

# 4imprint Group plc

Annual Report and Accounts 2006



4imprint®



# 4imprint's Global Sales

## 4imprint is a leading international supplier of promotional products

### European Division

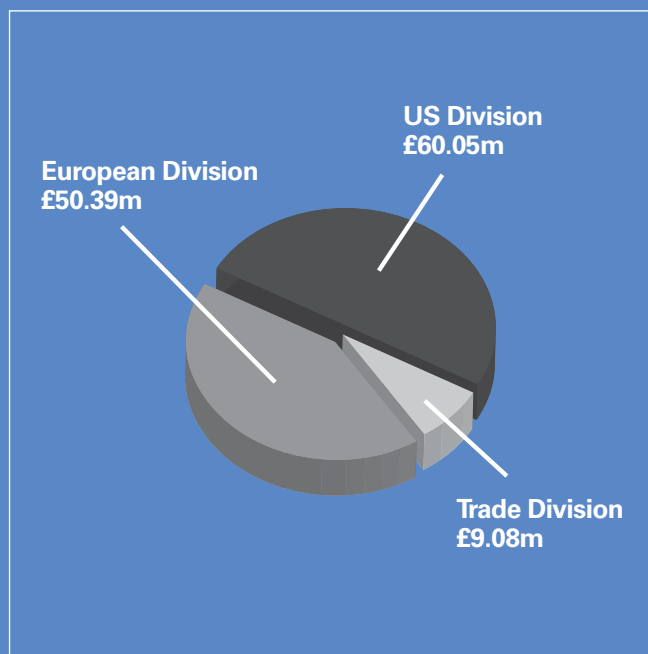
The European Division comprises of Direct Marketing, Corporate Programmes, Premium Promotions and Field Sales. Operations are located in the UK, Germany, France, Ireland and the Far East.

### US Division

The US Division, based in Oshkosh, Wisconsin, has two routes to market: the core Direct Marketing business serving the US and Canada, and a small Corporate Programmes business that services large accounts with their promotional product needs.

### Trade Division

The Trade Division comprises the Manchester based Product Source business, the Manchester based MT Golf business which was acquired in August 2005 and the Blackpool based Supreme business which was acquired in November 2006. This combined business is the largest UK based trade supplier in the UK promotional products industry.

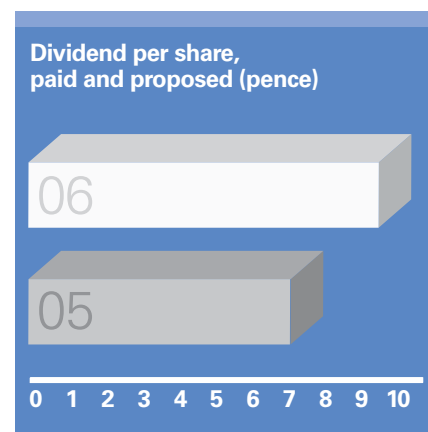
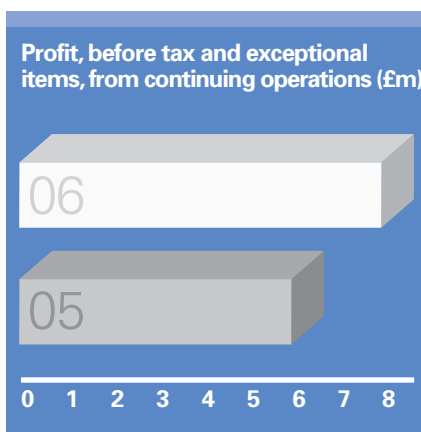


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# Highlights

- Sales are £119.52m, 24% ahead of prior year.
- Operating profit before exceptional items at £7.54m is 32% ahead of prior year.
- Profit before tax and exceptional items at £7.72m is 30% ahead of prior year.
- Profit before tax at £7.34m is 30% ahead of prior year.
- Basic EPS from continuing operations is 20.29p compared to 15.35p in 2005, an increase of 32%.
- Final proposed dividend of 6.25p per share, an increase of 39% on prior year. Total dividend, paid and proposed, 36% ahead of 2005.
- US Direct Marketing sales were over \$100m, 41% ahead of prior year.



# Chairman's Statement



**Ken Minton**  
Executive Chairman

4imprint continued to progress during 2006 with a strong performance from all sectors. The acquisition of Supreme further enriches the Group's business and we look forward to another year of progress in 2007.

In my half year statement to Shareholders on the 2nd August 2006, I advised that the outlook for their Company was encouraging, and that the Group expected to continue to progress during the second half. Shareholders will be pleased to learn that the envisaged progress has been achieved and that 4imprint has had a successful 2006.

Sales of continuing businesses at £119.52m were 24% ahead of the previous year. Operating profit from continuing businesses before exceptional charges, defined benefit pension charges and share option charges at £8.60m, was 28% ahead of 2005.

After defined benefit pension costs of £0.32m and share option charges of £0.74m, operating profit before exceptional costs was £7.54m, 32% ahead of 2005.

Exceptional costs were £0.38m compared with £0.32m in 2005, and thus Group operating profit was £7.16m and compares with £5.39m in 2005, an increase of 33%.

Net finance income for the period was £0.17m compared with £0.25m in 2005, producing pre tax profit after exceptional charges of £7.34m compared with £5.64m in 2005.

The tax charge at 32% (2005: 30%) results in 2006 profit after tax from continuing operations of £4.99m compared with £3.95m last year, an increase of 26%.

Basic earnings per share for continuing operations at 20.29p compare with 15.35p in 2005, a 32% increase, reflecting also the lower level of shares in issue after the share buy back programme of 2005.

On 27 November, the Group completed a most important acquisition, the purchase of Supreme, a UK based specialist manufacturer, printer and trader of promotional products. Supreme is a fine company with first class management, employees and manufacturing facilities. The acquisition is particularly important because it allows us to merge the European Division's Trade Sector (called Product Source) with Supreme to create the foremost manufacturer/wholesaler of promotional products in the UK. The combined companies will have annual revenues in excess of £25m and operating profits of around £3m per annum. Synergies arising from the merger are expected to be in excess of £1.5m per annum and a programme to achieve these is now underway and expected to be broadly complete by the fourth quarter of this year.

As a result of the acquisition of Supreme, and the merger of the European Division's Trade Sector with Supreme, the format of segmental reporting of the Group's business has been changed.

The Group now has three divisions comprising:

- (a) The European Division which comprises Direct Marketing, Corporate Programmes, Premium Promotions, Field Sales and the German Kreyer business.
- (b) The US Division which comprises Direct Marketing and Corporate Programmes.
- (c) The Trade Division which comprises the merged Supreme/Product Source/MT Golf wholesale business.

The performance of all three divisions during 2006 has been excellent.

The European Division achieved sales of £50.82m, an increase of 15% over 2005, while divisional operating profit before exceptional items at £3.23m was 17% ahead. Particularly noteworthy, were the results from the Direct Marketing business, where sales grew by 38%, Premium Promotions where profit increased significantly from 2005 and the Kreyer business where sales and profit were substantially ahead of last year.

The US Division, had another excellent year with sales at \$111.59m, 34% ahead of 2005. The Direct Marketing business achieved sales in excess of \$100m; up 41% on last year. The Division's strategy to focus on, and invest in, this rapidly growing business has continued and has been rewarded by sustained growth of new customers and their retention. Commitment to the highest standards of customer service, coupled with a wide and competitively priced product range remains the hallmark of this business. The small and separate Corporate Programmes business also had a good year.

The Trade Division performed well with total sales at £13.14m, 25% ahead of last year, though this growth was enhanced by the first time inclusion of £1.22m of sales from Supreme for the period from acquisition to the period end. Divisional profit at £1.48m was ahead of last year, also helped by inclusion of £0.13m of operating profit from Supreme for the period since acquisition.

### Cash management

The Group started the year with net cash of £9.01m. Inflow from operating profit after exceptional items, depreciation and a £0.53m deferred payment from the AiA disposal, amounted to £10.13m. Principal outflows were tax, dividends and defined benefit pension scheme payments amounting to £4.26m. Capital and working capital invested, excluding the Supreme acquisition, is £5.29m. Cash outflow on the acquisition of Supreme and other small inflows and outflows totalled £9.84m. The Group thus ended the year with net debt of £0.25m.

### Dividend

The Board is recommending a final dividend of 6.25p which will bring the total dividend paid and proposed to 9.50p (2005: final dividend 4.50p, total dividend 7.00p).

### People

As I said in my annual statement last year, the Group relies a great deal on its employees whose skills and efforts are so important to creating and securing the fortunes of the Group. I welcome on behalf of the Board, everyone employed at Supreme and I thank all employees of the Group for their contribution to the success achieved in 2006.

### Outlook

Sales since the start of the year have been encouraging across most of the Group's businesses. The Board expects that the Group will make good progress during 2007, underpinned by the acquisition of Supreme and the related synergies which are expected to start to contribute from late summer onwards.

**Ken Minton**  
Executive Chairman  
27 February 2007

# Finance Director's Report



**Gillian Davies**  
Group Finance Director

- Sales were 24% ahead of prior year.
- Operating profit before exceptional items was 32% ahead of prior year.
- Profit before tax and exceptional items was £7.72m.

## Summary of results

4imprint results are reported in three divisions:

- US Division
- European Division
- Trade Division

The newly formed Trade Division included the results of the Product Source and MT Golf business (previously reported in the European Division) and the results of the Supreme business (acquired on 27 November 2006).

## Sales

Sales from continuing operations were £119.52m, 24% ahead of prior year. Sales growth in the US Division was 34% in US dollars, with the Direct Marketing business 41% ahead. The European Division grew total sales by 15% and in the newly created Trade Division, total sales were 25% ahead (13% excluding the Supreme acquisition but including the benefit of the MT Golf acquisition).

## Operating profit

Operating profit before exceptional items was £7.54m, 32% ahead of £5.70m in 2005. Operating profit in the US Division was £4.91m, 33% ahead of prior year (\$9.12m: 36% ahead), European Division operating profit before exceptional items was £3.23m (17% ahead) and the newly formed Trade Division operating profit before exceptional items was £1.48m. Head Office costs were £1.02m compared to £0.99m in 2005.

## Exceptional items

The exceptional charge in 2006 of £0.38m comprises three items:

- i) Exceptional costs of £0.14m related to professional fees for a one off Group restructuring exercise to create further distributable reserves in the holding company;
- ii) Exceptional costs of £0.07m related to an OFT fine for a breach of competition law and associated legal costs, relating to the supply of stock check pads by a former Group company for the period 20 April 2000 to 2 July 2000;
- iii) Exceptional costs of £0.17m related to reorganisation costs of the Manchester based Broadway business.



## Pensions

	<b>2006</b>	2005
<b>Pension charges:</b>	<b>£'000</b>	£'000
Defined contribution plans	<b>365</b>	283
Closed defined benefit scheme	<b>325</b>	498
	<b>690</b>	781

The Company's closed defined benefit scheme had 5 active members, 1,472 deferred pensioners and 1,010 pensioners at 5 April 2006, the date of the last scheme accounts. The balance sheet liability relating to the scheme reduced by £2.49m to £18.44m in the period.

Pension scheme assets at 30 December 2006 were £81.91m, an increase of £4.82m. The actual return on assets in the period was £6.74m.

Pension scheme liabilities at 30 December 2006 were £100.35m, an increase of £2.32m in the period. The post retirement mortality assumptions have been strengthened to the "PA92 (C=2020)" standard tables, increasing the liability by £4.33m.

Company cash contributions to the defined benefit scheme were £1.50m.

Most employees are members of defined contribution plans which had a cost of £0.37m.

## Share option charges

In line with IFRS 2 "Share-based payments", the Group charged £0.74m (2005: £0.50m) to operating profit for SAYE, Executive Directors and Senior Management schemes.

## Taxation

The tax charge on continuing operations was £2.35m, an effective tax rate of 32%, (2005: £1.69m; 30%). The charge was made up of a current tax charge of £0.95m, which principally constituted tax due in overseas subsidiaries, and a deferred tax charge of £1.40m, which principally related to the full utilisation of US Division losses previously recognised on the balance sheet. Tax taken directly to reserves included a credit of £0.95m for share options and a debit of £0.55m for pensions.

## Discontinued operations

Discontinued operations income of £4.01m in 2005 related to the profit on disposal in 2005 of the US Franchising business (£2.86m); profit in 2005 to the date of disposal of the US Franchising business (£0.77m) and profit attributable to the disposal of a US supplier business in 1999 (£0.38m).

During 2006, £0.53m of deferred consideration was received relating to the sale of the US Franchising business.

All activities in 2006 represented continuing operations.

## Acquisitions

The Group acquired Supreme Holdings Limited ("Supreme") on 27 November 2006, for consideration of £5.00m together with net debt repayment of £6.70m; satisfied as follows:

- i) £1.52m cash paid on 28 November 2006;
- ii) £1.00m cash deferred until 1 July 2008 with an interest cost of £0.09m;
- iii) An in specie dividend of £2.48m comprising the trade receivables as at 27 November 2006 of Pramic Limited (the trading company of the Supreme Group);
- iv) £7.22m borrowings were repaid on acquisition and cash of £0.52m was acquired.

Costs of acquisition were £0.84m and provisional net assets acquired were £0.35m resulting in goodwill of £3.01m. The provisional net assets acquired were stated after £1.06m of fair value adjustments to align the acquiree's balance sheet with 4imprint Group accounting policies (see note 27).

## Earnings per share

Basic earnings per share for continuing operations were 20.29p, an increase of 32% (4.94p) over the prior year. Due to the share buy back in 2005, the average number of shares in issue have decreased compared to 2005, contributing 0.90p to the increase.

## Dividends

The Board proposes a final dividend of 6.25p which together with the interim dividend of 3.25p gives 9.50p (2005: 7.00p) for the period.

# Finance Director's Report continued

## Cash flow

The Group's net debt at 30 December 2006 was £0.25m, the opening cash position was £9.01m.

The principal components of the £9.26m outflow are as follows:

	£m
Cash generated from operating profit (after £1.50m contribution to the defined benefit pension scheme)	<b>8.11</b>
Working capital	
– Investment in trading working capital	<b>(3.85)</b>
– Increase in trade receivables due to Supreme acquisition	<b>(1.20)</b>
Supreme acquisition (including repayment of net debt and costs of acquisition)	<b>(8.76)</b>
Capital investment	<b>(1.44)</b>
Tax, dividends and interest	<b>(2.62)</b>
Other items	<b>0.50</b>
	<b>(9.26)</b>

## Balance sheet and Shareholders' funds

Equity Shareholders' funds increased by £4.12m, to £20.08m. Profit, net of dividends paid in the period, was £3.08m and movements relating to employee share options, pensions and exchange taken directly to reserves represented an increase of £0.83m.

## Exchange and cash management

The average exchange rate through the period used to translate the income statements of principal overseas subsidiaries for US dollars was \$1.8581 (2005: \$1.8144) and for Euros was €1.4660 (2005: €1.4651) to the pound.

The exchange rate at the balance sheet date, used to translate assets and liabilities in US dollars was \$1.9572 (2005: \$1.7168) and for Euros was €1.4842 (2005: €1.4554). This resulted in a decrease of US dollar denominated overseas subsidiaries' assets of £2.22m and a decrease of Euro denominated overseas subsidiary assets of £0.02m.

The Group does not currently hedge the translation exposure of profits and assets of its overseas subsidiaries.

## Critical accounting policies

Critical accounting policies are those that require significant judgements or estimates and potentially result in materially different results under different assumptions or conditions. It is considered that the Group's critical accounting policies are limited to pensions, exceptional items and taxation. Further details are given in the accounting policies on page 26.

## Treasury policy

Treasury policy is centrally to manage the financial requirements of the Divisions which arise in relation to business needs. The Group operates cash pooling arrangements on currency accounts for its US operations and separately for its UK and European operations. The Group matches currency requirements in its UK Divisions with currency cash flows arising in its subsidiaries and actively seeks to hold the majority of cash or borrowings in the UK.



**Gillian Davies**  
Group Finance Director  
27 February 2007



# Operating Review US Division

	2006		2005	
	US\$'000	£'000	US\$'000	£'000
Sales	<b>111,585</b>	<b>60,053</b>	82,965	45,726
Operating profit	<b>9,123</b>	<b>4,910</b>	6,692	3,688

The US Division, based in Oshkosh, Wisconsin, has two routes to market: the core Direct Marketing business serving the US and Canada, and a small Corporate Programmes business that services large accounts with their promotional product needs.

The Direct Marketing business accounts for just over 90% of US sales. The growth trajectory outlined in the half year report continued into the second half of the year, with Direct Marketing sales up 42% over 2005 in the second half and 41% for the full year, breaking the \$100m mark for the first time. Sales in Canada, which still represent a relatively small portion of the total, nearly doubled over prior year as our marketing strategy had another year to take hold.

The growth in the Direct Marketing business is underpinned by continued investment in an integrated marketing approach. Orders from new customers were up by 49% over 2005, driven by a variety of prospecting initiatives including increased catalogue mailings and search engine marketing initiatives. This success in attracting new customers resulted in a rapidly expanding customer base which is served in a variety of ways including telephone-based account management, print pieces, email and our popular "Blue Box™" mailings featuring product samples, offers and educational materials. Ongoing development of our market leading website, [www.4imprint.com](http://www.4imprint.com), supports both acquisition and retention marketing activities.

Throughout 2006 we continued to invest in the expansion of existing product lines and in the development of new offerings. Examples include the launch of a 24 hour service and several exclusive products. These competitive offerings are supported through strong relationships with key suppliers, who work closely with our merchandising, vendor relations and marketing teams.

The Corporate Programmes business is characterised by stable, mutually productive client relationships with a limited list of large companies. The services we provide to these organisations are tailored to their specific requirements and involve a variety of products and services. The business had a successful year, with sales and operating profit essentially in line with 2005 on a slightly smaller account base. The reduction in the client list came as the result of our reorganisation of this business undertaken in 2004 and 2005.

Divisional US dollar operating profit increased by 36% over 2005, showing a consistent return on sales to complement the growth pattern. As in prior years, the US Division was strongly cash generative, taking advantage of the favourable working capital characteristics of the Direct Marketing business model.



# Operating Review European Division

	2006 £'000	2005 £'000
External and inter division sales	<b>50,818</b>	44,011
External sales	<b>50,388</b>	43,583
Operating profit before exceptional items	<b>3,226</b>	2,765
Operating profit	<b>3,056</b>	2,485

The UK based business, which accounts for more than 80% of this Division's sales, comprises:

- a) Direct Marketing – uses an integrated catalogue-web-customer service marketing approach. The strategy of rapidly developing this division in line with the US Direct Marketing business has continued with sales 38% ahead of prior year. During the year further investment in prospect catalogues, search engine marketing initiatives and a widening product range resulted in orders from new customers 78% ahead of prior year. Additional focus on customer retention led to orders received from existing customers to be 22% ahead of prior year.
- b) Corporate Programmes – services its client base of large companies by providing sophisticated design, product development and additional support functions including warehousing, distribution and product range consultancy, delivering a fully out-sourced solution for specific corporate promotional programmes. Sales have increased by 13% over prior year. The investment in people and systems throughout the year has led to a number of new contract wins that will generate further organic growth in this division.

- c) Premium Promotions – specialises in the supply of bespoke products to a range of blue chip clients. Sales were in line with prior year as the business continues to develop its customer base towards market sectors that are able to consistently offer sustainable growth opportunities. This, together with the division's integration into the wider European business in 2005, generated the expected cost savings and resulted in a significantly improved profit performance over prior year.
- d) Field Sales – supplies promotional merchandise to a range of corporate entities on a preferred supply or 'ad hoc' basis through a number of sales account managers. Sales have increased by 18% over prior year as the division has benefited from the 2005 reorganisation and the first full year's contribution from the division's Irish distributor. The margin benefit generated from these sales led to improved profit performance over prior year.

Kreyer Promotions, in Germany, operates in both the Corporate Programmes and Field Sales areas. The division had an excellent year with sales 32% ahead of prior year. This coupled with robust cost controls resulted in a significant improvement in Kreyer's profits.



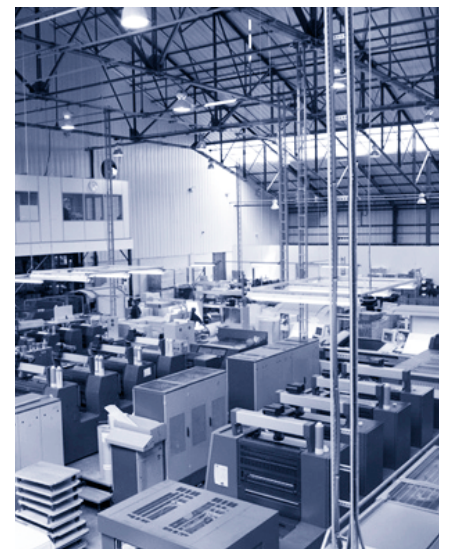
# Operating Review Trade Division

	2006 £'000	2005 £'000
External and inter division sales	<b>13,137</b>	10,512
External sales	<b>9,078</b>	7,172
Operating profit before exceptional items	<b>1,480</b>	1,229
Operating profit	<b>1,480</b>	1,194

The Trade Division comprises the Manchester based Product Source business, the Manchester based MT Golf business which was acquired in August 2005 and the Blackpool based Supreme business which was acquired in November 2006. This combined business is the largest UK based trade supplier in the UK promotional products industry.

The Division supplies a wide range of promotional products to gift distributors in the UK and overseas, including 4imprint end user businesses. It provides bespoke engraving and printing facilities through its own in-house production facilities. MT Golf adds a further dimension to this business supplying personalised golf products to gift distributors and the sports club market. The Supreme business designs, manufactures and prints promotional products in house and has two main product lines – injection moulded plastic products and paper based products.

Excluding the impact of the Supreme acquisition, total sales have increased by 13% and operating profit before exceptional items by 10%; this includes a full year contribution from MT Golf which is producing net returns in line with that expected on acquisition. Total sales in the period from acquisition for Supreme were £1.22m and operating profit was £0.13m.



# Board of Directors

## **K.J. Minton CBE, 70**

Chairman



Ken Minton was appointed as Executive Chairman in 2004. He has spent the last 40 years managing change at some of the largest and best known British companies having served on the board of several FTSE 250 companies. He spent 30 years at Laporte plc culminating in ten years as Chief Executive where he led the growth of the company through acquisition and corporate expansion. Ken has also served as Chairman on the boards of John Mowlem plc, SGB Group plc, Inveresk plc and Arjo Wiggins Appleton plc. He is currently a Non-Executive Director of Elementis plc and PayPoint plc.

## **A.J. Scull, 50**

Corporate Services Director  
and Legal Counsel



Andrew Scull was appointed as Corporate Services Director and Legal Counsel in 2004. He has an MBA from Warwick University and since qualifying as a solicitor in 1980, he has held a number of senior positions including Group Legal Counsel at Laporte plc, Commercial Director at SGB Group plc and Director of Legal Services at Coors Brewers Limited. In addition to extensive experience of international mergers and acquisitions, he has had responsibility for corporate services including pensions, human resources, insurance and real estate.

## **G. Davies, 39**

Group Finance Director



Gillian Davies was appointed as Group Finance Director in 2004. She has held a series of financial positions, initially with KPMG, where she qualified as a chartered accountant, followed by Zeneca Plc, senior financial roles with Avecia both in the UK and the US and most recently at the Consumer Division of Georgia Pacific GB Ltd.

**I. Brindle, 63**

Senior Independent  
Non-Executive Director



Ian Brindle was appointed a non-executive Director in 2003. He was Chairman of PricewaterhouseCoopers UK and on retiring in 2001 he became Deputy Chairman of the Financial Reporting Review Panel. He is also a Non-Executive Director of Elementis plc and Spirent Communications plc.

**N. Temple, 59**

Independent Non-Executive Director



Nicholas Temple was appointed a Non-Executive Director in 2003. He spent 30 years with IBM, starting as a systems engineer in 1965 and retiring in 1996 as Chairman, IBM UK Limited and Vice President, IBM Industries, responsible for market strategy and development for Europe, the Middle East and Africa.

He currently serves as the Chairman of Retail Business Solutions Ltd and Tax Computer Systems Ltd (for IT) and as a Non-Executive Director of Electrocomponents plc, DataCash plc, and Datatec Pty (SA).

**Audit Committee**

Ian Brindle (Chairman)  
Nicholas Temple

**Remuneration Committee**

Nicholas Temple (Chairman)  
Ian Brindle

**Nominations Committee**

Nicholas Temple (Chairman)  
Ian Brindle



# Directors' Report

The Directors present their report and the audited financial statements for the period ended 30 December 2006.

## Principal activity

The principal activity of the Group in 2006 comprised the supply of promotional products. The Company's principal activity is that of a holding Company.

Details of the Group can be found inside the front cover.

## Review of the business

A review of the business is contained in the Chairman's Statement, the Finance Director's Report and the Operating Review on pages 2 to 9.

The results of the Group for the period are set out in detail on page 22.

## Dividends

An interim dividend of 3.25p per ordinary share for 2006 was paid on 6 September 2005 and the Directors recommend a final dividend of 6.25p per share. The proposed final dividend, if approved, will be paid on 23 April 2007 in respect of shares registered at the close of business on 23 March 2007.

The total distribution paid and recommended for 2006 on the ordinary shares is £2,358,000 or 9.50p per share (2005: £1,718,000 or 7.00p per share).

## Charitable and political donations

The Group contributed the following sums:

	2006 £'000	2005 £'000
Charitable purposes	51	22

Donations were made to a variety of charities. No political donations were made.

## Disabled persons

The Group has an established policy of encouraging the employment of disabled persons wherever this is practicable and endeavours to ensure that disabled employees benefit from training and career development programmes in common with all other employees. The Group's policy includes, where practicable, the continued employment of those who may become disabled during their employment.

## Employee involvement

As a key part of the Group's philosophy, we continue to place great importance on involving our staff in our operations. Regular meetings are held between management and employee representatives through whom we seek to keep staff informed and involved in the progress and performance of the Group. To ensure that employees remain motivated and identify more closely with the business, Shareholders and future growth, a savings related share option scheme continues to be made available to employees.

## Directors

The names of the present Directors and their interests in the share capital of the Company are shown on pages 19 and 20. Biographical details of the Directors, including those proposed for re-election, are shown on pages 10 and 11.

Neither the Directors, their associated companies, nor any members of their families, had any interest either during or at the end of the period in any contract with the Company or its subsidiaries requiring disclosure under Parts II and III of Schedule 6 of the Companies Act 1985.

During the period eight board meetings were held and attended by the entire board.

Also, during the period there were two Audit Committee meetings attended by all the members of the Audit Committee, together with the Chairman of the Company, the Finance Director and the Auditors. There were three Remuneration Committee meetings attended by all the Members of the Remuneration Committee, together with the Chairman of the Company. The Company Secretary attended all the meetings of the Audit Committee and the Remuneration Committee. There were no meetings of the Nominations Committee during the period. The Non-Executive Directors meet from time to time without the Executive Directors being present. The Directors have access to the advice and services of the Company Secretary.

## Corporate governance

During 2006 the Group has complied with the provisions of the Combined Code, except for the following matter:

There is no Group Chief Executive but the role of Executive Chairman has been undertaken by Mr K. J. Minton during the period, (Principle A.2.1). The structure of the businesses, in that each of the three Divisions has its own Chief Executive, means that currently the Board sees no compelling reasons to employ a Group Chief Executive. This situation is kept under review by the Board.



## The Board

The Board consists of an Executive Chairman, a Group Finance Director, a Corporate Services Director and two independent Non-Executive Directors. The biographical details of the Directors, committee memberships, independence status and identification of the Senior Independent Director are given on pages 10 and 11. The Board has at least six scheduled meetings per year, and additional Board meetings are convened as and when required. In advance of each meeting, the Board receives minutes of the previous meetings, detailed financial information on the performance of the business and items for discussion. This enables the Directors to make informed decisions on the corporate and business issues under consideration. Independent professional advice is available to the Directors as required, at the Company's expense.

The Board makes decisions, reviews and approves key policies and decisions of the Group in relation to corporate governance; Group strategy and operating plans; business development, including acquisitions and disposals; major capital investment; financing and treasury; appointment and removal of Directors; remuneration of Directors and senior management; risk management; internal control; and financial reporting and audit. Otherwise, the Board delegates day-to-day management of the Group's affairs to the Executive Directors.

There is a formal schedule of matters reserved to the Board, and in any case where a Director has a concern which cannot be resolved about the running of the Company or a proposed action, any such concern is recorded in the minutes of the Board Meeting.

The Board has undertaken an evaluation of its performance and the performance of its committees. The evaluation process was conducted by the Chairman, assisted by the Company Secretary, using a series of structured questions, the responses to which were discussed in detail by the Board. The Non-Executive Directors, led by the Senior Independent Non-Executive Director undertook an evaluation of the performance of the Chairman, taking into account the views of the Executive Directors, other than the Executive Chairman.

Additionally, the Company provides the necessary resources for developing and updating the knowledge and capabilities of the Directors. During 2006, the Board held meetings at two businesses, one in the UK and one in the USA to enable the Non-Executive Directors, in particular, to increase their knowledge and familiarity with those businesses and their management.

## Board Committees

The Board has three permanent Committees. Other than the Committee members, further participants may attend by the invitation of the Committee. Each Committee has defined terms of reference, procedures, responsibilities and powers as follows:

### Nominations Committee

The Committee is responsible for keeping under review the composition of the Board and succession planning. It makes recommendations to the Board concerning appointments to the Board, whether of Executive or Non-Executive Directors, having regard to the balance and structure of the Board and the required blend of skills and experience.

### Remuneration Committee

The Committee is responsible for making recommendations to the Board on remuneration policy and on the remuneration of Executive Directors and Senior Managers. No Director is allowed to be involved in determining his or her own remuneration. Full details of the remuneration of Directors are given in the Remuneration Report on pages 16 to 20.

### Audit Committee

The Committee is responsible for the integrity of the financial statements and any formal announcements relating to the Group's financial performance; reviewing accounting policies, monitoring the adequacy and effectiveness of the systems review of the requirement for an internal audit function; and reviewing the selection, re-appointment, independence and findings of the external auditor. The Chairman of the Audit Committee, who is also the Senior Independent Non-Executive Director was Chairman of PwC and on retiring in 2001 became Deputy Chairman of the Financial Reporting Review Panel. He has extensive financial knowledge and experience. The Finance Director is normally invited to attend the Committee's meetings. During the period the Board considered the independence of the external auditor by reviewing, in particular the nature, extent and cost of non-audit services provided by the auditors. During 2006, given the extent of the work undertaken by PwC on the acquisition of the Supreme businesses and the Class One Circular associated with that acquisition, the costs associated with non-audit work exceed that received by the auditors for audit work. The Board has specifically considered these particular circumstances and concluded that there was no independence threat.

### Relations with Shareholders

The Board places a high value on its relations with its investors. Institutional Shareholders and analysts are kept

# Directors' Report continued

informed by way of meetings and presentations, and the Senior Independent Director is available to meet or speak to them if required. Private Shareholders can keep up to date through the annual report and accounts and updates provided on the Investor Relations section of the 4imprint website. Shareholders are invited at any time to write to the Chairman or any other Director to express their view and the AGM provides an opportunity for Shareholders to address their questions to the Board in person.

## Internal control

The Combined Code introduced a requirement that the effectiveness of the system of internal control is reviewed by the Board at least annually. In this respect, the Group operates within a clearly defined organisational structure, with established responsibilities and authorities for reporting to the Board. This structure is designed to monitor and address key business and financial risks and to ensure that the financial position of the Company is disclosed with reasonable accuracy so that the Board maintains effective control.

The Senior Management of the operating divisions identify key business risks and consider their financial implications and the effectiveness of each of the plans to deal with these risks. During the period, and on an ongoing basis, the Board reviews the risk assessments in conjunction with the strategies of the operating divisions, their performance and their budgeting process, thus enabling the Board to satisfy its obligations as regards to the effectiveness of its internal control procedures.

The Board does not currently consider the establishment of a separate internal audit function to be commercially viable. However, this matter is reviewed by the Board from time to time, at least once annually.

## Going concern

The Board has reasonable expectation that the Group and Company have adequate resources to continue operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the accounts.

## Statement of Directors' responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether the financial statements comply with IFRSs as adopted by the European Union.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken all the steps that they ought to have taken as Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

### Directors' interests in the share capital of the Company

Details of share and option holdings are set out in the Remuneration Report on pages 19 and 20.

### Remuneration Report

Details of the procedures and guidelines used by the Committee in determining remuneration are outlined in its report on pages 16 to 18.

### Payment policy

In view of the diverse geographic nature of the Group's activities, no universal code or standard on payment policy is followed, but the operations within the Group are expected to establish payment terms consistent with local procedures, custom and practice. The Company had no trade payables at the period-end.

### Purchase of own shares

No own shares were purchased during the period for either cancellation or to satisfy employee share option requirements.

### Substantial interests

At 5 February 2007 the Company had been notified of the following interests in the issued ordinary share capital of the Company:

	Number of shares	%
Aberforth Partners	<b>3,000,000</b>	11.79
SVG Investment Managers	<b>2,850,000</b>	11.20
Artemis Investment Management	<b>2,752,817</b>	10.82
BGI	<b>2,599,431</b>	10.21
BlackRock Investment Managers	<b>2,366,429</b>	9.30
Hermes Pensions Management	<b>1,618,986</b>	6.36
Legal & General Investment Management	<b>1,276,648</b>	5.02
M & E Investment Management	<b>1,224,761</b>	4.81
Morley Fund Management	<b>844,626</b>	3.32
4imprint Employee Share Trust	<b>665,000</b>	2.61

### Waiver of dividends

The dividend income from and the voting rights in respect of the 665,000 shares (2005: 875,000 shares) held in the 4imprint Group plc Employee Share Trust have been waived.

### Environment

The Board recognises its obligations to protect the environment and is committed to achieving a high environmental standard across all the activities of the Group and to minimising environmental impact.

### Health and Safety

The Board is committed to providing a safe working environment. The Board as a whole is responsible for Health and Safety management including the monitoring of individual business units on a regular basis, taking corrective action where necessary and undertaking an Annual Review of the 4imprint Group Health and Safety Policy. The application of this responsibility has been delegated to the Executive Chairman and, through him, to the Divisional Chief Executives. The Corporate Services Director has responsibility for reporting to the Board on Health and Safety matters.

### Annual General Meeting

Notice of the AGM is set out on page 54. Items of special business to be considered at the Meeting are described in detail in the Notice of the AGM and the notes on the business to be conducted on pages 54 to 57.

### Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the AGM.

By order of the Board



**Andrew Scull**  
Secretary  
27 February 2007

# Remuneration Report

for the period ended 30 December 2006

## Composition

The Remuneration Committee is a Committee whose membership is comprised solely of Non-Executive Directors.

The members of the Committee are Mr I. Brindle and Mr N. Temple. The Committee meets at least once a year and may invite other attendees as it sees fit. The Company Secretary attends as Secretary of the Committee.

## Compliance

The Committee considers that during 2006 the Company has complied with the Best Practice Provision for Directors' Remuneration as required by the Financial Services Authority's Listing Rules.

## Service agreements

Save in the case of Mr K. J. Minton, details of whose contract are set out below, current Executive Directors have rolling service contracts which continue until terminated by the expiry of twelve months written notice from the Company to the relevant Director. The contractual termination payment in such circumstances would comprise up to twelve months payments equivalent to the notice period in respect of salary, car allowance, employer's contributions to defined contribution pension schemes and contributions to healthcare schemes. Each service contract provides for participation in a discretionary bonus scheme, the provision of a car (or car allowance) and pension entitlements. Further detailed information in regard to the foregoing may be found later in the Report in the section entitled "Elements of Remuneration."

Mr K.J. Minton was appointed for 3 years on 5 April 2004, after which his contract is renewable by mutual agreement subject to the provisions in respect of re-appointment contained in the Company's Articles of Association. The letter of appointment indicates that the appointment will terminate, forthwith, without any entitlement to compensation if, at any time,

- he is not reappointed as a Director of the Company upon retirement by rotation pursuant to the Company's Articles of Association; or
- he is removed as a Director of the Company by resolution passed at the General Meeting of the Company; or
- he ceases to be a Director of the Company by reason of his vacating office pursuant to any provision of the Company's Articles of Association.

If the maximum bonus is achieved, the composition of each Executive Director's remuneration will be as follows:

	Non performance related*	Performance related
K. J. Minton	100%	–
G. Davies	74%	26%
A.J. Scull	74%	26%

\* Note that Mr K.J. Minton, Ms G. Davies and Mr A.J. Scull have been awarded performance related options, details of which are set out in the Remuneration Report.

## Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board with assistance, as required, from independent advisors.

The Non-Executive Directors do not receive any pension or benefits from the Company relating to their activities as Non-Executive Directors, nor do they participate in any bonus, incentive or share option schemes.

The Non-Executive Directors do not have service agreements with the Company. They are appointed for a two or three year period and offer themselves for re-election at the relevant Annual General Meeting.

## Executive Directors – Policy

The Committee's policy is to provide Executive Directors with remuneration packages, which are:

- Competitive when compared with those in organisations of similar size, complexity and type;
- Structured so that remuneration is linked to the long term growth in profitability and value of the Company's financial performance; and
- Clear, easy to understand and motivating.

Name	Contract Details	Unexpired term at 30 December 2006	Notice period (i) from Company (ii) from Director	Contractual termination payment
K.J. Minton	5 Apr 2004	0.26 years	n/a	nil
G. Davies	6 Dec 2004	n/a	(i) Twelve months (ii) Six months	Twelve months contractual benefits n/a
A. J. Scull	8 Nov 2004	n/a	(i) Twelve months (ii) Six months	Twelve months contractual benefits n/a

## Methodology

The Committee has access to surveys carried out by remuneration consultants, as well as to the services of independent advisors, as required. These external sources of data, the policy and the objectives outlined below provide a framework for the Committee's decision making process.

During the period PricewaterhouseCoopers LLP have provided advice on share option arrangements.

## Objectives

The Committee's objectives are:

- To enable the Company to attract, retain and motivate high calibre executives and to align their interests with those of Shareholders;
- To retain discretion to vary the elements of remuneration to reflect individuals' performance and circumstances but to ensure that total remuneration does not become excessive; and
- To give executives incentives to perform at the highest level.

## Elements of remuneration:

The elements of remuneration set out below apply to Executive Directors. Similar arrangements apply to Senior Managers, with the exception of annual performance related bonuses which are capped at 100% of salary for Senior Management.

### Basic salary

Basic salaries for Executive Directors, except Mr. K.J. Minton, are reviewed in January of each year based on levels of responsibility and any changes thereto, experience and individual performance with the Committee taking advice, as required, on market rates for comparable jobs.

### Annual performance related bonus

Each Executive Director, except Mr K.J. Minton, is entitled to participate in a discretionary bonus scheme, which provides rewards according to growth in financial parameters established by the Committee. The level of bonus is decided by the Committee and may vary from time to time. All bonus payments are capped and do not form part of pensionable remuneration. The cap is 30% of salary for Executive Directors, although in exceptional circumstances, this may be varied by the Remuneration Committee. In the period, the Remuneration Committee decided to award an additional bonus of 5% of salary to G. Davies and A. J. Scull to reflect the work undertaken by them on the acquisition of Supreme.

### Pensions

Each Executive Director, except Mr. K.J. Minton, is entitled to receive post retirement benefits through the Group's defined contribution pension plan.

### Share options

Executive Directors may be granted share options or nil cost shares under the Company's share option schemes which, in certain cases, have been approved by H M Revenue and Customs and which, in other cases, are not so approved.

Such grants are subject to performance targets, which are determined by the Committee taking independent advice as required.

There were set out in the Remuneration Report contained in the 2005 Annual Report and Accounts (the "Report"), proposed changes to the Long Term Incentive arrangements for Executive Directors and Senior Management. The present arrangements provide for the grant of nil-cost options as the market value of the Company progressively increases, with grants being made to the Executive Directors and Senior Management participating at various levels as the share price passes through a series of award triggers, namely £2, £2.50p, £3 and £3.50p.

The Report made clear that the present arrangements related to the first phase of the turnaround programme which has been completed and the Remuneration Committee has introduced some changes to the incentive arrangements to reflect the needs of the next phase, which will concentrate on achieving substantial increases in Shareholder value through mainly organic growth rather than restructuring.

The changes implemented by the Remuneration Committee comprise the following:-

- (a) the performance targets will change, from being solely linked simply to increases in share price, to performance targets based on the increase in total shareholder return above the cost of equity (which latter was around 9% per annum at the date of the Report);
- (b) the period for measurement of the increase in total shareholder return will be three years from the completion of the present arrangements which occurred on 20 October 2006 when the share price had been at minimum average of £3.50p for at least 30 consecutive dealing days;
- (c) at the end of the three year period, a quantity of nil-cost options will be provided, which under normal circumstances will be equal in value to 10% of the total net increase in total shareholder return over the cost of equity, achieved by the end of the three year period. However, in exceptional circumstances, where for example the total net increase in total shareholder return over the cost of equity achieved by the end of the three year period, is attributable to factors which do not reflect the underlying value of the Company, the Remuneration Committee may determine a lower percentage than 10%; and
- (d) that quantity of nil-cost options will be allocated to Executive Directors and Senior Management in percentage proportions, determined by the Remuneration Committee at the start of the programme and communicated to the participants at that time. However, the actual quantities awarded to individuals will only be finally determined at the end of the three year period when the total net increase in total shareholder return over the cost of equity has been ascertained.

The changes implemented by the Remuneration Committee and set out above are subject to Shareholders' approval being granted at the 2007 Annual General Meeting. Accordingly, Resolution 11, set out in the Notice of Annual General Meeting, proposes changes to the detailed wording of the existing Long Term Incentive Plan Rules to achieve the aims set out above.

# Remuneration Report for the period ended 30 December 2006

In the case of the Executive Chairman, whose remuneration, apart from an annual salary of £30,000, is entirely based on the performance of the Company, the Remuneration Committee resolved at its meeting on 27 November 2006 to continue the existing arrangements which are believed to be in the best interests of Shareholders.

Accordingly, the Remuneration Committee determined that the current scheme should be extended with vesting of 100,000 nil cost shares for every 50p increase in share price beyond the current limit of £3.50p.

This arrangement will continue and will be subject to Annual Review by the Remuneration Committee to ensure the scheme continues to be the most appropriate, or, if not, is modified or changed.

The Committee formally approved such grants to be made to the Executive Chairman at the same time as those to be made to other Directors and Senior Managers.

## Other benefits

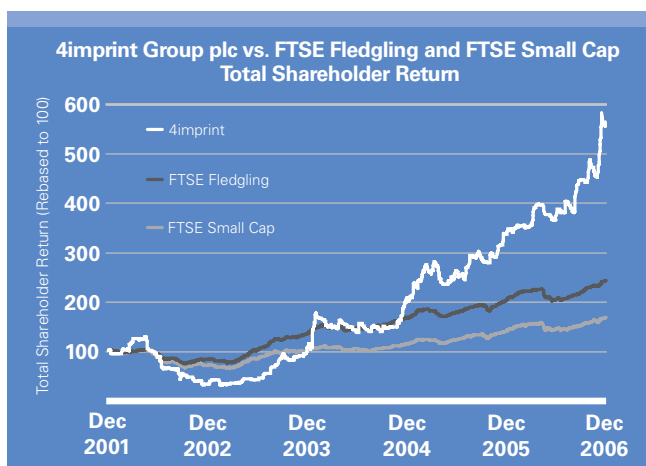
The Committee has agreed the provision of other benefits to Executive Directors, excluding Mr K. J. Minton, including a car (or car allowance) and membership for each Executive Director, spouse and children up to age 18, of a private healthcare scheme.

Details of Directors' basic salaries or fees, annual performance related bonuses and other benefits (including all interests in shares and share options held by Directors) are set out on pages 19 and 20.

The Board believes that the Company can benefit from Executive Directors accepting appointments as Non-Executives and, as a consequence, allows them to hold outside appointments as Non-Executive Directors, subject to the approval of the Board. Any remuneration for an outside appointment is retained by the Executive Director.

## Performance graph

A comparative total shareholder return of the "Fledgling Index" and the "Small Cap index" are included on the basis of the market capitalisation of 4imprint Group plc.



## Auditable information

The following information has been audited by the Company's auditors, PricewaterhouseCoopers LLP, as required by Schedule 7A to the Companies Act 1985.

Emoluments of the Directors of 4imprint Group plc are as follows:		
	2006 £'000	2005 £'000
Fees and contractual salary payments	393	353
Performance related bonus	88	72
Aggregate emoluments of the highest paid Director	202	163



**The total emoluments, excluding pension contributions, of the Directors of 4imprint Group plc were as follows:**

	Basic Salary/fee £'000	Benefits £'000	Annual Bonus £'000	Total Emoluments		Notes
				<b>2006 £'000</b>	2005 £'000	
<b>Executive</b>						
K.J. Minton	30	–	–	<b>30</b>	29	(B)
G. Davies	126	32	44	<b>202</b>	163	(A)
A.J. Scull	126	11	44	<b>181</b>	161	(A)
<b>Non-Executive</b>						
I. Brindle	34	–	–	<b>34</b>	29	(B)
N. Temple	34	–	–	<b>34</b>	29	
E.J. Bramson (resigned 6 April 2005)	–	–	–	–	7	
M.R. Peacock (resigned 6 April 2005)	–	–	–	–	7	
<b>Total 2006</b>	<b>350</b>	<b>43</b>	<b>88</b>	<b>481</b>		
Total 2005	331	22	72		425	

Notes:

(A) The Group made defined contributions to the pension plans of G. Davies and A.J. Scull, amounting to £18,900 (2005: £15,630) and £18,900 (2005: £15,630) respectively. £22,000 of the benefits paid to G. Davies related to relocation expenses during the period.

(B) Non-Executive Directors and K.J. Minton do not have any pension arrangements with the Group.

**Interest in share capital and share options**

Details of share interests and options held by the Directors are set out below:

<b>Directors' interests in the share capital of the Company</b>		
	<b>Holding at 30 December 2006</b>	Holding at 31 December 2005
K.J. Minton	<b>500,000</b>	300,000
G. Davies	<b>5,000</b>	5,000
A.J. Scull	<b>5,000</b>	5,000
I. Brindle*	<b>3,337</b>	–
N. Temple*	–	–

\* Non-Executive Director

# Remuneration Report

for the period ended 30 December 2006

## Directors' options over the share capital of the Company

	Holding at 1 Jan 2006	Granted during the period	Date of grant	Exercised during the period	Holding at 30 Dec 2006	Exercise Price	Exercisable		No of shares vested	Vesting Date
							From	To		
<b>K.J. Minton</b>										
- 2004 Executive scheme	100,000	-	20 Dec 2004	100,000	-	Nil	8 July 2005	20 Dec 2014	100,000	9 Mar 2005
	100,000	-	20 Dec 2004	100,000	-	Nil	8 July 2006	20 Dec 2014	100,000	27 Sept 2005
	100,000	-	20 Dec 2004	-	<b>100,000</b>	Nil	8 July 2007	20 Dec 2014	100,000	10 Feb 2006
- 2005 SAYE	9,110	-	20 Oct 2005	-	<b>9,110</b>	104p	1 Dec 2007	31 May 2008	-	-
- 2004 Executive scheme	-	100,000	14 Mar 2006	-	<b>100,000</b>	Nil	8 July 2007	14 Mar 2016	100,000	20 Oct 2006
	<b>309,110</b>	<b>100,000</b>		<b>200,000</b>	<b>209,110</b>				<b>400,000</b>	
<b>G. Davies</b>										
- 2004 Executive scheme	120,000	-	20 Dec 2004	-	<b>120,000</b>	Nil	6 Dec 2007	20 Dec 2014	120,000	9 Mar 05, 27 Sept 05 & 10 Feb 06
- 2005 SAYE	4,495	-	06 Oct 2005	-	<b>4,495</b>	208p	1 Jan 2009	30 June 2009	-	-
- 2004 Executive scheme	-	50,000	14 Mar 2006	-	<b>50,000</b>	Nil	14 Mar 2009	30 June 2009	50,000	20 Oct 2006
	<b>124,495</b>	<b>50,000</b>		-	<b>174,495</b>				<b>170,000</b>	
<b>A.J. Scull</b>										
- 2004 Executive scheme	120,000	-	20 Dec 2004	-	<b>120,000</b>	Nil	6 Dec 2007	20 Dec 2014	120,000	9 Mar 05, 27 Sept 05 & 10 Feb 06
- 2005 SAYE	4,495	-	06 Oct 2005	-	<b>4,495</b>	208p	1 Jan 2009	30 June 2009	-	-
- 2004 Executive scheme	-	50,000	14 Mar 2006	-	<b>50,000</b>	Nil	14 Mar 2009	30 June 2009	50,000	20 Oct 2006
	<b>124,495</b>	<b>50,000</b>		-	<b>174,495</b>				<b>170,000</b>	

During 2006 the middle market value of the share price ranged from 300p to 505p and was 489.75p at the close of business on 30 December 2006.

The options attributed to Ms G. Davies and Mr A.J. Scull vested when the share price reached or exceeded £2 (30,000 shares), £2.50 (40,000 shares), £3 (50,000 shares) and £3.50 (50,000 shares) for 30 consecutive dealing days. However the options, other than in certain exceptional circumstances, are only exercisable on the dates disclosed above. The options attributed to Mr K.J. Minton vested at 100,000 shares per year based on the share price reaching or exceeding £2, £2.50, £3 and £3.50 for 30 consecutive dealing days but are exercisable, other than in certain exceptional circumstances, no earlier than the dates disclosed above.

There have been no further changes in the interests set out above between 30 December 2006 and 27 February 2007.

The Remuneration Committee, at its meeting of 27 November 2006, determined that the current share incentive scheme for Mr K.J. Minton should be extended with vesting of 100,000 nil cost shares for every 50p increase in share price beyond the current limit of £3.50p.

Details of share options granted by 4imprint Group plc as at 30 December 2006 are given in note 23.

On behalf of the Board.



**Nick Temple**  
Chairman of the Remuneration Committee  
27 February 2007

# Independent Auditors' Report

to the Shareholders of 4imprint Group Plc

We have audited the Group and Company financial statements (the "financial statements") of 4imprint Group plc for the period ended 30 December 2006 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's Shareholders as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Remuneration Report, the Chairman's Statement, the Finance Director's Report, the Operating Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 December 2006 and of its profit and cash flows for the period then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 30 December 2006 and cash flows for the period then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.
- the information given in the Director's Report is consistent with the financial statements.

## PricewaterhouseCoopers LLP

**Chartered Accountants and Registered Auditors**  
**Manchester**  
**27 February 2007**

# Income Statement

for the period ended 30 December 2006

	Note	2006 £'000	2005 £'000
<b>Sales</b>	1	<b>119,519</b>	96,481
Operating expenses	2	<b>(112,355)</b>	(91,093)
<b>Operating profit</b>	1	<b>7,164</b>	5,388
Operating profit before exceptional items		<b>7,541</b>	5,703
Exceptional items	5	<b>(377)</b>	(315)
Operating profit	1	<b>7,164</b>	5,388
Finance costs	6	<b>(44)</b>	(47)
Finance income	6	<b>218</b>	300
<b>Profit before tax</b>		<b>7,338</b>	5,641
Taxation	7	<b>(2,348)</b>	(1,691)
<b>Profit for the period from continuing operations</b>		<b>4,990</b>	3,950
Profit for the period from discontinued operations	8	<b>–</b>	4,012
<b>Profit attributable to equity Shareholders</b>		<b>4,990</b>	7,962
<b>Earnings per share for all operations</b>			
Basic	10	<b>20.29p</b>	30.94p
Diluted	10	<b>19.44p</b>	29.46p
<b>Earnings per share from continuing operations</b>			
Basic	10	<b>20.29p</b>	15.35p
Diluted	10	<b>19.44p</b>	14.62p

# Statements of Recognised Income and Expense

for the period ended 30 December 2006

	Group	
	2006 £'000	2005 £'000
<b>Profit for the financial period</b>	<b>4,990</b>	7,962
Exchange (losses)/gains offset in reserves net of tax	<b>(1,540)</b>	413
Current tax deduction on exercise of employee share options	<b>492</b>	–
Actuarial gains/(losses) taken to reserves net of tax	<b>771</b>	(2,721)
<b>Net losses not recognised in income statement</b>	<b>(277)</b>	(2,308)
<b>Total recognised income for the period</b>	<b>4,713</b>	5,654
	Company	
	2006 £'000	2005 £'000
<b>(Loss)/profit for the financial period</b>	<b>(999)</b>	11,752
Current tax deduction on exercise of employee share options	<b>98</b>	–
Actuarial gains/(losses) taken to reserves net of tax	<b>771</b>	(2,721)
<b>Net gains/(losses) not recognised in income statement</b>	<b>869</b>	(2,721)
<b>Total recognised (expense)/income for the period</b>	<b>(130)</b>	9,031

# Balance Sheets

at 30 December 2006

	Note	Group		Company	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Non current assets</b>					
Property, plant and equipment	11	10,315	1,370	–	–
Goodwill	12	9,084	4,341	–	–
Intangible assets	13	1,616	3,556	–	–
Investments	14	7	8	104,187	104,182
Deferred tax assets	15	6,149	8,921	6,005	6,539
		<b>27,171</b>	18,196	<b>110,192</b>	110,721
<b>Current assets</b>					
Inventories	16	8,409	5,663	–	–
Trade and other receivables	17	23,748	19,864	22,560	16,880
Cash and cash equivalents	18	2,115	9,103	936	2,169
		<b>34,272</b>	34,630	<b>23,496</b>	19,049
<b>Current liabilities</b>					
Trade and other payables	19	18,710	14,737	58	21
Current tax		857	823	–	–
Borrowings	20	2,364	91	4,157	486
Provisions	21	–	285	–	–
		<b>21,931</b>	15,936	<b>4,215</b>	507
<b>Net current assets</b>		<b>12,341</b>	18,694	<b>19,281</b>	18,542
<b>Non current liabilities</b>					
Retirement benefit obligations	4	18,436	20,930	18,436	20,930
Deferred consideration	22	1,000	–	–	–
Amounts due to subsidiary companies		–	–	59,114	55,117
		<b>19,436</b>	20,930	<b>77,550</b>	76,047
<b>Net assets</b>		<b>20,076</b>	15,960	<b>51,923</b>	53,216
<b>Shareholders' equity</b>					
Share capital	23	9,766	9,634	9,766	9,634
Share premium reserve	24	37,757	37,684	37,757	37,684
Capital redemption reserve	24	208	208	208	208
Cumulative translation differences	24	(1,750)	(210)	–	–
Retained earnings	24	(25,905)	(31,356)	4,192	5,690
<b>Total equity</b>		<b>20,076</b>	15,960	<b>51,923</b>	53,216

The financial statements on pages 22 to 53 were approved by the Board of Directors on 27 February 2007 and were signed on its behalf by:



Ken Minton  
Executive Chairman



Gillian Davies  
Group Finance Director



# Cash Flow Statements

for the period ended 30 December 2006

	Note	Group		Company	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	26	3,052	4,662	(3,192)	13,503
Tax paid		(848)	(179)	–	–
Finance income		167	409	15	152
Finance costs		(23)	(47)	–	(18)
Net cash generated from/(used in) operating activities		2,348	4,845	(3,177)	13,637
<b>Cash flows from investing activities</b>					
Acquisition of subsidiary	27	(2,058)	(1,975)	–	–
Cash acquired with subsidiary	27	520	–	–	–
Proceeds on disposal of subsidiary		526	5,263	–	–
Deferred consideration on disposal of US Supplier business in 1999		–	1,653	–	1,653
Purchases of property, plant and equipment		(822)	(457)	–	–
Purchases of intangible assets		(643)	(544)	–	–
Proceeds from sale of property, plant and equipment		27	131	–	–
Net cash (used in)/generated from investing activities		(2,450)	4,071	–	1,653
<b>Cash flows from financing activities</b>					
Repayment of borrowings on acquisition	27	(7,219)	–	–	–
Repayment of borrowings		–	(2,015)	–	(1,653)
Proceeds from issuance of ordinary shares		205	98	205	98
Purchase of own shares for cancellation		–	(9,898)	–	(9,898)
Purchase of own shares		–	(933)	–	(933)
Dividends paid to Shareholders	9	(1,911)	(1,608)	(1,911)	(1,608)
Net cash used in financing activities		(8,925)	(14,356)	(1,706)	(13,994)
Net (decrease)/increase in cash and bank overdrafts		(9,027)	(5,440)	(4,883)	1,296
Cash and bank overdrafts at beginning of the period		9,012	14,666	1,683	349
Exchange (losses)/gains on cash and bank overdrafts		(234)	(214)	(21)	38
<b>Cash and bank overdrafts at end of the period</b>		<b>(249)</b>	<b>9,012</b>	<b>(3,221)</b>	<b>1,683</b>
<b>Analysis of cash and bank overdrafts</b>					
Cash at bank and in hand	18	2,115	9,103	936	2,169
Bank overdrafts	20	(2,364)	(91)	(4,157)	(486)
		<b>(249)</b>	<b>9,012</b>	<b>(3,221)</b>	<b>1,683</b>

# Accounting Policies

## Basis of preparation

The consolidated financial statements of 4imprint Group plc are prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to those companies reporting under IFRS.

The consolidated financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The critical accounting policies used are given below:

### *Pensions*

The Group accounts for pension and other post retirement benefits in accordance with IAS 19. The actuarial evaluation of these assets and liabilities is based on assumptions in respect of inflation, future salary increases, discount rates, returns on equities and bonds and mortality rates.

### *Exceptional items*

The Group presents certain items separately as 'exceptional'. These are items which in management's judgement, need to be disclosed by virtue of their size and occurrence.

### *Taxation*

The Group is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets and liabilities which are included within the balance sheet. Deferred tax assets and liabilities are measured using tax rates expected to apply when the temporary differences reverse.

The Group operates in a number of countries in the world and is subject to several tax jurisdictions and rules. As a consequence the Group is subject to tax audits, which by their nature are often complex and can require several years to conclude. Management's judgement is required to determine the total provision for income tax. Amounts are accrued based on management's interpretation of country specific tax law and likelihood of settlement. However the actual tax liabilities could differ from the provision made or position recorded and in such events an adjustment would be required in the subsequent period which could have a material impact.

Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future. This evaluation requires judgements to be made including the forecast of future taxable income.

## Basis of consolidation

The consolidated accounts comprise the accounts of 4imprint Group plc and its subsidiaries. The results of subsidiaries acquired or disposed of during the period are included from or up to the date of acquisition or disposal. The financial statements of all subsidiaries are prepared to the same reporting date as the Company.

## Sales

Sales are represented by the net invoiced value of goods to customers outside the Group. Sales are recognised upon delivery of goods to customers.

## Investments

Investments in subsidiaries are stated at cost. Where, in the opinion of the Directors, an impairment of the investment has arisen, provisions are made in accordance with IAS 36 'Impairment of Assets'.

## Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition over the fair value of the Group's share of identifiable net assets of a subsidiary acquired at the date of acquisition. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment. An impairment charge is recognised for any amount by which the carrying value of goodwill exceeds its fair value.

## Property, plant and equipment

Land and buildings are stated at their cost. No depreciation is provided on land. For all other tangible fixed assets, depreciation is calculated to write-off their cost less residual value by equal annual instalments over the period of their estimated useful lives, which are reviewed and revised on a regular basis. Short leasehold additions are depreciated over the term of the lease.

The principal useful lives currently fall within the following ranges:

Buildings	20 – 50 years
Plant, machinery, fixtures and fittings	3 – 15 years
Computer hardware	3 years

Profits and losses on disposal which have arisen from over or under depreciation are accounted for in arriving at operating profit and are separately disclosed when material.

### Intangible assets

External expenditure on developing the website and other computer systems is capitalised and amortised from the invoice date on a straight-line basis over its useful economic life (currently 3 to 5 years). Internal costs and non-development costs are expensed as incurred.

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if they are separable and their fair value can be measured reliably. Intangible assets acquired separately from the acquisition of a business are capitalised at cost.

When changes and events in circumstances indicate that the carrying value of the intangible assets may not be recoverable, they are reviewed for impairment. If impaired they are written down to the higher of fair value less sale costs and value in use.

### Leases

Where the Group has substantially all of the risks or rewards of ownership under a lease, the lease will be classified as a finance lease. All other leases are classified as operating leases.

#### *Finance leases*

Assets acquired through finance leases are capitalised as fixed assets and depreciated over the lease term or the estimated useful lives, whichever is shorter. The resulting lease obligations are included in liabilities net of finance charges. Interest costs on finance leases are charged directly to the income statement.

#### *Operating leases*

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement as they accrue.

### Deferred tax

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. Deferred tax is charged or credited to the income statement, except when 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 are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

### Inventories

Inventories are valued at the lower of net realisable value and cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost comprises materials, labour and the overheads attributable to the stage of production reached. Items in transit where the Group holds the risks and rewards are included in inventories.

### Pensions

The Group accounts for the defined benefit scheme under the amendment to IAS19 "Employee benefits – actuarial gains and losses, group plans and disclosures". The deficit of the defined benefit scheme is recognised in full on the balance sheet and represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. A full actuarial valuation is carried out at least every three years and actuarially updated on an annual basis using the projected unit credit method.

The pension charge recognised in operating expenses in the income statement consists of current service costs and a finance cost based on the interest on pension scheme liabilities less the expected return on pension assets.

Differences between the actual and expected return on assets, experience gains and losses and changes in actuarial assumptions are included directly in the statement of recognised income and expense.

The Group operates defined contribution plans for the majority of its UK and US employees. The regular contributions are charged to the income statement as they are incurred.

### Share based payments

All share options are valued using an option-pricing model (Binomial or Monte Carlo). The fair value is charged to the income statement over the vesting period of the share-based payment scheme. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

# Accounting Policies continued

## Foreign currency

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement.

The financial statements of overseas enterprises are translated into sterling at the exchange rate ruling at the balance sheet date; income and expenses are translated at average rates for the trading period under review. The resulting surpluses and deficits are taken directly to the cumulative translation differences reserve and are reported in the consolidated statement of changes in Shareholders equity.

On disposal of a foreign operation any cumulative exchange differences held in Shareholders' equity are transferred to the consolidated income statement.

## Financial instruments

Derivative financial instruments are measured at fair value. Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised in the income statement. Borrowings are measured at amortised cost. Trade and other receivables are measured at amortised cost less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material.

## Equity dividends

Final dividends are recognised in the Group's financial statements in the period in which the dividends are approved by the Shareholders. Interim equity dividends are recognised in the period they are paid.

## Exceptional items

Income or costs which are both material and non-recurring, whose significance is sufficient to warrant separate disclosure in the financial statements, are referred to as exceptional items. These items are included and separately identified within their relevant income statement category.

## Provisions

Provisions are made when there is a legal or constructive obligation as a result of past events and it is probable that expenditure will be incurred and a reliable estimate can be made of the cost. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

## Financial Risk Management

The Group does not currently hedge the translation exposure of profits and assets of its overseas subsidiaries. Treasury policy is centrally to manage the financial requirements and risk of the divisions that arise in relation to business needs. The Group operates cash pooling arrangements on currency accounts for its US operations and separately for its UK and European operations and actively holds the majority of cash or borrowings in the UK.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

## Impairment of assets

All tangible and intangible assets are reviewed annually for impairment in accordance with IAS 36 "Impairment of assets". Where an impairment review is required, the carrying value of the assets is measured against their value-in-use based on future estimated cashflows resulting from the use of those assets. An impairment loss is recognised for the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in-use.

## Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

# Notes to the Financial Statements

## 1 Segmental reporting

### Primary reporting format – business segments

At 30 December 2006, the Group is reported in three primary business segments:

	Gross segment sales		Inter-segment sales		External sales	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
European Division	<b>50,818</b>	44,011	<b>(430)</b>	(428)	<b>50,388</b>	43,583
US Division	<b>60,053</b>	45,726	–	–	<b>60,053</b>	45,726
Trade Division	<b>13,137</b>	10,512	<b>(4,059)</b>	(3,340)	<b>9,078</b>	7,172
<b>Total</b>	<b>124,008</b>	100,249	<b>(4,489)</b>	(3,768)	<b>119,519</b>	96,481

Inter-segment sales are made on an arms-length basis.

	Operating profit/(loss) before exceptional items		Exceptional items		Operating profit/(loss)	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
European Division	<b>3,226</b>	2,765	<b>(170)</b>	(280)	<b>3,056</b>	2,485
US Division	<b>4,910</b>	3,688	–	–	<b>4,910</b>	3,688
Trade Division	<b>1,480</b>	1,229	–	(35)	<b>1,480</b>	1,194
Head Office	<b>(1,015)</b>	(986)	<b>(207)</b>	–	<b>(1,222)</b>	(986)
<b>Operating profit before defined benefit pension and share option charges</b>	<b>8,601</b>	6,696	<b>(377)</b>	(315)	<b>8,224</b>	6,381
Defined benefit pension charges	<b>(325)</b>	(498)	–	–	<b>(325)</b>	(498)
Share option charges	<b>(735)</b>	(495)	–	–	<b>(735)</b>	(495)
<b>Total</b>	<b>7,541</b>	5,703	<b>(377)</b>	(315)	<b>7,164</b>	5,388

Net finance income totalling £174,000 (2005: £253,000) and taxation charge of £2,348,000 (2005: £1,691,000) cannot be separately allocated to individual segments. A review of the segments is included in the Operating Review.

# Notes to the Financial Statements continued

## Other segment items

	Assets		Liabilities		Capital expenditure		Depreciation		Amortisation	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
European Division	<b>22,892</b>	21,645	<b>(9,081)</b>	(8,224)	<b>597</b>	239	<b>(227)</b>	(210)	<b>(370)</b>	(479)
US Division	<b>9,367</b>	8,406	<b>(5,628)</b>	(4,785)	<b>661</b>	445	<b>(241)</b>	(201)	<b>(391)</b>	(463)
Trade Division	<b>20,483</b>	3,846	<b>(3,167)</b>	(1,038)	<b>209</b>	57	<b>(116)</b>	(56)	<b>(17)</b>	–
Unallocated assets/ (liabilities) & costs	<b>6,586</b>	9,244	<b>(21,127)</b>	(22,728)	–	102	<b>(20)</b>	(8)	–	–
Cash/(bank overdrafts)	<b>2,115</b>	9,103	<b>(2,364)</b>	(91)						
<b>Total</b>	<b>61,443</b>	52,244	<b>(41,367)</b>	(36,866)	<b>1,467</b>	843	<b>(604)</b>	(475)	<b>(778)</b>	(942)

In 2005 assets relating to discontinued operations were £582,000, liabilities were £nil, capital expenditure was £158,000, depreciation was £27,000 and amortisation was £118,000. All these items have been excluded from the above table.

Unallocated assets, liabilities and costs relate to Head Office items, including Group tax which cannot be allocated to individual segments.

## Secondary reporting format – geographical segments

	Sales		Assets		Capital expenditure	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Europe	<b>59,466</b>	50,755	<b>49,961</b>	33,183	<b>806</b>	398
US	<b>60,053</b>	45,726	<b>9,367</b>	9,958	<b>661</b>	445
Unallocated assets – cash			<b>2,115</b>	9,103		
<b>Total</b>	<b>119,519</b>	96,481	<b>61,443</b>	52,244	<b>1,467</b>	843

The Company's business is to invest in its subsidiaries and as a consequence, it operates in a single segment.



## 2 Operating expenses

	Note	2006 £'000	2005 £'000
<b>The following items have been included in arriving at operating profit:</b>			
Staff costs	3	18,578	16,449
<i>Inventories:</i>			
- Purchase of raw materials and consumables		76,702	60,949
- Changes in inventories		(1,324)	(1,144)
Depreciation of property, plant and equipment		604	475
Amortisation of intangibles		778	942
Profit on disposal of fixed assets		(1)	(13)
<i>Other operating lease rentals payable:</i>			
- Plant and machinery		202	174
- Property		1,201	1,249
Exceptional costs	5	377	315
Net exchange losses/(gains) on foreign currency borrowings less deposits		6	(83)
Other operating expenses		15,232	11,780
		<b>112,355</b>	<b>91,093</b>

During the period the Group obtained the following services from the Group's Auditors at costs as detailed below:

	2006 £'000	2005 £'000
<i>Audit services:</i>		
Fee payable by the Company for company and consolidated financial statements	31	31
Audit of the Company's subsidiaries	58	53
<i>Non audit services:</i>		
Tax compliance	21	20
Share option advice	20	15
Tax advisory	23	-
Group reorganisation	67	25
IFRS consultancy	-	35
Acquisitions/disposals	176	47
	<b>396</b>	<b>226</b>

# Notes to the Financial Statements continued

## 3 Employees

<b>Staff costs</b>	Note	<b>2006 £'000</b>	2005 £,000
Wages and salaries		<b>16,333</b>	14,317
Social security costs		<b>1,555</b>	1,351
Pension costs	4	<b>690</b>	781
		<b>18,578</b>	16,449

In 2005 staff costs relating to discontinued operations were £1,037,000, these are excluded from the above table.

<b>Average number of people (including Executive Directors) employed</b>	<b>2006 No.</b>	2005 No.
European Division	<b>271</b>	243
US Division	<b>291</b>	267
Trade Division	<b>125</b>	86
Head Office	<b>6</b>	6
	<b>693</b>	602

In 2005 the average employee number relating to discontinued operations was 35, this has been excluded from the above table.

In 2006 and 2005 the average number of employees employed by the Company (including Executive Directors) was 6.

<b>Key management compensation</b>	<b>2006 £'000</b>	2005 £'000
Salaries and short-term employee benefits	<b>961</b>	917
Social security costs	<b>93</b>	95
Pension contributions	<b>82</b>	83
Share based payments – IFRS 2 charge	<b>575</b>	389
	<b>1,711</b>	1,484

Key management compensation includes the emoluments of the Executive Directors (which are disclosed separately in the Remuneration Report) and the emoluments of members of the Group Executive Committee.

#### 4 Employee pension schemes

The Group operates defined contribution plans for the majority of its UK and US employees. The regular contributions are charged to the income statement as they are incurred.

The Group also operates a UK defined benefit scheme which is closed to new members.

	2006 £'000	2005 £'000
<b>Net pension costs</b>		
Defined contribution plans	365	283
<i>Defined benefit scheme</i>		
Current service cost	96	89
Net interest cost	229	409
	<b>690</b>	781

In 2005 a defined contribution charge of £15,000 related to discontinued operations, this has been excluded from the above table.

The whole of the above charge was included within operating expenses.

#### Defined benefit scheme

In the most recent actuarial review of the 4imprint Group plc defined benefit scheme the principal assumptions made by the actuaries were:

	2006	2005
Rate of increase in pensionable salaries	4.00%	3.90%
Rate of increase in pensions in payment and deferred pensions	3.00%	2.80%
Discount rate	5.30%	4.90%
Inflation assumption	3.00%	2.80%
Expected return on scheme assets	6.20%	5.89%

The post-retirement mortality assumptions have been updated to the "PA 92 (C=2020)" standard tables. The assumptions are such that both current non-pensioner members who later retire and current pensioner members both at age 65 will live on average for a further 19.8 years after retirement if they are male and a further 22.8 years after retirement if they are female. This update in assumptions increased the net liability by £4,330,000.

The amounts recognised in the balance sheet are determined as follows:

	2006 £'000	2005 £'000
Present value of funded obligations	(100,347)	(98,023)
Fair value of scheme assets	81,911	77,093
<b>Net liability recognised in the balance sheet</b>	<b>(18,436)</b>	(20,930)

The major categories of plan assets as a percentage of total scheme assets are as follows:

	2006	2005
Equities	42%	40%
Bonds	31%	44%
Property	15%	14%
Cash	12%	2%

# Notes to the Financial Statements continued

The amounts recognised in the income statement are as follows:

	2006 £'000	2005 £'000
Current service cost	96	89
Interest cost	4,722	4,657
Expected return on scheme assets	(4,493)	(4,248)
<b>Total included in staff costs</b>	<b>325</b>	<b>498</b>

Changes in the present value of the defined benefit obligation are as follows:

	2006 £'000	2005 £'000
Defined benefit obligation at start of period	98,023	86,379
Current service cost	96	89
Interest cost	4,722	4,657
Contributions by scheme participants	3	2
Actuarial (gains)/losses	(3,398)	10,616
Adjustment due to change in mortality assumptions	4,330	–
Benefits paid	(3,429)	(3,720)
<b>Defined benefit obligation at end of period</b>	<b>100,347</b>	<b>98,023</b>

Changes in the fair value of scheme assets are as follows:

	2006 £'000	2005 £'000
Fair value of assets at start of period	77,093	68,390
Expected return on assets	4,493	4,248
Actuarial gains	2,251	7,013
Contributions by employer	1,500	1,160
Contributions by scheme participants	3	2
Benefits paid	(3,429)	(3,720)
<b>Fair value of assets at end of period</b>	<b>81,911</b>	<b>77,093</b>

Analysis of the movement in the balance sheet liability:

	2006 £'000	2005 £'000
At start of period	20,930	17,989
Total expense as above	325	498
Contributions paid	(1,500)	(1,160)
Actuarial (gains)/losses taken directly to equity	(1,319)	3,603
<b>At end of period</b>	<b>18,436</b>	<b>20,930</b>

The actual return on scheme assets was £6,744,000 (2005: £11,261,000).

### History of experience gains and losses

	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Experience adjustment on scheme liabilities	(25)	(75)	2,396	–
Percentage of the present value of scheme liabilities	<1%	<1%	(28%)	–
Experience adjustment on scheme assets	2,251	7,013	656	4,577
Percentage of scheme assets	3%	9%	1%	7%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(907)	(10,541)	(4,139)	(6,075)
Percentage of the present value of scheme liabilities	1%	11%	5%	7%

### 5 Exceptional items

	2006 £'000	2005 £'000
Group restructuring costs	(143)	–
OFT fine and related costs	(64)	–
European reorganisation charge	(170)	(444)
Product recall income	–	129
	(377)	(315)

The Group restructuring costs comprised of legal, accounting and tax fees relating to a one-off project to restructure the legal entities within the Group to create further distributable reserves in 4imprint Group plc (the Company).

The OFT fine was imposed in relation to breaches of competition law relating to the supply of stock check pads by BemroseBooth Limited (a former group company) and Achilles Paper Group Ltd. The period during which Bemrose Corporation plc (now 4imprint Group plc) was involved in such supply was from 20 April 2000 to 2 July 2000. Legal costs of defence are also included in this charge.

The European reorganisation charge in 2006 relates to rationalisation of the Manchester based business, and in 2005 related to the integration of the European Premium Promotions Division into the European Direct Marketing and Corporate Programmes Division (now combined as the European Division), and the integration of MT Promotions Limited, acquired in the period, into the European Division.

The product recall income in 2005 related to insurance income received net of costs, in respect of a product recall in 2004, the cost of which was disclosed separately in 2004 due to its rare occurrence and size.

### 6 Finance costs and income

	2006 £'000	2005 £'000
<b>Finance costs</b>		
Interest payable on bank borrowings	(44)	(29)
Interest payable on other loans	–	(18)
	(44)	(47)
<b>Finance income</b>		
Bank interest	218	300

# Notes to the Financial Statements continued

## 7 Taxation

	2006 £'000	2005 £'000
Analysis of charge in the period:		
UK tax – current	(96)	–
Overseas tax – current	1,041	1,225
Deferred tax	1,403	466
<b>Taxation</b>	<b>2,348</b>	<b>1,691</b>

The tax for the period is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £'000	2005 £'000
<b>Profit before tax</b>	<b>7,338</b>	<b>5,641</b>
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 30%	2,201	1,692
Effects of:		
Adjustments in respect of foreign tax rates	235	222
Expenses not deductible for tax purposes	86	145
Timing differences and other differences	(174)	(368)
	<b>2,348</b>	<b>1,691</b>

### Factors which may affect future tax charges

Partial provision has been made for deferred tax assets in the US relating to two years of future deductible goodwill of £0.3m. The deferred tax not recognised on US goodwill is £0.3m.

No provision has been made for deferred tax assets relating to trading losses that are currently carried forward of £2.3m. These losses may be available for offset against future trading profits of Broadway Incentives Limited.

No provision has been made for deferred tax assets relating to capital losses that are currently carried forward of £9.9m. These amounts will be utilised should the UK Group have any chargeable gains in the future. No material gains were anticipated as at 30 December 2006.

The future tax rate will be affected by the proportion of profits earned in overseas jurisdictions as these profits are currently taxed at rates in excess of 30%.

## 8 Discontinued operations

On 21 July 2005, the Group completed the sale of its US Franchising business to The Riverside Company, a US Private Investment Group for consideration of US\$11.3m. Profit on the sale of the business and profit after tax for the period 1 January 2005 to disposal were included in discontinued operations.

Exceptional profit relating to the release of a provision on disposal of a US supplier business in 1999 was also included in discontinued operations in 2005.

	2006 £'000	2005 £'000
Profit after tax on disposal of US Franchising business	–	2,866
Profit after tax for the period from US Franchising business	–	770
Profit after tax attributable to disposal of US supplier business in 1999	–	376
	–	<b>4,012</b>

## 9 Dividends

	<b>2006</b>	2005
	<b>£'000</b>	£'000
Equity dividends – ordinary shares		
Interim paid: 3.25p (2005: 2.50p)	<b>809</b>	616
Final paid: 4.50p (2005: 3.50p)	<b>1,102</b>	992
	<b>1,911</b>	1,608

In addition, the Directors are proposing a final dividend in respect of the period ended 30 December 2006, of 6.25p per share which will absorb an estimated £1.55m of Shareholders' funds. It will be paid on 23 April 2007 to Shareholders who are on the register of members on 23 March 2007.

## 10 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to ordinary Shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Employee Share Trust (see page 15) which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. The potential dilutive ordinary shares relate to those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares at the balance sheet date.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings £'000	2006 Weighted average number of shares '000	Pence per share	Earnings £'000	2005 Weighted average number of shares '000	Pence per share
Earnings attributable to ordinary Shareholders	4,990			7,962		
Ordinary shares in issue		25,343			26,217	
Shares held by Employee Share Trust		(754)			(481)	
<b>Basic EPS</b>	<b>4,990</b>	<b>24,589</b>	<b>20.29</b>	7,962	25,736	30.94
Effect of dilutive share options		1,084	(0.85)		1,291	(1.48)
<b>Diluted EPS</b>	<b>4,990</b>	<b>25,673</b>	<b>19.44</b>	7,962	27,027	29.46
<b>Earnings per share from continuing operations</b>						
<b>Basic EPS</b>	<b>4,990</b>	<b>24,589</b>	<b>20.29</b>	3,950	25,736	15.35
<b>Diluted EPS</b>	<b>4,990</b>	<b>25,673</b>	<b>19.44</b>	3,950	27,027	14.62
<b>Earnings per share from discontinued operations</b>						
<b>Basic EPS</b>	–	<b>24,589</b>	–	4,012	25,736	15.59
<b>Diluted EPS</b>	–	<b>25,673</b>	–	4,012	27,027	14.84



# Notes to the Financial Statements continued

## 11 Property, plant and equipment

Group:	Long leasehold £'000	Short leasehold £'000	Plant, machinery, fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost:					
At 1 January 2006	–	120	2,901	2,429	5,450
Capital expenditure	–	1	363	444	808
Acquisition of subsidiary	2,676	–	6,127	52	8,855
Disposals	–	(15)	(28)	(271)	(314)
Exchange translation	–	(5)	(117)	(77)	(199)
<b>At 30 December 2006</b>	<b>2,676</b>	<b>101</b>	<b>9,246</b>	<b>2,577</b>	<b>14,600</b>
Depreciation:					
At 1 January 2006	–	91	1,721	2,268	4,080
Charge for the period	5	5	409	185	604
Disposals	–	(15)	(8)	(270)	(293)
Exchange translation	–	(4)	(34)	(68)	(106)
<b>At 30 December 2006</b>	<b>5</b>	<b>77</b>	<b>2,088</b>	<b>2,115</b>	<b>4,285</b>
<b>Net book value at 30 December 2006</b>	<b>2,671</b>	<b>24</b>	<b>7,158</b>	<b>462</b>	<b>10,315</b>

Group:	Freehold £'000	Short leasehold £'000	Plant, machinery, fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost:					
At 1 January 2005	111	122	2,742	2,587	5,562
Capital expenditure	–	1	298	158	457
Disposal of subsidiary	–	(7)	(210)	(229)	(446)
Disposals	(116)	–	(46)	(151)	(313)
Exchange translation	5	4	117	64	190
<b>At 31 December 2005</b>	<b>–</b>	<b>120</b>	<b>2,901</b>	<b>2,429</b>	<b>5,450</b>
Depreciation:					
At 1 January 2005	5	85	1,445	2,371	3,906
Charge for the period	–	6	333	163	502
Disposal of subsidiary	–	(1)	(72)	(170)	(243)
Disposals	(5)	–	(40)	(150)	(195)
Exchange translation	–	1	55	54	110
<b>At 31 December 2005</b>	<b>–</b>	<b>91</b>	<b>1,721</b>	<b>2,268</b>	<b>4,080</b>
<b>Net book value at 31 December 2005</b>	<b>–</b>	<b>29</b>	<b>1,180</b>	<b>161</b>	<b>1,370</b>

No assets were held as finance leases during 2006 or 2005. No property, plant and equipment was held in the Company during the period.

**12 Goodwill**

<b>Group:</b>	<b>£'000</b>
Cost:	
At 1 January 2006	4,341
Reclassified from intangible assets	1,738
Acquisition	3,005
<b>At 30 December 2006</b>	<b>9,084</b>

Following a review of fair values relating to the MT Promotions acquisition in 2005, £1,738,000 of intangible assets have been reclassified to goodwill.

Goodwill on acquisition relates to the purchase of Supreme Holdings Limited (note 27).

A segment-level summary of the goodwill allocation is presented below:

	<b>2006</b>	2005
	<b>£'000</b>	£'000
European Division	<b>4,341</b>	4,341
Trade Division	<b>4,743</b>	–
	<b>9,084</b>	4,341

The recoverable amount of a segment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Subsequent cashflows have been increased in line with historic UK GDP.

The key assumptions used in the value-in-use calculations for goodwill held at 30 December 2006 and 31 December 2005 were:

	<b>2006</b>	2005
Discount rate	<b>10%</b>	10%
Operating profit margin	<b>8%</b>	8%

# Notes to the Financial Statements continued

## 13 Intangible assets

<b>Group:</b>	<b>Brands £'000</b>	<b>Computer Software £'000</b>	<b>Total £'000</b>
Cost:			
At 1 January 2006	1,775	5,657	7,432
Transfer to goodwill	(1,775)	–	(1,775)
Acquisition of subsidiary	–	40	40
Capital expenditure	–	659	659
Disposals	–	(583)	(583)
Exchange translation	–	(272)	(272)
<b>At 30 December 2006</b>	<b>–</b>	<b>5,501</b>	<b>5,501</b>
Amortisation:			
At 1 January 2006	37	3,839	3,876
Transfer to goodwill	(37)	–	(37)
Charge for the period	–	778	778
Disposals	–	(578)	(578)
Exchange translation	–	(154)	(154)
<b>At 30 December 2006</b>	<b>–</b>	<b>3,885</b>	<b>3,885</b>
<b>Net book value at 30 December 2006</b>	<b>–</b>	<b>1,616</b>	<b>1,616</b>

<b>Group:</b>	<b>Brands £'000</b>	<b>Computer Software £'000</b>	<b>Total £'000</b>
Cost:			
At 1 January 2005	–	6,467	6,467
Acquisition of subsidiary	1,775	–	1,775
Capital expenditure	–	544	544
Disposal of subsidiary	–	(1,136)	(1,136)
Disposals	–	(487)	(487)
Exchange translation	–	269	269
<b>At 31 December 2005</b>	<b>1,775</b>	<b>5,657</b>	<b>7,432</b>
Amortisation:			
At 1 January 2005	–	3,724	3,724
Charge for the period	37	1,023	1,060
Disposal of subsidiary	–	(570)	(570)
Disposals	–	(487)	(487)
Exchange translation	–	149	149
<b>At 31 December 2005</b>	<b>37</b>	<b>3,839</b>	<b>3,876</b>
<b>Net book value at 31 December 2005</b>	<b>1,738</b>	<b>1,818</b>	<b>3,556</b>

Following a review of fair values relating to the MT Promotions acquisition in 2005, £1,738,000 of intangible assets have been reclassified to goodwill.

No intangible assets were held in the Company during the period.

All amortisation charges in the period have been charged through operating costs.

**14 Investments**

<b>Group</b>	<b>2006 £'000</b>	2005 £'000
Investment in German trade organisation	<b>7</b>	8

The investment represents an equity investment in a German promotional products trade group of which the German subsidiary is a member.

<b>Company</b>	Shares in subsidiary undertakings £'000
Cost:	
At 1 January 2006	115,182
Additions	5
At 30 December 2006	<b>115,187</b>
Provisions:	
<b>At 30 December 2006 and 31 December 2005</b>	<b>(11,000)</b>
Net book value:	
<b>At 30 December 2006</b>	<b>104,187</b>
At 31 December 2005	104,182

**Subsidiary companies**

The principal operating subsidiaries at 30 December 2006, included in the consolidation are set out below. All of these subsidiaries are wholly owned.

Company	Country of incorporation and operation	Business
Broadway Incentives Limited	England	Promotional products
Kreyer Werbeartikel GmbH	Germany	Promotional products
Product Plus International Limited	England	Promotional products
4imprint Inc.	US	Promotional products
MT Promotions Limited	England	Promotional products
Pramic Limited	England	Promotional products

A complete list of investments held by the company is included with the annual return submitted to Companies House.

# Notes to the Financial Statements continued

## 15 Deferred tax assets

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
At start of period	<b>8,921</b>	8,407	<b>6,539</b>	5,397
Income statement (charge)/credit – continuing operations	<b>(1,403)</b>	(466)	<b>(180)</b>	97
Income statement charge – discontinued operations	–	(363)	–	–
Deferred tax (debited)/credited to reserves	<b>(229)</b>	1,343	<b>(354)</b>	1,045
Deferred tax liability on acquisition of Supreme	<b>(1,140)</b>	–	–	–
<b>At end of period</b>	<b>6,149</b>	8,921	<b>6,005</b>	6,539

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. No tax is expected to be payable on them in the foreseeable future.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

### Deferred tax analysis

Group	Depreciation/ capital allowances £'000	Tax losses £'000	Pension £'000	Other £'000	Total £'000
At start of period	383	1,306	6,279	953	<b>8,921</b>
Income statement (charge)/credit	(4)	(1,286)	(210)	97	<b>(1,403)</b>
Exchange differences debited to reserves	–	–	–	(140)	<b>(140)</b>
Deferred tax (debited)/credited to reserves	–	–	(548)	459	<b>(89)</b>
Deferred tax (liability)/asset on acquisition of subsidiary	(1,277)	137	–	–	<b>(1,140)</b>
<b>At end of period</b>	(898)	157	5,521	1,369	<b>6,149</b>

The Company's deferred tax relates to the defined benefit pension scheme and share options (included in other deferred tax assets in the table above).

Total unrecognised deferred tax assets on trading losses were £700,000 (2005: £810,000).

The deferred income tax (debited)/credited to equity during the period is as follows:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Exchange differences	<b>(140)</b>	167	–	–
Share options	<b>459</b>	294	<b>194</b>	163
Actuarial (gains)/losses	<b>(548)</b>	882	<b>(548)</b>	882
	<b>(229)</b>	1,343	<b>(354)</b>	1,045

## 16 Inventories

<b>Group</b>	<b>2006</b> <b>£'000</b>	2005 £'000
Raw materials and consumables	<b>914</b>	–
Work in progress	<b>328</b>	–
Finished goods and goods for resale	<b>7,167</b>	5,663
	<b>8,409</b>	5,663

The Company held no inventory at 30 December 2006 or 31 December 2005.

During both the current and previous year, inventory was carried at cost less appropriate provisions as this did not exceed the fair value less cost to sell. Provisions held against inventory totalled £793,000 (2005: £347,000).

During the period the Group reversed £nil (2005: £23,000) of a previous inventory write-down which was no longer required.

## 17 Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2006</b> <b>£'000</b>	2005 £'000	<b>2006</b> <b>£'000</b>	2005 £'000
<b>Amounts falling due within one year:</b>				
Trade receivables	<b>20,173</b>	16,427	–	–
Less: Provision for impairment of receivables	<b>(137)</b>	(220)	–	–
Trade receivables – net	<b>20,036</b>	16,207	–	–
Amounts due from subsidiary companies	–	–	<b>22,534</b>	16,868
Other receivables	<b>1,381</b>	1,888	–	–
Prepayments and accrued income	<b>2,331</b>	1,769	<b>26</b>	12
	<b>23,748</b>	19,864	<b>22,560</b>	16,880

The fair value of trade receivables does not differ from the book value.

Included in other receivables in the Group in 2005 were amounts of £582,000 (US \$1,000,000) representing deferred consideration on disposal of the US Franchising business of which £526,000 (US \$960,000) was collected in 2006, and an amount of £700,000 held in escrow for deferred consideration for the acquisition of MT Promotions Limited which was paid in 2006.

## 18 Cash and cash equivalents

	<b>Group</b>		<b>Company</b>	
	<b>2006</b> <b>£'000</b>	2005 £'000	<b>2006</b> <b>£'000</b>	2005 £'000
Cash at bank and in hand	<b>2,115</b>	9,103	<b>936</b>	2,169



# Notes to the Financial Statements continued

## 19 Trade and other payables – current

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade payables	13,412	9,490	–	–
Other tax and social security payable	1,020	647	–	–
Other payables	397	700	–	–
Accruals	3,881	3,900	58	21
	<b>18,710</b>	14,737	<b>58</b>	21

The fair value of trade payables does not differ from the book value.

Included in other payables is an amount of £397,000 (2005: £nil) relating to trade receivables collected by Pramic Limited and due to the vendor of Supreme Holdings Limited.

Included in other payables in 2005 is an amount of £700,000 relating to deferred consideration for the acquisition of MT Promotions Limited in 2005, paid in full in 2006.

## 20 Borrowings

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Unsecured borrowings due within one year or on demand:				
Bank overdrafts	2,364	91	4,157	486

The fair value of borrowings does not differ from the book value.

Borrowings are held in the following currencies and interest is payable at the following effective interest rates:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Euros (2006 : 4.55%; 2005 : 3.80%)	–	54	157	486
Sterling (2006 : 5.96%)	2,364	–	4,000	–
Hong Kong Dollars (2005 : 9.00%)	–	37	–	–
	<b>2,364</b>	91	<b>4,157</b>	486

The Group had the following undrawn committed borrowing facilities available at 30 December 2006:

Borrowing facilities	Floating rate	
	2006 £'000	2005 £'000
Expiring within one year	5,636	9,744
Expiring in more than two years	3,042	703
	<b>8,678</b>	10,447

**21 Provisions**

	<b>Group</b>	
	<b>2006</b>	2005
	<b>£'000</b>	£'000
Reorganisation	–	285

<b>Group</b>	<b>Reorganisation</b>
	<b>£'000</b>
Movements in the period:	
At 1 January 2006	285
Utilised in the period	(285)
<b>At 30 December 2006</b>	<b>–</b>

There are no provisions in the Company at 30 December 2006 or 31 December 2005.

**22 Deferred consideration**

An amount of £1,000,000 together with interest of £90,000 is due on 1 July 2008, representing deferred consideration for the purchase of Supreme Holdings Limited.

**23 Called up share capital**

	<b>2006</b>	2005
	<b>£'000</b>	£'000
<b>Authorised:</b>		
39,000,000 (2005: 39,000,000) ordinary shares of 38 <sup>6</sup> / <sub>13p</sub> each	<b>15,000</b>	15,000
<b>Allotted and fully paid:</b>		
25,391,080 (2005: 25,048,429) ordinary shares of 38 <sup>6</sup> / <sub>13p</sub> each	<b>9,766</b>	9,634

342,651 ordinary shares were issued in the period (2005: 191,286) for consideration of £204,744 (2005: £98,803) to satisfy the exercise of share options.

# Notes to the Financial Statements continued

At 30 December 2006 the following options have been granted and were outstanding under the Company's share option schemes:

Scheme	Date of grant	Number of ordinary shares 2006	Number of options Holders 2006	Number of ordinary shares 2005	Subscription price	Date exercisable from to	
1987 Executive scheme USA	14.04.97	<b>12,000</b>	<b>3</b>	12,000	419.5p	Apr 2002	Apr 2007
1988 Executive scheme USA	14.04.98	<b>12,000</b>	<b>3</b>	12,000	450.33p	Apr 2003	Apr 2008
1986 Executive scheme	19.04.96	–	–	8,000	384.0p	Apr 2001	Apr 2006
1996 Unapproved Executive scheme	14.04.97	<b>8,000</b>	<b>2</b>	8,000	419.5p	Apr 2002	Apr 2007
	16.04.99	<b>12,000</b>	<b>3</b>	12,000	350.0p	Apr 2004	Apr 2009
Share Plan 2000	19.03.01	–	–	40,000	350.0p	Apr 2001	Apr 2010
2004 Unapproved Executive scheme	20.12.04	<b>100,000</b>	<b>1</b>	300,000	nil	July 2007	Dec 2014
	20.12.04	<b>240,000</b>	<b>2</b>	240,000	nil	Dec 2007	Dec 2014
	24.03.05	<b>258,890</b>	<b>9</b>	268,890	nil	Mar 2008	Mar 2015
	18.04.05	<b>51,110</b>	<b>5</b>	51,110	nil	Apr 2008	Apr 2015
	14.03.06	<b>100,000</b>	<b>1</b>	–	nil	Jul 2008	Mar 2016
	14.03.06	<b>100,000</b>	<b>2</b>	–	nil	Mar 2009	Jun 2009
	10.04.06	<b>120,000</b>	<b>7</b>	–	nil	Mar 2009	Jun 2009
SAYE	01.11.02	–	–	237,735	53.5p	Jan 2006	Jun 2006
	22.09.03	–	–	36,609	65.5p	Dec 2006	May 2007
	20.10.04	<b>82,166</b>	<b>27</b>	88,543	104.0p	Dec 2007	May 2008
	06.10.05	<b>94,647</b>	<b>64</b>	115,589	208.0p	Jan 2009	Jun 2009
	03.10.06	<b>78,689</b>	<b>93</b>	–	266.0p	Jan 2010	June 2010
US Sharesave	22.09.03	–	–	63,717	\$1.17	Jan 2006	Feb 2006
	20.10.04	<b>56,800</b>	<b>34</b>	61,745	\$2.07	Jan 2007	Feb 2007
	06.10.05	<b>78,116</b>	<b>98</b>	86,872	\$3.80	Jan 2008	Feb 2008
	03.10.06	<b>56,048</b>	<b>126</b>	–	\$6.17	Dec 2008	Jan 2009
<b>Total</b>		<b>1,460,466</b>	<b>480</b>	1,642,810			

The weighted average exercise price for options outstanding at 30 December 2006 was 73.90p (2005: 68.80p). The Share Plan 2000 options lapsed during the period due to not meeting the performance criteria. Details of the 2004 Unapproved Executive scheme are given on page 20.

**24 Statements of changes in Shareholders' equity**

<b>Group</b>	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Cumulative translation differences £'000	Retained earnings		<b>Total equity £'000</b>
					Own shares £'000	Profit and loss £'000	
<b>Balance at 1 January 2005</b>	11,063	37,659	208	(614)	(889)	(25,563)	<b>21,864</b>
Profit for the period						7,962	<b>7,962</b>
Exchange adjustments net of tax				413			<b>413</b>
Exchange adjustment previously taken to reserves, transferred to income statement on disposal of subsidiary				(9)			<b>(9)</b>
Shares issued	73	25					<b>98</b>
Own shares purchased					(933)		<b>(933)</b>
Own shares purchased and cancelled	(1,502)					(8,396)	<b>(9,898)</b>
Employee share options						498	<b>498</b>
Deferred tax on employee share options taken to reserves						294	<b>294</b>
Actuarial losses taken to reserves						(3,603)	<b>(3,603)</b>
Deferred tax on pensions taken to reserves						882	<b>882</b>
Dividends						(1,608)	<b>(1,608)</b>
<b>Balance at 31 December 2005</b>	9,634	37,684	208	(210)	(1,822)	(29,534)	<b>15,960</b>
<b>Balance at 1 January 2006</b>	9,634	37,684	208	(210)	(1,822)	(29,534)	<b>15,960</b>
Profit for the period						4,990	<b>4,990</b>
Exchange adjustments net of tax				(1,540)			<b>(1,540)</b>
Shares issued	132	73					<b>205</b>
Own shares utilised					424	(424)	<b>-</b>
Employee share options						650	<b>650</b>
Deferred tax on employee share options taken to reserves						459	<b>459</b>
Current tax deduction on exercise of employee share options						492	<b>492</b>
Actuarial gains taken to reserves						1,319	<b>1,319</b>
Deferred tax on pensions taken to reserves						(548)	<b>(548)</b>
Dividends						(1,911)	<b>(1,911)</b>
<b>Balance at 30 December 2006</b>	9,766	37,757	208	(1,750)	(1,398)	(24,507)	<b>20,076</b>

The cumulative goodwill written off to the reserves in respect of subsidiary companies currently held amounts to £15,297,000 (2005: £15,297,000).

# Notes to the Financial Statements continued

## 24 Statements of changes in Shareholders' equity continued

Company	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Retained earnings		Total equity £'000
				Own shares £'000	Profit and loss £'000	
<b>Balance at 1 January 2005</b>	11,063	37,659	208	(889)	8,000	<b>56,041</b>
Profit for the period					11,752	<b>11,752</b>
Own shares purchased				(933)		<b>(933)</b>
Shares issued	73	25				<b>98</b>
Own shares purchased and cancelled	(1,502)				(8,396)	<b>(9,898)</b>
Employee share options					322	<b>322</b>
Deferred tax on employee share options taken to reserves					163	<b>163</b>
Actuarial losses taken to reserves					(3,603)	<b>(3,603)</b>
Deferred tax on pensions taken to reserves					882	<b>882</b>
Dividends					(1,608)	<b>(1,608)</b>
<b>Balance at 31 December 2005</b>	9,634	37,684	208	(1,822)	7,512	<b>53,216</b>
<b>Balance at 1 January 2006</b>	9,634	37,684	208	(1,822)	7,512	<b>53,216</b>
Loss for the period					(999)	<b>(999)</b>
Shares issued	132	73				<b>205</b>
Own shares utilised				424	(424)	<b>-</b>
Employee share options					349	<b>349</b>
Deferred tax on employee share options taken to reserves					194	<b>194</b>
Current tax deduction on exercise of employee share options					98	<b>98</b>
Actuarial gains taken to reserves					1,319	<b>1,319</b>
Deferred tax on pensions taken to reserves					(548)	<b>(548)</b>
Dividends					(1,911)	<b>(1,911)</b>
<b>Balance at 30 December 2006</b>	9,766	37,757	208	(1,398)	5,590	<b>51,923</b>

### Company's income statement

The Company has taken advantage of Section 230 of the Companies Act 1985 and consequently an income statement for the Company alone is not presented. Loss after tax and before external dividends payable for the period of £999,000 (2005: Profit of £11,752,000) is included in the financial statements of the Company.

## 25 Share based payments

Share options are granted to Senior Management and in addition a SAYE scheme is available to all UK and US employees. The exercise price of options issued after 7 November 2002 to Senior Management is nil and for SAYE options is equal to the market rate, plus any discount up to the limit imposed by the local tax authority at the pricing date.

The fair value of the options (granted after 7 November 2002, which had not been exercised by 1 January 2006), is determined using the Monte Carlo valuation model for Senior Management options and the Binomial model for SAYE options and is spread over the vesting period of the options. The significant inputs into the model are an expected life of between 0.55 and 3 years for all options, the volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last 3 years and the risk-free rate is based on a 36 month UK LIBOR.

	2006 £'000	2005 £'000
Charge resulting from spreading the fair value of options granted after 7 November 2002, which had not been exercised by 1 January 2006, over the expected vesting period of the options	<b>735</b>	495

In 2005 share option charges relating to discontinued operations were £3,000, these have been excluded from the above table. The fair value per option granted and the assumptions used in the calculation are as follows:

	UK SAYE Scheme			US Sharesave Scheme		
	20/10/04	06/10/05	03/10/06	20/10/04	06/10/05	03/10/06
Grant date	20/10/04	06/10/05	03/10/06	20/10/04	06/10/05	03/10/06
Share price at grant date	134.5p	260.0p	388.5p	134.5p	260.0p	388.5p
Exercise price	104p	208p	266p	\$2.07	\$3.80	\$6.17
Number of employees	27	64	93	34	98	126
Shares under option	82,166	94,647	78,689	56,800	78,116	56,048
Vesting period (years)	3	3	3	2.17	2.17	2.17
Expected volatility	43%	32%	29%	43%	32%	29%
Option life (years)	3.5	3.5	3.5	2.25	2.25	2.25
Expected life (years)	3	3	3	2.17	2.17	2.17
Risk free rate	4.5%	4.2%	4.9%	4.5%	4.2%	4.9%
Expected dividends expressed as a dividend yield	2.1%	2.1%	2.8%	2.1%	2.1%	2.1%
Possibility of ceasing employment before vesting	10%	10%	10%	10%	10%	10%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%	100%
Fair value per option	47p	77p	148p	37p	70p	141p



# Notes to the Financial Statements continued

## 25 Share based payments continued

	Executive Share Scheme				Senior Management Share Scheme		
	20/12/04	20/12/04	14/03/06	14/03/06	24/03/05	18/04/05	10/04/06
Grant date	20/12/04	20/12/04	14/03/06	14/03/06	24/03/05	18/04/05	10/04/06
Share price at grant date	173.5p	173.5p	312.5p	312.5p	239.5p	234.5p	339p
Exercise price	nil	nil	nil	nil	nil	nil	nil
Number of employees	1	2	1	2	9	5	7
Shares under option	100,000	240,000	100,000	100,000	258,890	51,110	120,000
Vesting period (years)	2.55	3	1.35	3	3	3	3
Expected volatility	45%	45%	26%	26%	37%	37%	25%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	2.55	3	1.35	3	3	3	3
Risk free rate	4.4%	4.4%	4.5%	4.5%	4.4%	4.4%	4.5%
Expected dividends expressed as a dividend yield	2.1%	2.1%	2.1%	2.1%	2.8%	2.8%	2.8%
Possibility of ceasing employment before vesting	0%	0%	0%	0%	6%	6%	6%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%	100%	100%
Fair value per option	127p	133p, 108p &103p	186p	254p	192p, 160p & 124p	136p	294p

A reconciliation of option movements over the period to 30 December 2006 is shown below:

	2006		2005	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
<b>Outstanding at start of period</b>	1,642,810	68.80p	1,765,389	134.20p
Granted	460,148	88.91p	617,461	68.20p
Forfeited	(41,841)	199.56p	(111,254)	13.24p
Exercised	(552,651)	37.05p	(191,286)	58.76p
Expired	(48,000)	355.67p	(437,500)	350.00p
<b>Outstanding at end of period</b>	1,460,466	73.90p	1,642,810	68.80p
<b>Exercisable at end of period</b>	44,000	402.50p	144,000	122.99p

## 25 Share based payments continued

Range of exercise prices	2006				2005			
	Weighted average exercise price	Number of shares	Weighted average remaining life (years)		Weighted average exercise price	Number of shares	Weighted average remaining life (years)	
			Expected	Contractual			Expected	Contractual
Nil	Nil	970,000	1.34	1.34	Nil	860,000	1.61	1.61
£0.01 – £1	–	–	–	–	57.06p	338,061	0.11	0.11
£1.01 – £2	104p	138,966	0.54	0.54	104p	150,288	1.54	1.54
£2.01 – £3	226p	251,452	2.00	2.00	208p	202,461	2.57	2.57
£3.01 – £4	334p	68,048	1.58	1.58	354.33p	60,000	3.51	3.51
£4.01 – £5	422p	32,000	–	–	422p	32,000	–	–

The weighted average share option price of options exercised during the period was 37.05p (2005: 58.76p). The total charge for the period relating to share based payment plans was £735,000 (2005: £498,000). After tax the charge was £533,000 (2005: £349,000).

## 26 Cash generated from operations

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Operating profit	<b>7,164</b>	5,388	<b>(995)</b>	11,513
Adjustments for:				
Depreciation charge	<b>604</b>	475	–	–
Profit on disposal of property, plant and equipment	<b>(1)</b>	(13)	–	–
Amortisation of intangibles	<b>778</b>	942	–	–
Share option charge	<b>735</b>	495	<b>434</b>	322
IAS 19 pension charge for defined benefit scheme	<b>325</b>	498	<b>325</b>	498
Contributions to defined benefit pension scheme	<b>(1,500)</b>	(1,160)	<b>(1,500)</b>	(1,160)
Exchange (gains)/losses on inter-company loans	–	–	<b>(628)</b>	1,338
Dividends received from subsidiary undertakings	–	–	–	(13,932)
Changes in working capital:				
Increase in inventories	<b>(1,162)</b>	(944)	–	–
Increase in trade and other receivables	<b>(5,195)</b>	(2,194)	<b>(10)</b>	–
Increase/(decrease) in trade and other payables	<b>1,589</b>	474	<b>(54)</b>	(66)
(Decrease)/increase in payables to subsidiary undertakings	–	–	<b>(764)</b>	14,990
Decrease in provisions	<b>(285)</b>	(30)	–	–
<b>Cash generated from continuing operations</b>	<b>3,052</b>	3,931	<b>(3,192)</b>	13,503
Cash generated from discontinuing operations	–	731	–	–
<b>Cash generated from total operations</b>	<b>3,052</b>	4,662	<b>(3,192)</b>	13,503

On acquisition, trade receivables of Pramic Limited (the trading company of the Supreme Group), amounting to £2,481,000, formed part of the consideration paid to the Vendors.

This payment necessitated the funding of trade receivables of Pramic Limited, during the period from the date of acquisition to 30 December 2006. Accordingly, during that period, there was a £1,200,000 outflow in working capital, included above, representing an increase in Pramic trade receivables.

# Notes to the Financial Statements continued

## 27 Acquisition of Supreme Holdings Limited

The Group acquired Supreme Holdings Limited ("Supreme") on 27 November 2006. The Blackpool based Supreme business designs, manufactures and prints injection moulded plastic and paper based promotional products in house. Total consideration was £5,000,000 (before repayment of debt) and was satisfied as follows:-

- (i) £1,519,000 cash paid on 28 November 2006;
- (ii) £1,000,000 cash deferred until 1 July 2008 with an interest cost of £90,000;
- (iii) The trade receivables as at completion of Pramic Limited (the trading company of the Supreme Group) which were £2,481,000.

In addition, £7.22m of borrowings were repaid on acquisition and £0.52m cash was acquired.

The acquired business contributed total sales of £1,219,000 and operating profits of £132,000 to the Group from 27 November 2006 to 30 December 2006. For the period 1 January 2006 to 26 November 2006, Supreme's sales were £11,459,000, operating profit was £1,340,000 and profit before tax was £872,000.

Calculation of goodwill on acquisition:

	£'000
Purchase consideration:	
Cash paid	1,519
Deferred consideration	1,000
Costs of acquisition	840
Total purchase consideration	3,359
Less: provisional fair value of net assets acquired	(354)
<b>Goodwill</b>	<b>3,005</b>

The value of assets and liabilities acquired is set out below:

	Provisional fair value £'000	Acquiree's carrying amount £'000
Property, plant and equipment (note 11)	8,855	9,132
Intangibles – software (note 13)	40	40
Inventories	1,666	2,589
Other receivables	160	212
Cash and cash equivalents	520	520
Trade and other payables	(2,269)	(2,232)
Current tax	(259)	(259)
Borrowings	(7,219)	(7,219)
Deferred tax liability	(1,140)	(1,366)
<b>Net assets acquired</b>	<b>354</b>	<b>1,417</b>

The difference between the acquiree's carrying amount and the fair value is due to alignment with 4imprint Group accounting policies.

Receivables excludes the trade receivables of Pramic Limited (the trading company of the Supreme Group) which were the subject of a £2,481,000 in specie dividend to the vendor of the company at completion and formed part of the consideration.

Cash flows in the period relating to the acquisition were as follows:

	<b>£'000</b>
Consideration	1,519
Costs of acquisition paid in the period	539
	<b>2,058</b>
Cash and cash equivalents acquired	(520)
Borrowings repaid on acquisition	7,219
<b>Cash outflow</b>	<b>8,757</b>

In addition, a cash outflow of £1,200,000 in trade receivables in the period is due to an increase in the trade receivables of Pramic Limited, (the trading company of the Supreme group), post acquisition (see note 26).

## 28 Financial commitments

At 30 December 2006, the Group was committed to make payments in respect of non-cancellable operating leases in the following periods:

	2006		2005	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
in one year	973	227	1,023	177
in two to five years	3,570	299	3,743	424
in more than five years	3,412	–	3,897	–
	<b>7,955</b>	<b>526</b>	8,663	601

The Company had no financial commitments at 30 December 2006 (2005: £nil).

## 29 Contingent liabilities

Guarantees have been given by the Company for the Group bank borrowings that, at 30 December 2006, amounted to £2,364,000 (2005: £91,000).

## 30 Capital commitments

The Group had £37,000 of capital commitments contracted but not provided for in the financial statements (2005: £nil). The Company had no capital commitments in either year.

## 31 Related party transactions

The Group did not participate in any related party transactions that require disclosure. During the year the Company has been party to a number of transactions with fellow subsidiary companies.

	2006 £'000	2005 £'000
<b>Income statement:</b>		
Finance income from group companies	768	783
Finance costs incurred with group companies	737	669
<b>Balance sheet:</b>		
Interest bearing loans due from group companies at end of period	22,534	16,462
Interest bearing loans due to group companies at end of period	10,807	6,872

All related party transactions were made on terms equivalent to those that prevail in arms length transactions.

# Notice of Annual General Meeting

This year's annual general meeting will be held at the offices of Panmure Gordon (UK) Limited, Moorgate Hall, 155 Moorgate, London EC2M 6XB on Wednesday, 18 April 2007 at 11am. You will be asked to consider the resolutions below. Resolutions 8 and 9 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

1. To receive the annual report for the period ended 30 December 2006.
2. To declare a final dividend of 6.25 pence per ordinary share for the period ended 30 December 2006.
3. To approve the Directors' Remuneration Report for the period ended 30 December 2006, as set out on pages 16 to 20 of the annual report.
4. To re elect Mr Ken Minton, the Executive Chairman, who retires by rotation and, being eligible, offers himself for re-election.
5. To re appoint PricewaterhouseCoopers LLP as auditors to the Company until the end of next year's annual general meeting.
6. To authorise the Board to set the auditors' fees.
7. That the Board be and is hereby generally and unconditionally authorised in substitution for the authority conferred on it on 6 April 2005 to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £3,262,549, which authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (unless previously revoked or varied by the Company in general meeting) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
8. That the Board be and is hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution and/or where such allotment constitutes an allotment of equity securities by virtue of Section 94(3A) of the said Act, as if sub-Section (1) of Section 89 of the said Act did not apply to such allotment, PROVIDED THAT this power shall be limited to:
  - (A) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer or a scrip dividend alternative in favour of ordinary Shareholders (excluding any shareholder holding shares as treasury shares) of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of such persons on a fixed record date are proportionate as nearly as it may be to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject, in either case, to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional

entitlements or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever); and

- (B) the allotment (other than pursuant to sub-paragraph (A) above) of equity securities up to an aggregate nominal value of £489,382,
 

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
9. That the Company be authorised, generally and without conditions, to make market purchases (as defined in the Companies Act 1985) of its ordinary shares of 38 9/13 pence each provided that:
  - (A) the Company does not purchase more than 2,544,788 shares under this authority;
  - (B) the Company does not pay less for each share (before expenses) than 38 9/13 pence; and
  - (C) the Company does not pay more for each share (before expenses) than the higher of (i) 5 per cent. over the average of the middle market prices of the ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the shares, and (ii) the price stipulated by Article 5(1) of the Buy back and Stabilisation Regulation (EC No. 2273/2003), such authority to apply from 18 April 2007 until the earlier of the end of next year's annual general meeting and 17 July 2008 unless previously cancelled or varied by the Company in general meeting, but during this period the Company may agree to purchase shares where the purchase may not be completed (fully or partly) until after the authority ends and may make a purchase of ordinary shares in accordance with any such agreement as if the authority had not ended.
- 10 That the Company may serve any notice or send or supply any other document or information to a member by making the notice, document or information available on a website or by using other electronic means (within the meaning of Section 1168 of the Companies Act 2006).
11. That the following amendments be made to The 4imprint Group plc Long Term Share Incentive Plan approved by Shareholders at the 2003 Annual General Meeting and amended by Shareholders at the 2005 Annual General Meeting ("LTIP"):-
  - 11.1 That the following definitions be added at rule 1.1:
 

"Cost of Equity"  
means the minimum annual rate of return determined by reference to the growth in share price and capital Distributions expressed as a percentage arrived at by the Committee, in their absolute discretion, for each year ending in the Performance Period, on a consistent basis having taken advice from the Company's brokers, and adjusted for years of less than or more than 12 months

**“Distribution”**

has the meaning ascribed by Section 263 of the Companies Act 1985 save that it includes any tax credit arising in respect thereof to which UK resident shareholders are entitled

**“Growth in Value”**

means the figure arrived at by taking Value End less Value Start and adding the total aggregate Distributions declared during the Performance Period on any Shares in the Company expressed as a monetary amount

**“LTIP Pool”**

means the figure calculated by:

- (i) taking the Growth in Value;
- (ii) deducting the Threshold;
- (iii) taking 10% of the figure arrived at (ii) above; and
- (vi) deducting any amounts which have been paid to Awardholders during the relevant Performance Period under Rule 5;

provided that if the resulting figure is negative the LTIP Pool shall be nil.

**“Threshold”**

means the value arrived at by applying the Cost of Equity percentages on a compound basis to Value Start

**“Value End”**

means the average of the closing share price of a Share as quoted on the Daily Official List of the London Stock Exchange in the period of 30 consecutive Dealing Days ending on the last day of the Performance Period or where the last day of the Performance Period is not a Dealing Day the average of the closing share price of a Notional Shareholding in the Company as quoted on the Daily Official List of the London Stock Exchange in the period of 30 consecutive Dealing Days ending on the Dealing Day immediately preceding the last day of the Performance Period multiplied by the total issued ordinary share capital on the first day of that 30 day period

**“Value Start”**

means the closing share price of a Share as quoted on the Daily Official List of the London Stock Exchange for the day on which the Performance Period commences or where that day is not a Dealing Day the closing share price of a Notional Shareholding in the Company as quoted on the Daily Official List of the London Stock Exchange for the Dealing Day immediately preceding the day on which the Performance Period commences multiplied by the total issued ordinary share capital on that day

11.2 That the definition of “Salary” in rule 1.1 be deleted.

11.3 That, rule 2.4 of the LTIP be amended so that the words:

“(taken at the Date of Grant)” be deleted and replaced with “(taken on the last Dealing Day of the Performance Period or such earlier Dealing Day on which measurement is required)”;

“when added to the aggregate Market Value of Shares (taken at the Date of Grant) in respect of which Long Term Incentive Awards have previously been granted to that Eligible Employee during that particular year, shall not exceed or further exceed the amount equal to 200% of that Eligible Employees’ Salary at that time” be deleted and replaced with “shall not exceed 20% of the LTIP Pool”.

11.4 That the following words be added to the end of rule 3.1 “For the avoidance of doubt this clause does not prevent the Committee from imposing a requirement that the Growth in Value is, in their reasonable opinion, reflected in satisfactory underlying financial performance of the Group”

11.5 That, rule 5.2.1 of the LTIP be amended so that the words “(falling after such anniversary)” are deleted and replaced with “(being not less than 30 months from the Date of Grant)”.

11.6 That the following words, “the Committee reasonably determines that”, be added in line 6 of rule 5.6, line 3 of rule 5.8(ii), line 3 of the paragraph following rule 9.1.3 and line 2 of 10.1.2, in each case after the words “to the extent that”.

By order of the Board

**Andrew Scull**  
**Secretary**  
 27 February 2007



# Notes

on business to be conducted at the annual general meeting

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her. A proxy need not also be a member of the Company. A prepaid form of proxy is enclosed which Shareholders are invited to complete and return.

Members may only attend and vote at the Meeting in respect of shares registered in their name 48 hours before the time set for the Meeting; changes to the register after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

The following information will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Notice until 17 April 2007 and at the place of the Meeting for 15 minutes prior to the Meeting until its conclusion.

1. A statement of transactions during the past year of each Director and of his family interests in the share capital of the Company.
2. Copies of Directors' service contracts with the Company or any of its subsidiaries.

## CREST Notice

- a) To be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes the member may cast) a member must be entered on the register of members by 12pm on 16 April 2007.
- b) A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- c) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CREST Co's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that

CREST Co does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35 (5) (a) of the Uncertificated Securities Regulations 2001.

**Resolution No. 1****Annual report**

It is a requirement of the Companies Act 1985 that the annual accounts are laid before the Company in general meeting. This is therefore a standard resolution for the annual general meeting.

**Resolution No. 2****Dividend**

The Directors have determined that it is appropriate to put a final dividend for the period ended 30 December 2006 to Shareholders for their approval. If approved the dividend will be paid on 23 April 2007 to holders of ordinary shares on the register of Shareholders of the company at the close of business on 23 March 2007 making a total dividend in respect of the period ended 30 December 2006 of 9.5 pence per ordinary share. In accordance with the Articles of Association of the company, no dividend may exceed the amount which is recommended by the Board.

**Resolution No. 3****Remuneration Report**

All UK listed companies, such as the Company, are required to put their remuneration report to Shareholders. This is an advisory vote only. The full Remuneration Report can be found on pages 16 to 20 of the annual report for the period ended 30 December 2006.

**Resolution No. 4****Re-election of Ken Minton**

Ken Minton was appointed as Executive Chairman in July 2004, after serving as a Non-Executive Director from April 2004. He is retiring by rotation and seeking re-election at this year's meeting. Mr. Minton has reached the age of 70 since last year's AGM. However, special notice under the Companies Act 1985 has not been provided to the Company in respect of his re-election as the relevant section of that Act is to be repealed by Article 4(2)(C) of the Companies Act 2006 (Commencement No. 1, Transitional Provisions and Savings) Order 2006 prior to this year's AGM (with effect from 6 April 2007).

**Resolution No. 5****Re-appointment of auditors**

The Company is required to appoint auditors at each general meeting at which accounts are presented to hold office until the next such meeting. The resolution proposes the re-appointment of the Company's existing auditors, PricewaterhouseCoopers LLP.

**Resolution No. 6****Remuneration of auditors**

This resolution gives authority to the Directors to determine the auditors' remuneration, which is then disclosed in the next annual report and accounts of the Company.

**Resolution No. 7****Authority to allot shares.**

Under section 80 of the Companies Act 1985, the Directors may only allot shares or rights to shares if Shareholders in general meeting have given them authority to do so. In line with best practice, the Directors have decided that this authority should be considered by Shareholders annually and this authority therefore replaces the authority given to the Directors at the annual general meeting held on 6 April 2005. The resolution asks Shareholders to approve a new authority to allow the Directors to allot shares up to an aggregate nominal amount of £3,262,549 which represents approximately one third of the issued share capital of the Company as at the last practicable date prior to publication. The Company does not currently hold any treasury shares. The Directors do not currently have any intention to exercise the authority but will only do so, if at the relevant time, the Directors consider such exercise to be in the best interests of the Company and Shareholders.

**Resolution No. 8****Sections 89 and 95 of the Companies Act 1985**

Section 89 of the Companies Act 1985 requires that any shares issued wholly for cash must be offered to existing Shareholders in proportion to their existing holdings. This resolution proposes to renew the Directors' authority to allot equity shares for cash rather than on a pro-rata basis. This will be limited to 1,272,394 ordinary shares (which represents approximately 5% of the Company's issued ordinary share capital as at the last practicable date prior to publication. The authority will expire at the conclusion of the AGM held in 2008.

## Resolution No. 9

### Authority to make market purchases

The effect of this resolution, if approved, would be to enable the Company to purchase up to a maximum of 2,544,788 of its own ordinary shares at, or between, the minimum and maximum prices specified in the resolution. The resolution will expire at the end of the annual general meeting in 2008 or, if earlier, 17 July 2008. The maximum number of shares to which the resolution relates is approximately 10% of the issued ordinary share capital as at the last practicable date prior to publication.

The total number of options to subscribe for ordinary shares outstanding at the last practicable date prior to publication was 1,460,466, which represented approximately 6 per cent. of the issued ordinary share capital of the Company.

The Company currently has no plans to purchase any ordinary shares and will only do so if, at the relevant time, the Directors consider such purchase to be in the best interests of the Company and Shareholders. Any such shares so bought back may be cancelled or held by the Company in treasury. Again the Directors will make that decision at the relevant time in the best interests of the Company and Shareholders.

## Resolution No. 10

### Electronic Communications

The provisions of the Companies Act 2006 relating to electronic communications came into force in January 2007. The articles of association of the Company do not yet provide for the Company to be able to communicate with its Shareholders by using electronic communications or by using a website. In order for a listed company to be able to communicate with its members by electronic communications or by using a website in accordance with the Companies Act 2006, the Company must obtain the approval of its Members at a general meeting. This resolution is therefore being put to the annual general meeting to permit this flexibility.

## Resolution No. 11

### Amendment of the LTIP

Resolution 11 is being proposed to effect the changes implemented by the Remuneration Committee which were referred to in the 2005 Annual Report and Accounts and which are set out in detail in the Remuneration Report on page 17 of the 2006 Annual Report and Accounts. In so far as each part of Resolution 11 is concerned:

- 1 Resolutions 11.1 and 11.2 amend the LTIP to incorporate the necessary additional definitions for the individual participation limits to be revised.
- 2 Resolution 11.3 would allow the Remuneration Committee to make awards under the LTIP by reference to an individual's share of the increase in Total Shareholder Return rather than as a percentage of salary.
- 3 Resolution 11.4 would allow the Remuneration Committee to prevent an Award under the LTIP from vesting where it considers that the growth in Total Shareholder Return is not a true reflection of the underlying financial performance of the Group.
- 4 Resolution 11.5 would allow the Remuneration Committee to agree a vesting period of less than 3 years from Award Date, at the Date of Award, but may not agree a vesting period shorter than 31 months from the Award Date.
- 5 Resolution 11.6 would allow the Remuneration Committee to use its reasonable discretion when calculating the extent to which a performance target has been met on the date of cessation of employment of a good leaver.

## Five Year Financial Record

	<b>IFRS 2006 £'000</b>	IFRS 2005 £'000	IFRS 2004 £'000	UK GAAP 2003 £'000	UK GAAP 2002 £'000
<b>Income statement</b>					
<b>Continuing operations</b>					
Sales	<b>119,519</b>	96,481	88,965	89,773	87,178
<b>Operating profit</b>	<b>7,164</b>	5,388	2,625	1,340	1,471
Finance costs	<b>(44)</b>	(47)	(140)	(234)	(566)
Finance income	<b>218</b>	300	325	216	749
<b>Profit before tax</b>	<b>7,338</b>	5,641	2,810	1,322	1,654
Taxation	<b>(2,348)</b>	(1,691)	492	548	(792)
<b>Profit from continuing operations</b>	<b>4,990</b>	3,950	3,302	1,870	862
Profit/(loss) from discontinued operations	<b>-</b>	4,012	3,270	(10,006)	(597)
<b>Profit/(loss) attributable to equity Shareholders</b>	<b>4,990</b>	7,962	6,572	(8,136)	265
Earnings/(loss) per ordinary share	<b>20.29p</b>	30.94p	22.97p	(28.34p)	0.92p
Dividend per share – paid and proposed	<b>9.50p</b>	7.00p	5.25p	4.00p	2.25p
<b>Balance sheet</b>					
Non current assets	<b>21,022</b>	9,275	8,748	7,826	19,050
Deferred tax asset	<b>6,149</b>	8,921	8,407	1,814	528
Net current assets	<b>12,341</b>	18,694	22,698	22,301	25,410
Pension (liability)/ prepayment	<b>(18,436)</b>	(20,930)	(17,989)	1,016	-
Other liabilities	<b>(1,000)</b>	-	-	(1,267)	(1,484)
<b>Shareholders' funds</b>	<b>20,076</b>	15,960	21,864	31,690	43,504
<b>(Net debt)/cash</b>	<b>(249)</b>	9,012	12,745	7,652	4,828

For consistency UK GAAP results have been split between continuing and discontinued operations as required by IFRS.

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