Amounts owed by group undertakings                   | 320,406           | 441,304           |
| Prepayments and accrued income                       | 253,796           | 915,184           |
| Other debtors  | 142,478           | 112,283           |
|  | <u>9,919,384</u>  | <u>10,307,323</u> |
| <b>Amounts falling due after more than one year:</b> |                   |                   |
| Deferred tax asset (note 12)                         | 233,937           | 539,529           |
|  | <u>10,153,321</u> | <u>10,846,852</u> |

### 12 DEFERRED TAX ASSET

|                                       | £              |
|---------------------------------------|----------------|
| Balance at 30 July 2011               | 539,529        |
| Charge to the profit and loss account | (305,592)      |
|                                       | <u>233,937</u> |
| Balance at 27 July 2012               |                |

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

|  | 2012<br>£      | 2011<br>£      |
|--|----------------|----------------|
| Depreciation in excess of capital allowances | 200,567        | 320,171        |
| Short term timing differences                | 33,370         | 219,358        |
|  | <u>233,937</u> | <u>539,529</u> |

# SERVICE GRAPHICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Fifty two weeks ended 27 July 2012

### 13 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | 2012<br>£         | 2011<br>£         |
|------------------------------------|-------------------|-------------------|
| Bank overdraft                     | 106,922           | 6,282,790         |
| Trade creditors                    | 4,661,067         | 4,150,280         |
| Amounts owed to group undertakings | 4,347,699         | 5,376,529         |
| Other creditors                    | 168,877           | 120,225           |
| Other taxes and social security    | 1,737,433         | 1,892,305         |
| Deferred income                    | 276,611           | 128,009           |
| Fixed asset creditors              | 52,849            | 35,500            |
| Accruals                           | 2,547,406         | 1,457,836         |
|                                    | <u>13,898,864</u> | <u>19,443,474</u> |

Interest on the intercompany account is charged at 1% above the base rate and is repayable on demand. The company's overdraft is guaranteed by St Ives plc and certain other United Kingdom subsidiary undertakings.

The company guarantees the loans and overdrafts of St Ives plc and certain of its subsidiary undertakings. At 27 July 2012 the aggregate liability under this guarantee amounted to £25,609,075 (2011 – £23,710,648).

### 14 PROVISIONS FOR LIABILITIES

|                                       | Restruct-<br>uring<br>£ | Repairs<br>£   | Total<br>£     |
|---------------------------------------|-------------------------|----------------|----------------|
| Balance at 30 July 2011               | 826,236                 | 687,499        | 1,513,735      |
| Charge to the profit and loss account | 22,366                  | 184,000        | 206,366        |
| Utilised in the year                  | (611,394)               | (133,207)      | (744,601)      |
| Balance at 27 July 2012               | <u>237,207</u>          | <u>738,292</u> | <u>975,500</u> |

The restructuring provision relates to costs of site closures and is expected to be utilised within 12 months of the balance sheet date.

The repairs provision relates to end of lease costs committed under the terms of various leasehold properties held by the company. £638,175 is expected to be used within 12 months of the balance sheet date, and £99,977 in more than 12 months.

### 15 CALLED UP SHARE CAPITAL

|  | Number of<br>shares | 2012<br>£      | 2011<br>£      |
|--|---------------------|----------------|----------------|
| <b>Called up, allotted and fully paid:</b> |                     |                |                |
| Ordinary shares of £1.00 each              | <u>800,000</u>      | <u>800,000</u> | <u>800,000</u> |

# SERVICE GRAPHICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Fifty two weeks ended 27 July 2012

### 16 RESERVES

|                             | Share<br>premium<br>£ | Other capital<br>reserves<br>£ | Profit and<br>loss account<br>£ |
|-----------------------------|-----------------------|--------------------------------|---------------------------------|
| Balance at 30 July 2011     | 1,167,963             | 6,200,000                      | (8,882,047)                     |
| Capital contribution        | –                     | –                              | 5,000,000                       |
| Loss for the financial year | –                     | –                              | (907,211)                       |
| Balance at 27 July 2012     | <u>1,167,963</u>      | <u>6,200,000</u>               | <u>(4,789,258)</u>              |

A cash capital contribution of £5,000,000 was made in the period by the company's immediate parent, St Ives plc

### 17 OPERATING LEASE COMMITMENTS

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

|                             | 2012<br>Land and<br>buildings<br>£ | 2012<br>Other<br>£ | 2011<br>Land and<br>buildings<br>£ | 2011<br>Other<br>£ |
|-----------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| <b>Leases which expire:</b> |                                    |                    |                                    |                    |
| Within one year             | 62,873                             | 80,121             | 89,384                             | 43,423             |
| Within two to five years    | –                                  | 220,323            | 127,834                            | 544,549            |
| After five years            | 333,912                            | –                  | 3,039,998                          | –                  |
|                             | <u>396,785</u>                     | <u>300,444</u>     | <u>3,257,216</u>                   | <u>587,972</u>     |

### 18 PENSION COMMITMENTS

The company participates in the defined contribution schemes operated by St Ives plc

The pension costs of the company are disclosed in note 3

### 19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS / (DEFICIT)

|                                       | 2012<br>£        | 2011<br>£        |
|---------------------------------------|------------------|------------------|
| Opening shareholder's deficit         | (714,084)        | (3,636,188)      |
| Capital contribution (note 16)        | 5,000,000        | 6,000,000        |
| Loss for the financial year           | (907,211)        | (3,077,896)      |
| Closing shareholder's funds/(deficit) | <u>3,378,705</u> | <u>(714,084)</u> |

## **SERVICE GRAPHICS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **Fifty two weeks ended 27 July 2012**

#### **20 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 other wholly owned St Ives plc group companies

#### **21 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company's immediate and ultimate parent company and ultimate 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 1 Tudor Street, London EC4Y OAH

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