

4imprint Group plc Annual Report and Accounts 2007



4imprint's Global Sales

4imprint is a leading international supplier of promotional products.

End User Division

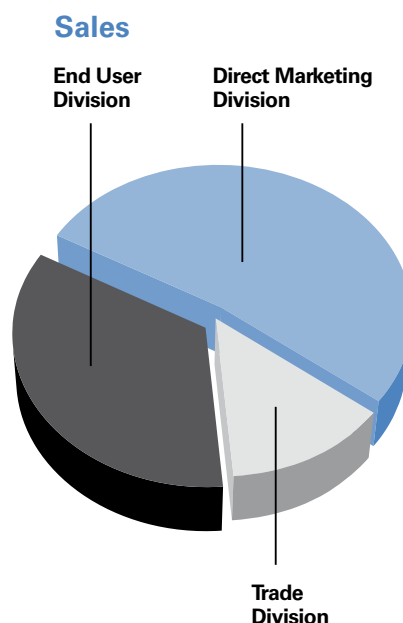
The End User Division comprises three separate businesses each with its own management team based in Manchester, London and Germany. The core activity of this group of businesses is the distribution of promotional items principally to large corporate clients through the use of innovative product design and project management capabilities and the use of technology based solutions.

Direct Marketing Division

The Direct Marketing Division is based in Oshkosh, Wisconsin, USA, with an operation in Manchester, UK. It serves customers in the USA, Canada and the UK via catalogues and internet. This division also includes a small Corporate Programmes business servicing large accounts in the USA.

Trade Division

The Trade Division based in Blackpool comprises Supreme, acquired in November 2006 and the Product Source and MT Golf businesses which relocated from Manchester in the year. The combined business is one of the largest promotional products trade supply companies in the UK within the promotional, marketing, advertising and business gift market, utilizing its specialist manufacturing and print processes combined with its experience in worldwide sourcing of unique product ranges.



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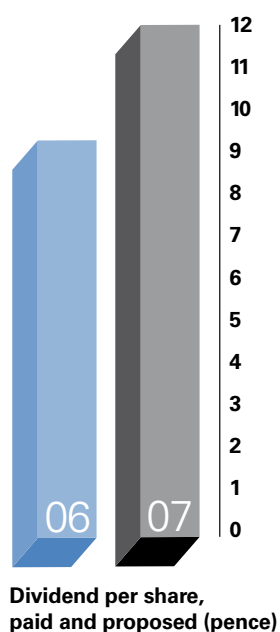
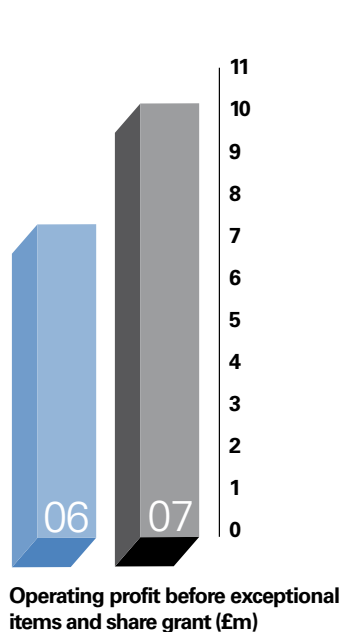
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Highlights

- Group sales increased to £146.82m, £27.30m ahead of 2006 with organic growth in the Direct Marketing Division producing a 21% increase on 2006, organic growth in the End User Division a 7% increase, while the Trade Division sales more than doubled those in 2006 reflecting the acquisition of Supreme in November 2006.
- Operating profit at £10.16m before exceptional items and a one off share grant was 35% ahead of 2006 and pre tax profit on the same basis was 26% ahead.
- Profit before tax, after exceptional items and one off share grant was £3.30m.
- Tax charge was £1.07m (32%) (2006: £2.35m: 32%).
- Basic earnings per share before exceptional items and one off share grant was up 24% at 26.40p (2006: 21.34p).
- Basic earnings per share was 8.93p (2006: 20.29p).
- Final dividend of 8.00p per share is proposed, 28% over 2006 giving a total dividend paid and proposed of 12.00p, 26% ahead of 2006, in line with the established progressive dividend policy adopted by the Board.



Executive Chairman's Statement



Ken Minton
Executive Chairman

Commenting on the results, Ken Minton, Executive Chairman, said:

“2007 was another year of significant progress for the 4imprint Group with strong growth in operating and pre tax profit before exceptional items. The latter were principally incurred in preparing the Trade and End User Divisions for sustained profitable growth. The Direct Marketing Division delivered another year of strong growth in sales and profits”.

In my statement to Shareholders in the interim report for 2007, I advised that the Board expected that the progress made by the Group at the half year would continue though the second half. I am pleased to report that the Group achieved that objective.

Group sales were £146.82m, £27.30m or 23% ahead of 2006. Of this £27.30m, organic growth in the Direct Marketing Division contributed £13.31m or 21% over 2006, organic growth in the End User Division contributed £3.37m or 7% over 2006 and the Trade Division contributed £10.62m or 117% over 2006, reflecting the acquisition of Supreme in November 2006.

Operating profit before exceptional items and share grant at £10.16m was 35% ahead of 2006.

Exceptional charges were substantial at £5.27m; the main components of which were:

- a) The integration of the Product Source business into the Supreme site at Blackpool,
- b) The major rationalisation of the Manchester Broadway site, made possible by the Product Source move to Blackpool,
- c) The cost of the termination of a significant and onerous contract in the Manchester based Corporate Programmes business, which took place in the first half and for which a partial provision was recorded in the interim report.

In addition, a non recurring share grant of £1.14m, relating to shares granted to the Executive Chairman as an element of his overall remuneration package was made, details of which are given in note 2 to the financial statements.

Operating profit after these charges was £3.75m. Net interest costs were £0.45m producing profit before tax of £3.30m. Tax charges were £1.07m producing profit after tax of £2.23m.

Earnings per share before exceptional items and share grant was 26.40p an increase of 24% on last year.

The acquisition of the Supreme trade business at the end of 2006 provided the Group with the opportunity to transfer its Manchester based Product Source trade business onto the Supreme site at Blackpool. This integration, in July last year, resulted in the recruitment of over 120 more staff at Blackpool and a similar reduction of jobs in Manchester. Furthermore, the overhead structure needed to support the remaining businesses at Manchester was able to be substantially reduced also leading to a transformation of the profitability of that business.

The whole integration/rationalisation programme was a major undertaking for the Trade Division. Despite extensive planning, production capability was unable to meet the major increases in demand placed on it. As a result customer satisfaction fell and sales likewise. In response, resources in many areas were increased, particularly in customer service, and by the end of

2007 output and customer satisfaction had greatly improved. During the first two months of this year production/quality/customer satisfaction were at planned levels.

The Group now comprises three completely separate divisions, all of which delivered substantial progress during 2007, as follows:

a) End User Division

This division comprises the Manchester based Corporate Programmes/Field Sales business, the London based specialist premiums business and Kreyer, the Germany based Corporate Programmes/Field Sales business. Like for like total sales for this division increased by 7% to £50.85m while operating profit before exceptional items at £2.88m increased by 23%, reflecting the benefits particularly of the rationalisation of the Manchester based business.

b) Direct Marketing Division

During the second half of the year, the fast growing Direct Marketing Division was repositioned to develop internationally. The UK Direct Marketing business was put under the direct control and management of the US business, and the division is now additionally focused on diversifying its business into Western Europe. Like for like, sales of this division increased by 21% to £76.74m, while divisional operating profit increased by 26% to £6.17m. Sales in the US and Canada continued to grow strongly throughout the second half and full year sales were 30% ahead of prior year.

c) Trade Division

The Trade Division has almost doubled in size with the acquisition of Supreme. Total sales in 2007 at £23.73m were 81% up on 2006. Divisional operating profit before exceptional items at £3.33m was 41% ahead. Sales were lower than planned in the second half, caused by the supply and customer service problems at Blackpool, particularly in the period July to October. These issues and the increased costs incurred, produced lower profits in the second half than planned. However, as I said earlier, these problems are now resolved and sales are now recovering steadily.

Cash management

The Group started the year with £0.25m of net debt and ended the year with £7.08m of net debt and borrowings. Cash inflow from operating profit adjusted for non cash items and before exceptional items was £12.94m, principal outflows were tax, dividends, interest and defined benefit pension contributions of £7.52m; cash incurred on exceptional items was £3.03m and operating working capital and capital invested amounted to £9.12m.

Strategy

When the acquisition of Supreme was announced, the Company stated that its intention would be to first merge its Product Source business with that of Supreme, and when this was completed, the Company would pursue the placing of the merged business into separate ownership. With the completion of the merger, the Company will now pursue the second part of this strategy.

Dividend

The Board has a well established policy of ensuring that dividend payout is kept in line with the growth of the Group's earnings, while maintaining dividend cover pre exceptional items in excess of two.

Accordingly, the Board is proposing a final dividend of 8.00p per share, which with the interim payment already made of 4.00p per share means a dividend payout of 12.00p per share, an increase of 26% over 2006.

People

4imprint has achieved sustained growth over recent years, and profit before exceptional items for 2007 is the highest for many years. Credit for achieving this excellent performance must go to everyone working in the divisions and in the Group and on behalf of the Board I congratulate everyone for this achievement and thank them for their great effort and commitment.

Outlook

Group sales in the first two months of this year were ahead of the same period last year. Sales in the Direct Marketing Division were strongly ahead of 2007, the End User Division sales more modestly so, while in the Trade Division sales were lower than in the same period last year, but confirmed the recovery seen at the end of 2007. In addition, 2008 should see a full year's benefit from the reduced cost base at Manchester and the successfully completed Trade Division integration.



Ken Minton
Executive Chairman
4 March 2008

Finance Director's Report



Gillian Davies
Group Finance Director

The Group's results are reported in three divisions, in accordance with the way the business is now managed:

- Trade Division
- End User Division
- Direct Marketing Division

A description of each division is given in the Operating Review. The UK Direct Marketing business was transferred from the End User Division to the Direct Marketing Division during 2007 and prior year comparatives have been restated accordingly.

Group Results

	2007 £m	2006 £m	Change
Group Sales	146.82	119.52	+23%
Group operating profit before exceptional items and share grant	10.16	7.54	+35%
Group profit before tax, exceptional items and share grant	9.72	7.72	+26%
Group profit before tax	3.30	7.34	- 55%

Sales and operating profit before exceptional items from all three divisions were ahead of prior year.

Head office costs at £1.33m were greater than prior year (2006: £1.02m), principally reflecting increased professional advisory costs in the year.

Share option charges

The Group charged £0.60m (2006: £0.74m) to operating profit in accordance with IFRS2 "Share based payment".

Pensions

The Group sponsors a closed defined benefit scheme with 4 active members, 940 pensioners and 1,434 deferred members at 5 April 2007, the date of the last actuarial valuation. The pension charge to profit in the period for this scheme was £0.30m (2006: £0.33m) and the cash contributions by the Company were £1.90m (2006: £1.50m).

The pension fund deficit reduced to £10.55m (2006: £18.44m).

The scheme assets at 29 December 2007 were £80.99m (2006: £81.91m); the liabilities were £91.54m (2006: £100.35m); the reduction in liabilities was principally due to an increase in the discount rate from 5.3% to 6.0%; partly offset by increases in inflation and mortality assumptions.

Exceptional items

The exceptional charge of £5.27m in 2007, comprised the following items:-

- i) Costs of £3.49m related to relocating the Manchester based trade businesses to Blackpool;
- ii) Costs of £0.98m of reorganisation in the End User Division following the exit of the trade businesses;
- iii) Contract exit costs of £0.80m related to the cost of exiting an onerous customer contract in the End User Division, including an inventory write down of £0.50m.

Share grant

200,000 shares were granted to the Executive Chairman on 1 August 2007. The charge of £1.14m represents the number of shares awarded at the share price on the date of grant plus associated costs. In view of the magnitude of the charge arising and non-recurring nature of the award, separate disclosure has been made on the face of the income statement.

Taxation

The tax charge was £1.07m (32%) compared to £2.35m (32%) in 2006. Tax paid in the year amounted to £2.73m (2006: £0.85m), principally in overseas territories.

The current tax charge at £2.19m relates principally to overseas subsidiaries and the deferred tax credit of £1.12m is due to the recognition of deferred tax assets in both the UK and US. Deferred tax of £2.94m was debited to reserves relating to a reduction in the deferred tax assets for both pensions and share options.

Earnings per share

Basic earnings per share for the year was 8.93p (2006: 20.29p); basic earnings per share before exceptional items and share grant was 26.40p (2006: 21.34p).

Dividends

The Board proposes a final dividend of 8.00p which together with the interim dividend of 4.00p gives 12.00p (2006: 9.50p) for the period, an increase of 26%.

Cash flow

The Group's net debt and borrowings at 29 December 2007 were £7.08m (2006: £0.25m).

The principal components of the £6.83m cash outflow can be seen in the table below.

Cash outflow:	£m
Cash generated from operating profit* before exceptional items and share grant	12.94
Defined benefit pension contributions	(1.90)
Cash cost of exceptional items	(3.03)
Operating working capital outflow before exceptional items	(7.23)
Tax, dividends and interest	(5.62)
Capital investment	(1.89)
Other items	(0.10)
	(6.83)

*Plus defined benefit pension charge, share option charge, depreciation and amortisation.

Operating working capital absorption is spread across all three divisions principally comprising: £0.50m in the Direct Marketing Division in line with higher sales; £3.20m in the End User Division principally due to around £2m higher receivables as a result of an increase in last quarter sales in the specialist premiums business and around £1m increase in ageing of receivables; £2.90m in the Trade Division due to £0.70m higher receivables and £0.90m higher inventory as a result of integration issues and a further £1.30m increase in receivables due to the fact that the Supreme business was purchased with no trade receivables in November 2006.

Finance Director's Report Continued

Balance sheet and Shareholders' funds

Equity Shareholders' funds increased by £4.64m to £24.72m. Profit, net of dividends paid in the period was £(0.33)m and movements relating to pensions, employee share options, share grant, exchange and related tax taken to reserves represented an increase of £4.91m, principally due to a reduction in the pension deficit reflected in reserves (£3.89m net of tax).

Exchange and cash management

The average exchange rates during the period used to translate the income statements of principal overseas subsidiaries were US dollars: \$2.0025 (2006: \$1.8581) and Euros: €1.4559 (2006: €1.4660) to the pound. The movement compared to prior year in US dollar exchange rate reduced profit of the US business by £0.49m.

The exchange rates at the balance sheet date used to translate assets and liabilities were US dollars: \$1.9929 (2006: \$1.9572) and Euros: €1.3553 (2006: €1.4842). This resulted in a decrease in US dollar denominated overseas subsidiaries assets of £0.09m and an increase in Euro denominated overseas subsidiary assets of £0.23m.

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, deferred taxation, share based payments and inventory provisions. Further details are given in the notes.

Treasury policy

Treasury policy is to manage centrally the financial requirements of the divisions in line with their business needs. The Group operates cash pooling arrangements on currency accounts separately for its US operations and its UK 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 with its principal UK banker.



Gillian Davies
Group Finance Director
4 March 2008

Operating Review Direct Marketing Division

	2007 £'000	2006 (restated) £'000
Sales	76,738	63,423
Operating profit	6,167	4,910

2007 was another year of great progress in the Direct Marketing Division. As part of its plan to expand on an international scale, the UK based Direct Marketing business was transferred into the division and the divisional results for 2007 include this business. The results for 2006 have been restated to reflect this change.

Total divisional sales in sterling increased by 21% and operating profit by 26% over 2006.

The division now markets directly into three countries: the US, UK and Canada. Sales from the UK and Canada now comprise more than 10% of total sales.

The North American business continued the strong growth pattern of the last four years: sales have nearly tripled over that time period. In 2007 total sales for the North American business in US dollars were \$145.35m (2006: \$111.39m), 30% ahead of prior year, and US dollar operating profit was 39% above prior year. The fundamentals of the catalogue/internet based business model continue to drive the growth, enhanced by new product and service offerings for an ever-increasing customer base. New customer orders were 33% up over 2006 and the overall retention rate of existing customers continued to increase over prior year. Increased effort in the Canadian market continued to produce favourable results, as sales grew more than 70% over the prior year. The small US Corporate Programmes business had a successful year, providing first class personalised service to a select group of larger clients.

From 1 July 2007, the UK Direct Marketing operation has been managed as part of the Direct Marketing Division. All of the necessary people, structure and systems work has been done to allow the UK Direct Marketing business to operate independently from the End User Division. The team is now focused on implementing the appropriate elements of the US and Canadian methodology to drive growth in the UK market.

Cash generation across the Direct Marketing Division remains very healthy, with low working capital requirements relative to the overall size of the business.



Operating Review End User Division

	2007 £'000	2006 (restated) £'000
External and inter division sales	50,846	47,448
External sales	50,383	47,018
Operating profit before exceptional items	2,880	2,345
Operating profit	1,099	2,175

The End User Division comprises three separate businesses each with its own management team based in Manchester, London and Germany. The core activity of this group of businesses is the distribution of promotional items principally to large corporate clients through the use of innovative product design and project management capabilities and the use of technology based solutions. Although the businesses operate largely independently, the specialist skills within each business and their geographical locations are complementary to each other in meeting the needs of our client requirements.

Taking each of these businesses in turn:

a) Manchester

Following the relocation of the Product Source and MT Golf trade businesses to the Blackpool based Trade Division and the transfer of UK Direct Marketing to the executive control of US Direct Marketing, a major reorganisation of the remaining business, infrastructure and support services took place and was operational throughout the second half of 2007. The result is the merger of the Corporate Programmes and Field Sales businesses and the incorporation of the revised infrastructure and support services into this business.

The reduction in support and infrastructure costs and focus on this single business produced an excellent second half profit performance.

Sales at this site grew by 4% in the year and from a breakeven profit position at the half year, the reorganisation programme transformed the site's profitability to produce an excellent operating profit performance in the second half. In the year, operating profit before exceptional items increased by 35%.

b) London

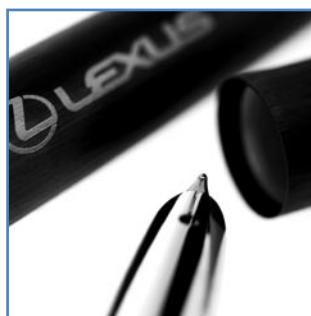
Our specialist Premiums business delivered a strong second half performance and sales for the full year were 18% ahead of 2007. This resulted from the growth of sales to existing clients and acquisition of new clients particularly in the Health and Beauty and Airline sectors. Operating profit for the London based business increased by 21%.

c) Germany

This business provides a similar type of service as the Manchester business, offering value added services and corporate programme solutions to its clients, working on occasions in partnership with the Manchester business.

Sales in the business were 3% ahead of 2006 while operating profit was 13% higher aided by tight control of costs.

The exceptional charges incurred in the year relate to the reorganisation programme in Manchester (£980,000) and to the termination of a significant, underperforming contract in the Manchester business (£801,000).



Operating Review Trade Division

	2007 £'000	2006 £'000
External and inter division sales	23,727	13,137
External sales	19,702	9,078
Operating profit before exceptional items	3,334	2,361
Operating (loss)/profit	(158)	2,361

For two reasons, 2007 has been a year of major change for the Trade Division:

- a) The acquisition in November 2006 of the Blackpool based business of Supreme almost doubled the size of the Trade Division and made it the largest supplier to the Promotional Products trade in the UK.
- b) The transfer of the Product Source business from Manchester to Blackpool in the second half of the year provided further significant opportunity to optimise the cost structure of both businesses and enhanced the resources available to develop the combined business.

The integration process was a complex operation including the recruitment and training of over 50% more staff at Blackpool, together with the commissioning of new and transferred equipment on the Blackpool site. The integration process extended over the whole of the second half, during which the normal high standards of customer service and production output were seriously weakened. Costs were also considerably higher as we dealt with these problems. By the end of 2007, both capacity and service were approaching the desired levels and further progress has been made in the early weeks of 2008 to the point where our production capability, quality and delivery are at planned levels. Excess costs were removed at the end of the year.

During the year the product range of the combined business was extended and sales into export markets expanded; these now represent over 14% of the total sales of the division.

Managerial resources were strengthened during the second half and the division is now in a strong position to pursue its planned growth opportunities.

The exceptional charge of £3.49m represents the costs attributable to the relocation and integration of the Manchester based Product Source and MT Golf trade businesses onto the Blackpool site.



Board of Directors



K.J. Minton CBE, 71
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 and Arjo Wiggins Appleton plc. He is currently a Non-Executive Director of Elementis plc and PayPoint plc.



A.J. Scull, 51
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, 40
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 at the Consumer Division of Georgia Pacific GB Ltd.



I. Brindle, 64
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, 60
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 Capula Ltd and Fox IT Ltd and as a Non-Executive Director of 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 29 December 2007.

Principal activities and Business Review

The principal activities of the Company and its subsidiaries (the "Group") are the manufacture, distribution and sale of promotional products.

The Chairman's Statement and Business Review, the latter of which forms a part of this report, contain a fair review of the development, performance and position of the Group. This report also contains a fair review of the risks and uncertainties facing the Group as well as an outline of other policies including those on health and safety and environment.

Review of the business

A review of the business is contained in the Executive 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 28.

Dividends

An interim dividend of 4.00p per ordinary share for 2007 was paid on 31 August 2007 and the Directors recommend a final dividend of 8.00p per share. The proposed final dividend, if approved, will be paid on 28 April 2008 in respect of shares registered at the close of business on 28 March 2008.

The total distribution paid and recommended for 2007 on the ordinary shares is £3.02m or 12.00p per share (2006: £2.36m or 9.50p per share).

Charitable and political donations

The Group contributed the following sums:

	2007 £'000	2006 £'000
Charitable Purposes	60	51

Donations were made to a variety of charities.

Charitable donations are made principally by the US Direct Marketing Division under its "one by one"® charitable programme.

For every business day, the division awards at least a \$500 in-kind grant to eligible organisations across the United States and Canada.

Eligible organisations include those with IRS-approved 501(c)3 status, Canadian registered charities, religious organisations and accredited schools.

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.

Risks

The Group may be affected by a number of risks, not all of which are within its control. The separate nature and business model of each division means that they face differing risks, for example, the Trade Division has manufacturing risks at its Blackpool premises, which are not risks faced by the Direct Marketing Division. Outlined below are a number of risks which may affect the 4imprint businesses but the list is not exhaustive and other factors may adversely affect the Group.

1. Macroeconomic conditions

The revenues, profits and cash flows of the Group may vary from period to period as a result of a variety of factors including general economic conditions, seasonal trends, disruption in specific industries, customers defaulting on payments, delays in obtaining inventory or raw materials, increased costs associated with obtaining banking facilities and falls in spending on promotional products. Specific examples include:

- Currency fluctuations which are particularly relevant to the Direct Marketing Division and the Premiums business of the End User Division.
- Variations in commodity prices, labour costs and prices of raw materials, energy and inventories which are particularly relevant to the Trade Division and to the Direct Marketing Division which has significant advance costs in printing and despatching catalogues.

- Credit Risk which is particularly relevant to the businesses in the End User Division, for example, the Premiums business which usually has a long period between initial negotiations and the delivery of goods, giving rise to potential exposure to a prolonged period of credit risk.
- Changes in interest and tax rates which are relevant to all the divisions.
- Technology risks associated with, for example, use of the internet which is particularly relevant to the Direct Marketing Division.

2. Changes in accounting standards

The most recent consolidated financial statements of the Group are prepared in accordance with IFRS. The development and evolution of accounting standards is an ongoing process and it is likely that IFRS will continue to change in the coming years. These changes may affect the reporting of the financial results of the Group which may have an impact on the market price of the ordinary shares.

3. Operating profits

The Group uses a range of labour and services which are essential to its operation, for example, purchased commodities and raw materials, staff, utilities (including electricity and other sources of energy), currencies, rates, postage and catalogue costs which can amount to a significant proportion of sales value and there may be only a limited ability to mitigate increases caused by market factors. Future increased costs in such items could, therefore, have a significant effect on the Group's financial performance.

4. Potential litigation and complaints

The Group could be the subject of complaints or litigation from customers and from other third parties for breach of contract, negligence or otherwise. It may also incur additional liabilities as a property owner (including environmental liability). If the Group were to be found liable in respect of any complaint or litigation, this could adversely affect the Group's results or its reputation.

5. Market competitors and new products

The Group operates in a competitive market, competing with other national and international producers and suppliers of promotional products. The Group may be unsuccessful in persuading customers that its products are priced favourably compared with those of its competitors. New technology, changing commercial circumstances, existing competitors and new entrants to the markets in which the Group currently operates, or markets in which the Group has targeted for expansion, may adversely affect its business, financial condition and results.

6. Operational risks

Operational risks are present in the Group's business. These risks include the risk of inadequate or failed internal and external processes and systems, departure of key management personnel, human error and external events such as changes in credit terms offered by suppliers, major disruption to delivery services or to the product supply chain. In the Premiums business, most orders are from a relatively small number of large customers and involve large quantities of bespoke items which require timely delivery and high quality. This business therefore has increased potential exposure to liability.

7. Change in law or regulation

A major change in law or regulations, for example privacy laws restricting the mailing of catalogues or purchase of products over the internet, could adversely affect the Group's results or its reputation.

Directors

The names of the present Directors and their interests in the share capital of the Company are shown on page 25. 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.

Corporate governance

During 2007 the Group has complied with the provisions of the Combined Code (2006), 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 year. (Principle A.2.1).

The structure of the Group is such that there are three divisions, each of which has a Divisional Chief Executive supported by a Divisional Finance Director and senior marketing and operational managers.

The three Divisional Chief Executives and the Divisional Finance Director of the US Direct Marketing Division are members of the Executive Committee, together with the Executive Chairman, the Group Finance Director and the Corporate Services Director. The Executive Committee meets usually once each month to review financial performance and to address significant issues affecting the divisions and the Group. In advance of these scheduled meetings, the Executive Committees receives minutes of the previous meetings and detailed financial information on the performance of the Division's businesses as well as any other items for discussion.

Directors' Report Continued

Additionally, monthly business reviews are undertaken with each of the divisions at which the Divisional Chief Executive and other senior divisional management present to the Executive Chairman and the other Executive Directors the financial performance of their businesses together with its plans for the short and medium term.

Against that background, the Board currently sees no compelling reason to employ a Group Chief Executive. This situation is kept under review by the Board, at least annually.

The Board

The Board is responsible to Shareholders for creating and sustaining shareholder value through the management of the Group's businesses.

It is also responsible for ensuring that management maintain a system of control that provides assurance of effective and efficient operations, internal financial control and compliance with law and regulation.

The Board is the decision making body for all matters material to the Group's finances, strategy and reputation.

The Board has a formal schedule of matters reserved for its decision and the schedule was re-considered and approved by the Board at its meeting on 10 December 2007. The schedule includes, for example, the approval of interim and final financial statements, the acquisition and disposal of businesses, changes to the capital structure of the Company, the appointment or removal of Directors and the financing of the Group's businesses. Otherwise, the Board delegates day-to-day management of the Group to the Executive Directors.

In any circumstances 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 Board Meetings.

Specific responsibilities have been delegated to Board Committees which have access to independent expert advice at the Group's expense. The details of the Board Committees and their activities are set out in pages 15 to 17.

The Non-Executive Directors meet from time to time, without the Executive Directors being present.

All Directors have access to the advice and services of the Company Secretary.

The Board consists of an Executive Chairman, a Group Finance Director, a Corporate Services Director and two independent Non-Executive Directors. The role of the Non-Executive Directors includes assisting in the development of strategy, scrutinizing the performance of management, monitoring the integrity of financial information and systems of risk management as well as determining the appointment, removal and remuneration

of Executive Directors. During 2007 the Board has considered whether it is appropriate to have additional Non-Executive Directors. Given the size of the Company and the level of experience and knowledge of the current Non-Executive Directors, the Board believes that, at this stage of the Group's development, the appointment of any additional Non-Executive Directors is unnecessary. However, the matter will be kept under review, at least annually. The current Non-Executive Directors have letters of appointment for three years from 5 September 2006 in the case of Mr Nicholas Temple and from 10 October 2006 in the case of Mr Ian Brindle. The letters of appointment of Mr Brindle and Mr Temple are available for inspection by any person at the Company's registered office during normal business hours and also at the Annual General Meeting.

The Corporate Services Director, who is a lawyer of twenty seven years qualification, also acts as the Company Secretary. This situation has been re-considered by the Board at its meeting on 10 December 2007 and approved by the Board. The Corporate Services Director took no part in that decision. The appointment and removal of the Company Secretary is a matter to be decided by the Board as a whole (excluding the Corporate Services Director).

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. Additionally, the Company Secretary provides resources as appropriate, to enable Directors to update their skills and knowledge. Independent professional advice is available to the Directors as required, at the Company's expense.

During 2007, the Board undertook 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 comprehensive questionnaire, 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. The Board (not including the Chairman) is satisfied that the Chairman's performance is effective and that he demonstrates significant continued commitment to the role.

The evaluation of the Board indicated areas for improvement but no material issues were identified.

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Total Number	6	2	1	–
Mr K.J. Minton	6	2	1	–
Mr I. Brindle	6	2	1	–
Ms G. Davies	6	2	–	–
Mr A.J. Scull	6	2	–	–
Mr N. Temple	6	2	1	–

The Company provides the necessary resources for developing and updating the knowledge and capabilities of the Directors. During 2007, the Board held meetings at SPS, the newly acquired business in the UK, to enable the Non-Executive Directors, in particular, to increase their knowledge and familiarity with that business and its management. A table setting out the number of Board and Committee Meetings and attendance by Directors at those meetings is set out above.

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:

Nomination Committee

The responsibilities of the Nomination Committee include: (i) reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any adjustments that are necessary; and (ii) identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise; (iii) putting in place plans for succession at Board level; (iv) making recommendations to the Board for the continuation (or not) in service of any Director who has reached the age of 70 and (v) recommending Directors who are retiring by rotation to be put forward for re-election.

The Nomination Committee was chaired throughout 2007 and at the date of this report by Mr Nicholas Temple, an Independent Non-Executive Director. The other member of the Committee during 2007 was Mr Ian Brindle, the Senior Independent Non-Executive Director. Mr K. J. Minton, the Chairman of the Company, who is an Executive Director, is usually invited to attend formal meetings of the Nomination Committee. The Company Secretary attends meetings of the Nomination Committee, in his capacity as Secretary.

The Nomination Committee has Terms of Reference which were re-considered and approved by the Board of the Company at its Board Meeting on 10 December 2007. These Terms of Reference are available for inspection at the Company's registered office during normal business hours.

The Nomination Committee meets as frequently as is required to fulfil its duties. When there are not specific decisions or recommendations to be made, the Chairman of the Committee consults the other member of the Committee as necessary. During 2007, the Nomination Committee had no formal meetings.

Remuneration Committee

The responsibilities of the Remuneration Committee include: (i) determining and making recommendations to the Board on remuneration policy and remuneration for the Executive Directors, the Company Secretary and other members of the Executive Committee of the Company. No Director is allowed to be involved in determining his or her own remuneration; (ii) Reviewing the on-going relevance of the remuneration policy; (iii) approving the design of and determining the targets for any performance related pay schemes operated by the Company; (iv) approving the total annual payments made under such schemes; (v) reviewing the design of all share incentive plans for approval by the Board and Shareholders and, for any such plans, determining whether awards will be made and if so the overall amount of such awards and by whom they will be received; (vi) determining the policy for and scope of pension arrangements for Executive Directors, and other members of the Executive Committee; (vii) ensuring that contractual terms on termination and any payments made are fair to the individual and the Company; (viii) determining within the agreed policies, and having regard to relevant legal and remuneration guidance, the total individual remuneration package of each Executive Director and member of the Executive Committee including salary, annual bonus, incentive payments, pensions and share options; (ix) determining the terms of reference for any remuneration consultants who may advise the Committee.

Directors' Report Continued

The Remuneration Committee was chaired throughout 2007 and at the date of this report by Mr Nicholas Temple, an Independent Non-Executive Director. The other member of the Committee was Mr Ian Brindle, the Senior Independent Non-Executive Director. The Company Secretary attends meetings of the Remuneration Committee, in his capacity as Secretary.

The Remuneration Committee has Terms of Reference which were re-considered and approved by the Board at its meeting on 10 December 2007. These Terms of Reference are available for inspection at the Company's registered office during normal business hours.

The Remuneration Committee met once during 2007. The Chairman of the Company, Mr K. J. Minton was invited to attend that meeting and did so, except in circumstances where his own remuneration was being considered. Where there are no specific decisions or recommendations to be made, the Chairman of the Committee consults with the other member of the Committee and with external Shareholders as necessary.

Audit Committee

The Audit Committee is responsible for maintaining an appropriate relationship with the Group's external auditors and for reviewing the Company's internal financial controls and the audit process. It aids the Board in seeking to ensure that the financial and non-financial information supplied to Shareholders presents a balanced assessment of the Company's position.

The Committee reviews the objectivity and independence of the external auditors and also considers the scope of their work and fees paid for audit and non-audit services.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external auditors. Members of the Committee may, in pursuit of their duties, take independent professional advice on any matter, at the Company's expense. The Audit Committee Chairman reports the outcome of Audit Committee meetings to the Board.

The Audit Committee was chaired throughout 2007 and at the date of this report by Mr Ian Brindle, the Senior Independent Non-Executive Director who was Chairman of PricewaterhouseCoopers and on retiring, in 2001, became Deputy Chairman of the Financial Reporting Review Panel. He has extensive recent and relevant financial knowledge and experience. The other member of the Committee is Mr Nicholas Temple, an Independent Non-Executive Director. The Chairman of the Company, who is an Executive Director and the Finance Director are normally invited to attend meetings of the Audit Committee as is, from time to time, the Group Financial Controller. The Company Secretary attends meetings of the Audit Committee in his capacity as Secretary. The Audit Committee met twice during 2007.

The Audit Committee has Terms of Reference which were re-considered and approved by the Board at its meeting on 10 December 2007. These Terms of Reference are available for inspection at the Company's registered office during normal business hours. The Board expects Audit Committee members to have an understanding of the following areas:

- The principles of, and developments in, financial reporting including the applicable accounting standards and statements of recommended practice;
- Key aspects of the Company's operations including corporate policies and the Group's internal control environment;
- Matters which may influence the presentation of the accounts;
- The principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- The role of internal and external auditing and risk management; and
- The regulatory framework for the group's businesses.

The Audit Committee meets at least twice each year and has an agenda linked to events in the Group's financial calendar.

In order to fulfil its terms of reference, the Audit Committee receives and reviews presentations and reports from the Group's senior management, consulting as necessary with the external auditors.

During the year, the Audit Committee formally reviewed draft interim and annual reports and associated interim and preliminary year end results announcements. These reviews considered:

- The accounting principles, policies and practices adopted in the Group's accounts, and proposed changes to them;
- Significant accounting issues and areas of judgement and complexity;
- Litigation and contingent liabilities affecting the Group; and
- Potential tax contingencies and the Group's compliance with statutory tax obligations.

The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment and the Group's compliance with the Combined Code. To fulfil these duties, the Audit Committee reviewed:

- The external auditors' management letters and audit highlights memoranda;
- Any reports on the systems of internal controls and risk management; and
- Any reports on frauds perpetrated against the Group.

During 2007, the Group's auditors provided non-audit advice in a number of areas, including tax advisory work, advice on share schemes and company secretarial assistance. In each case, before any non-audit work is commissioned, the nature and extent of such work is considered, initially by the Group Finance Director and the Corporate Services Director, to determine if such work would put at risk auditor objectivity and independence. This process includes discussion with the Audit Partner at PricewaterhouseCoopers LLP. If there is any concern that auditors objectivity and independence would be put at risk, the matter will be referred to the Audit Committee, prior to the commissioning. No such references were made during 2007.

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The Group's policy on external audit prohibits certain types of non-audit work from being performed by the auditor, particularly in cases where auditor objectivity and independence would be put at risk.

The Board has specifically reviewed the nature and extent of non-audit work carried out by the auditors in 2007 and concluded that there are no cases where auditor objectivity and independence has been put at risk.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviewed:

- Changes and rotation to external audit members in the audit plan for the current year
- A report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- The nature and extent of non-audit services provided by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- The external auditors' fulfilment of the agreed audit plan and variations from it; and
- Reports highlighting the major issues that arose during the course of the audit.

To fulfil its responsibility for oversight of the external audit process, the Audit Committee reviewed:

- The terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter for the forthcoming year;
- The external auditors' overall work plan for the forthcoming year;
- The external auditors' fee proposal;

- The major issues that arose during the course of the audit and their resolution;
- Key accounting and audit judgements;
- The levels of errors identified during the audit; and
- Recommendations made by the external auditors in their management letters and the adequacy of management's response.

The Audit Committee has recommended to the Board that the external auditors are re-appointed.

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, at least once annually.

The Group has a 'Whistleblowing' policy which contains arrangements for the Company Secretary to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

As necessary, the Audit Committee holds private meetings with the external auditors to review key issues within their spheres of interest and responsibility.

The Chairman of the Audit Committee will be present at the Annual General Meeting to answer questions on this report, matters within the scope of the Audit Committee's responsibilities and any significant matters brought to the Audit Committee's attention by the external auditors.

Relations with Shareholders

The Board places a high value on its relations with its investors.

The Group, principally through the Executive Chairman and the Group Finance Director, has regular dialogue and meetings with institutional shareholders, fund managers and analysts. Subject always to the constraints regarding sensitive information, a wide range of issues, including strategy, performance, management and governance are discussed.

The Board considers it important to understand the views of Shareholders, in particular, any issues which concern them. The Senior Independent Non Executive Director is available to meet major Shareholders, if they so wish.

The Board consults with Shareholders in connection with specific issues where it considers it appropriate. For example, during 2007, the Chairman of the Remuneration Committee met with a major shareholder regarding the implementation of the share incentive arrangements for the Executive Chairman, details of which are set out in the Remuneration Committee Report on pages 21 to 26.

Directors' Report Continued

Private Shareholders can keep up to date through updates provided on the Investor Relations Section of the 4imprint website and through the provision of the Annual and Interim Report and Accounts. Shareholders are invited at any time to write to the Chairman or any other Director to express their views and the AGM provides an opportunity for Shareholders to address their questions to the Board in person.

Internal control

The control system of the Group is intended to manage rather than eliminate the risk of failure to meet the Group's objectives and any such system can only provide reasonable and not absolute assurances against material misstatement or loss. The control system including financial, operating, compliance and risk management is reviewed by the board at least annually.

Additionally, through the management process outlined in the Corporate Governance section of the Directors Report on pages 13 and 14, the Group operates a continuous process of identifying, evaluating and managing the significant risks faced by each Division and the Group as a whole. This process, which has been in place throughout 2007 and up to the date of the approval of this Annual Report includes the following:

- A defined organisational structure with appropriate delegation of authority;
- Formal authorisation procedures for all investments;
- Clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production and review of detailed accurate and timely financial management information;
- The control of financial risks through clear authorisation levels;
- Identification of operational risks and the development of mitigation plans by the senior divisional management;
- Regular reviews of both forward looking business plans and historic performance;
- Regular reports to the Board from the Executive Directors.

The internal control process will continue to be monitored and reviewed by the Board which will, where necessary, ensure improvements are implemented.

During 2007, the transfer of the Product Source and MT Golf businesses from Manchester to Blackpool and the reorganisation of the Manchester business put considerable strain on the divisional management at both sites. As a result, the control measures were also strained including a deterioration of the ageing profiles of debtors, quality issues, disputes with customers and credit control. Remedial action is being taken to the satisfaction of the Audit Committee.

Additional information for Shareholders

Share capital

The Company has a single class of share capital which is divided into ordinary shares of 38 6/13 pence each. The shares are in registered form.

Rights and obligations attaching to shares

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or, if there is no such resolution or so far as it does not make specific provision, as the Board may decide. Subject to the current Articles of Association of the Company, the Companies Acts and other shareholder's rights, unissued shares are at the disposal of the board. At each Annual General Meeting, the Company seeks annual shareholder authority authorising the Company's Directors to allot unissued shares, in certain circumstances, for cash.

Restrictions on voting

No member shall be entitled to vote at any general meeting in respect of any shares held by that member if any call or other sum then payable by that member in respect of that share remains unpaid. Currently, all issued shares are fully paid.

Appointment and replacement of Director

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following Annual General Meeting and is then eligible for election by the Shareholders.

At every Annual General Meeting of the Company, a minimum of one third of the Directors shall retire by rotation. The office of Director shall be vacated if (a) he resigns or offers to resign and the Board resolves to accept such offer (b) he is or has been suffering from mental ill health, (c) he becomes bankrupt or compounds with his creditors generally, (d) he is prohibited by law from being a Director, (e) he ceases to be a Director by virtue of the Companies Act or (f) he is removed from office pursuant to the Articles of Association.

Amendment of Articles of Association

Any amendments to the Articles of Association of the Company may be made in accordance with the Companies Act. A resolution will be put to the Annual General Meeting on 23 April 2008 to amend the Articles. Details of the specific changes being proposed are set out in full in the Notes to the Notice concerning the Annual General Meeting.

Powers of Directors

Subject to the Company's Memorandum and Articles of Association, the Companies Acts and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

Shares held in trust for employees' share schemes

The trustees of the 4imprint Group plc Employee Share Trust may vote or abstain from voting on shares held in the Trust in any way they think fit.

Significant Agreements

The following contain provisions entitling the counter party to exercise termination or other rights in the event of a change of control of the Company:

Under a £6,000,000 business loan agreement dated 6 December 2007 between the Company and Lloyds TSB Bank plc a change of control of the Company constitutes an Event of Default, the occurrence of which means that the Bank may cancel any obligations it has to lend money to the Company and may also make the loan become repayable on demand. When the loan is repayable on demand, the Company must, when requested, repay the loan to the Bank together with all interest which has accrued on the loan and any other amounts owing under the business loan agreement.

Going concern

After making enquiries, the Board has reasonable expectation that the Group and Company has adequate resources to continue operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing the Financial Statements.

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 regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the 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;
- State that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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, as regards the Group financial statements, 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.

The Directors are responsible for the maintenance and integrity of the Company's website and 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 25 and 26. Currently the Company has no policy regarding minimum shareholdings by Directors but the issue is considered annually.

Remuneration Report

Details of the procedures and guidelines used by the Committee in determining remuneration are outlined in its report on pages 21 to 23.

Payables policy

In view of the diverse nature of the Group's Divisional businesses and their operations in a wide range of geographical areas, no universal code or standard on payment policy is followed, but the Divisions are expected to establish payment terms consistent with local procedures, custom and practice. The Company had no trade payables at the period end.

Directors' Report Continued

Purchase of own shares

To satisfy future employee share option requirements 90,000 shares were purchased during the period. These shares are held in Trust.

No shares were cancelled during the period.

Substantial interests

At 10 February 2008 the Company had been notified of the following interests in the issued ordinary share capital of the Company:

	Number of shares	%
Aberforth Partners	4,636,200	18.14
SVG Investment Managers	4,301,753	16.83
Artemis Investment Management	2,841,817	11.12
Hermes Pension Management	1,789,074	7.00
Morley Fund Management	1,353,002	5.29
M & G Investment Management	1,224,761	4.79
BlackRock Investment Managers	888,260	3.48
4imprint Directors	822,447	3.22

Waiver of dividends

The dividend income from and the voting rights in respect of the 355,000 shares (2006: 665,000 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.

4imprint is registered to the international environmental standard ISO 14001:2004 within the UK. The formal systems in place are subject to both internal and external audits and management is regularly notified of key issues and developments. Across all its businesses worldwide 4imprint assesses, monitors and reviews any potential impact of its operations upon the environment. Steps are taken to recycle packaging and raw materials as well as to control energy consumption and waste.

Social and Ethical

The Board recognises its corporate social responsibilities and has developed, approved and issued a Social and Ethical Policy, the purpose of which is to ensure, as far as reasonably practicable, that when undertaking their operations, all businesses operate in accordance with best practice. The policy addresses issues such as Working Hours, Discrimination, Collective Bargaining and Child Labour. The policy is regularly reviewed and was re-considered by the Board at its meeting on 10 December 2007.

Health & Safety

During 2007, as part of the integration of the trade businesses and in accordance with the Group's policy of developing Health and Safety, an independent audit was undertaken at the Blackpool operations. As a result a new Health and Safety Policy has been introduced and a number of measures have been taken to upgrade risk assessments, health and safety training and management.

Annual general meeting

Notice of the AGM is set out on pages 62 and 63. 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 64 to 71.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company has been recommended by the Audit Committee to the Board and will be proposed at the AGM.

By order of the Board



Andrew Scull
Secretary
4 March 2008

Remuneration Report

Composition

The Remuneration Committee is a Committee whose membership is comprised solely of Non-Executive Directors. The responsibilities of the Remuneration Committee are set out in further detail on pages 15 and 16 of the Annual Report and Accounts.

The members of the Committee are Mr I. Brindle and Mr N. Temple who, throughout 2007 and at the date of this Report chaired the Committee. The Committee meets at least once a year and may invite other attendees as it sees fit.

Compliance

The Committee considers that during 2007 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 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 a one year period from 5 April 2007, 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,

- a) He is not reappointed as a Director of the Company upon retirement by rotation pursuant to the Company's Articles of Association; or
- b) He is removed as a Director of the Company by resolution passed at the General Meeting of the Company; or

- c) 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 (excluding shares and share options) will be as follows:

Name	Non Performance Related*	Performance Related
K.J. Minton	100%	–
G. Davies	77%	23%
A. J. Scull	77%	23%

* Note that Mr K.J. Minton has been awarded performance related options and shares and that, Ms G. Davies and Mr A.J. Scull have been awarded performance related options, details of which are set out on page 26.

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. The current Non-Executive Directors have letters of appointments for three years from 5 September 2006 in the case of Mr N. Temple and from 10 October 2006 in the case of Mr I. Brindle.

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 shareholder value of the Company, and
- Clear, easy to understand and motivating.

Name	Contract Details	Unexpired term at 29 December 2007	Notice period (i) from Company (ii) from Director	Contractual Termination payment
K.J. Minton	5 April 2007	3 months and one week	n/a	nil
G. Davies	6 December 2004	n/a	(i) Twelve months (ii) Six months	Twelve months contractual benefits n/a
A. J. Scull	8 November 2004	n/a	(i) Twelve months (ii) Six months	Twelve months contractual benefits n/a

Remuneration Report Continued

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, ending on 29 December 2007, PricewaterhouseCoopers LLP advised on the design and implementation of the Long Term Incentive Plan.

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 economic 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 Managers.

Basic salary

Basic salaries for Executive Directors, except Mr. K.J. Minton, are reviewed with effect from 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 and the financial parameters are decided by the Committee each year and may vary from time to time. All bonus payments are capped and do not form part of pensionable remuneration. Other than in exceptional circumstances, the cap is 30% of salary for Executive Directors.

Pensions

Each Executive Director, except Mr. K.J. Minton, is entitled to receive post retirement benefits through the Group's defined contribution pension scheme. The amounts paid by the Company to Ms G. Davies and Mr A. J. Scull during the period ending 29 December 2007 are set out in Note (a) on page 25 of the Remuneration Report.

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 the 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.

Set out in the Remuneration Report contained in the 2006 Annual Report and Accounts (the "Report"), were changes to the Long Term Incentive arrangements for Executive Directors and Senior Management. The previous arrangements provided for the grant of nil-cost options as the market value of the Company progressively increased, with grants being made to the Executive Directors and Senior Management participating at various levels as the share price passed through a series of award triggers, namely £2, £2.50, £3 and £3.50. These nil-cost options have vested and are exercisable in accordance with the Rules of the Scheme.

The Report made clear that the arrangements related to the first phase of the turnaround programme which has been completed. Accordingly, the Remuneration Committee introduced changes to the incentive arrangements.

Those changes comprised the following:

- a) The performance targets changed, 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 was around 9% per annum at the date of the Report),
- b) The period for measurement of the increase in total shareholder return is three years from the completion of the previous arrangements, which occurred on 23 October 2006 when the share price had been at a minimum average of £3.50 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%.
- d) That quantity of nil-cost options will be allocated to Executive Directors and Senior Management in percentage proportions, determined by the Remuneration Committee and communicated to the participants. 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. Participants will be awarded such number of shares as represents a proportion of that 10%. At the date of grant and to the date of this Report, no Executive Director, Person Discharging Managerial Responsibility or other senior manager is entitled to a proportion exceeding 15.25% of that 10%.

The arrangements set out above were approved by Shareholders at the 2007 Annual General Meeting.

On 1 August 2007, Mr K.J. Minton exercised options over 200,000 shares (the "Options"). On the same date Mr K.J. Minton was awarded a further 200,000 shares in the Company and sold 100,000 shares, such sale being for the purpose of meeting part of the tax liability arising from the exercise of the options.

The Company announced that on 7 September 2007, it granted nil cost options to its Executive Directors and Persons Discharging Managerial Responsibilities.

Grants were made, under an Option Deed, to the Executive Chairman, Mr K. J. Minton, whose remuneration is, apart from an annual salary of £30,000 entirely share based and performance related. There were performance targets attached to the grant which provide for the vesting of such number of options as represent £500,000 for each 50p increase in the share price of the Company commencing from a base price of £5.00p per share. Each such 50p increase in share price must be sustained for 30 consecutive dealing days. Vesting options can be exercised at any time within ten years of the date of grant.

Grants made to two other Executive Directors, Ms G. Davies and Mr A. J. Scull, three Persons Discharging Managerial Responsibilities, Mr C. Lee, Mr K. Lyons-Tarr and Mr D. Seekings and seven other senior managers were made under the terms of the 4imprint Long Term Incentive Plan which was approved by Shareholders of the Company at the 2007 AGM. There are performance targets attached to the grants which are based on the increase in total shareholder return above the cost of equity, measured over a three year period from a starting share price of £3.50 per share, which was achieved on 23 October 2006.

Other benefits

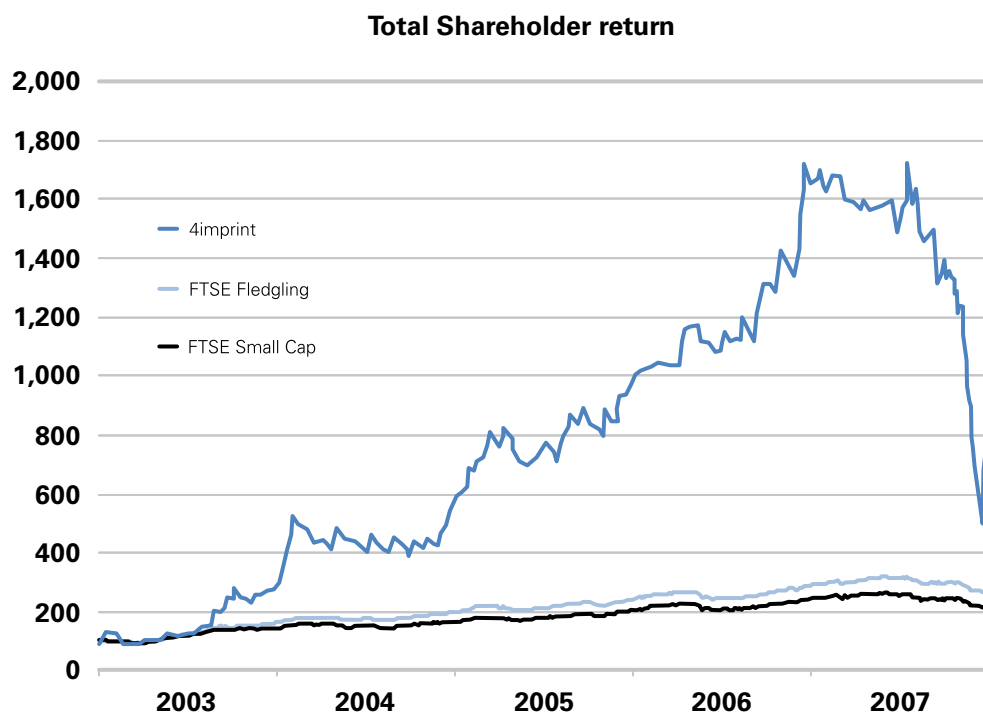
The Remuneration Committee has agreed the provision of other benefits to Executive Directors, excluding Mr K. J. Minton, including a car (or car allowance) and membership for each Executive Director, spouse and children up to age 18, of a private healthcare scheme.

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 24 to 26.

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. Details of Non-Executive Directorships held by Mr K.J. Minton are set out on page 10 of this Report. During the period and up to the date of this Report, neither Ms G. Davies nor Mr A.J. Scull had any appointments as a Non-Executive Director.

Remuneration Report Continued

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 were as follows:		
	2007 £'000	2006 £'000
Fees and contractual salary payments	394	393
Performance related bonus	94	88
Aggregate emoluments of the highest paid Director	195	202

The total emoluments, excluding pension contributions, of the Directors were as follows:

	Note	Basic salary/fee £'000	Benefits £'000	Annual bonus £'000	Total emoluments	
					2007 £'000	2006 £'000
Executive						
K.J. Minton	(b)	30	–	–	30	30
G. Davies	(a)	135	11	47	193	202
A.J. Scull	(a)	135	13	47	195	181
Non-Executive						
	(b)					
I. Brindle		35	–	–	35	34
N. Temple		35	–	–	35	34
Total 2007		370	24	94	488	
Total 2006		350	43	88		481

Notes:

a) The Group made defined contributions to the pension plans of Ms G. Davies and Mr A.J. Scull, amounting to £20,250 (2006: £18,900) and £20,250 (2006: £18,900) respectively.

b) Non-Executive Directors and Mr 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:

Directors' interests in the share capital of the Company		
	Holding at 29 December 2007	Holding at 30 December 2006
K.J. Minton	809,110	500,000
G. Davies	5,000	5,000
A.J. Scull	5,000	5,000
I. Brindle*	3,337	3,337
N. Temple*	–	–

* Non-Executive Director

Remuneration Report Continued

Directors' options over the share capital of the Company										
	Holding at 31 Dec 2006	Granted during the period	Date of Grant	Exercised during the period	Holding at 29 Dec 2007	Exercise price	Exercisable		No of shares vested	Vesting date
							From	To		
K.J. Minton										
- 2004 Executive scheme	100,000	-	20 Dec 2004	100,000	-	Nil	8 July 2007	20 Dec 2014		
- 2004 SAYE	9,110	-	20 Oct 2004	9,110	-	104p	1 Dec 2007	31 May 2008		
- 2004 Executive scheme	100,000	-	14 Mar 2006	100,000	-	Nil	8 July 2007	14 Mar 2016		
- 2007 SAYE	-	2,774	1 Oct 2007	-	2,774	346p	Jan 2011	June 2011		
	209,110	2,774		209,110	2,774					
G. Davies										
- 2004 Executive scheme	120,000	-	20 Dec 2004	-	120,000	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	-	4,495	208p	1 Jan 2009	30 June 2009		
- 2004 Executive scheme	50,000	-	14 Mar 2006	-	50,000	Nil	14 Mar 2009	30 June 2009	50,000	20 Oct 06
	174,495	-		-	174,495				170,000	
A.J. Scull										
- 2004 Executive scheme	120,000	-	20 Dec 2004	-	120,000	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	-	4,495	208p	1 Jan 2009	30 June 2009		
- 2004 Executive scheme	50,000	-	14 Mar 2006	-	50,000	Nil	14 Mar 2009	30 June 2009	50,000	20 Oct 06
	174,495	-		-	174,495				170,000	

During 2007 the middle market value of the share price ranged from 143.50p to 500.00p and was 217.50p at the close of business on 29 December 2007.

Details of share options granted by 4imprint Group plc as at 29 December 2007 are given in note 24.

On behalf of the Board.



Nick Temple
Chairman of the Remuneration Committee
4 March 2008

Independent Auditors' Report to the Members of 4imprint Group plc

We have audited the Group and Company financial statements (the "financial statements") of 4imprint Group plc for the period ended 29 December 2007 which comprise the Group Income Statement, the Group and Company Statements of Recognised Income and Expense, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements 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 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 Members 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 judgements 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 29 December 2007 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 29 December 2007 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 Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester, 4 March 2008

Income Statement

for the period ended 29 December 2007

	Note	2007 £'000	2006 £'000
Sales	1	146,823	119,519
Operating expenses	2	(143,076)	(112,355)
Operating profit	1	3,747	7,164
Operating profit before exceptional items and share grant		10,160	7,541
Exceptional items	5	(5,273)	(377)
Share grant	2	(1,140)	–
Operating profit	1	3,747	7,164
Finance costs	6	(458)	(44)
Finance income	6	13	218
Profit before tax		3,302	7,338
Taxation	7	(1,072)	(2,348)
Profit attributable to equity Shareholders		2,230	4,990
Earnings per share			
Basic	9	8.93p	20.29p
Diluted	9	8.65p	19.44p

The notes on pages 32 to 61 are an integral part of the financial statements.

All amounts in the income statement relate to continuing operations for both the current and prior period.

Statements of Recognised Income and Expense

for the period ended 29 December 2007

	Group	
	2007	2006
	£'000	£'000
Profit for the period	2,230	4,990
Exchange gains/(losses) offset in reserves net of tax	59	(1,540)
Current tax deduction on exercise of employee share options	–	492
Actuarial gains taken to reserves net of tax	3,886	771
Net gains/(losses) not recognised in income statement	3,945	(277)
Total recognised income for the period	6,175	4,713

	Company	
	2007	2006
	£'000	£'000
Loss for the period	(2,418)	(999)
Current tax deduction on exercise of employee share options	–	98
Actuarial gains taken to reserves net of tax	3,886	771
Net gains not recognised in income statement	3,886	869
Total recognised income/(expense) for the period	1,468	(130)

Balance Sheets at 29 December 2007

	Note	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Non current assets					
Property, plant and equipment	10	10,240	10,315	-	-
Goodwill	11	9,084	9,084	-	-
Intangible assets	12	1,459	1,616	-	-
Investments	13	8	7	104,187	104,187
Deferred tax assets	14	4,334	6,149	3,529	6,005
		25,125	27,171	107,716	110,192
Current assets					
Inventories	15	9,335	8,409	-	-
Trade and other receivables	16	31,156	23,748	32,387	22,560
Cash and cash equivalents	17	2,744	2,115	2,124	936
		43,235	34,272	34,511	23,496
Current liabilities					
Trade and other payables	18	22,950	18,710	878	58
Current tax		322	857	-	-
Borrowings	19	3,821	2,364	4,547	4,157
		27,093	21,931	5,425	4,215
Net current assets		16,142	12,341	29,086	19,281
Non current liabilities					
Retirement benefit obligations	4	10,549	18,436	10,549	18,436
Financial liability	21	-	1,000	-	-
Borrowings	19	6,000	-	6,000	-
Amounts due to subsidiary companies		-	-	68,476	59,114
		16,549	19,436	85,025	77,550
Net assets		24,718	20,076	51,777	51,923
Shareholders' equity					
Share capital	22	9,823	9,766	9,823	9,766
Share premium reserve	23	37,943	37,757	37,943	37,757
Capital redemption reserve	23	208	208	208	208
Cumulative translation differences	23	(1,690)	(1,750)	-	-
Retained earnings	23	(21,566)	(25,905)	3,803	4,192
Total equity		24,718	20,076	51,777	51,923

The financial statements on pages 28 to 61 were approved by the Board of Directors on 4 March 2008 and were signed on its behalf by:



Ken Minton Executive Chairman



Gillian Davies Group Finance Director

Cash Flow Statements for the period ended 29 December 2007

	Note	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash flows from operating activities					
Cash generated from operations	25	782	3,052	(2,651)	(3,192)
Tax paid		(2,734)	(848)	-	-
Finance income		82	167	77	15
Finance costs		(406)	(23)	(359)	-
Net cash (used in)/generated from operating activities		(2,276)	2,348	(2,933)	(3,177)
Cash flows from investing activities					
Acquisition of subsidiary		(266)	(2,058)	-	-
Cash acquired with subsidiary		-	520	-	-
Proceeds on disposal of subsidiary		-	526	-	-
Purchases of property, plant and equipment		(1,220)	(822)	-	-
Purchases of intangible assets		(672)	(643)	-	-
Proceeds from sale of property, plant and equipment		-	27	-	-
Net cash used in investing activities		(2,158)	(2,450)	-	-
Cash flows from financing activities					
Repayment of borrowings on acquisition		-	(7,219)	-	-
Proceeds from new borrowings		6,000	-	6,000	-
Proceeds from issue of ordinary shares		243	205	243	205
Dividends paid to Shareholders	8	(2,557)	(1,911)	(2,557)	(1,911)
Net cash generated from/(used in) financing activities		3,686	(8,925)	3,686	(1,706)
Net movement in cash and bank overdrafts		(748)	(9,027)	753	(4,883)
Cash and bank overdrafts at beginning of the period		(249)	9,012	(3,221)	1,683
Exchange (losses)/gains on cash and bank overdrafts		(80)	(234)	45	(21)
Cash and bank overdrafts at end of the period		(1,077)	(249)	(2,423)	(3,221)
Analysis of cash and bank overdrafts					
Cash at bank and in hand	17	2,744	2,115	2,124	936
Bank overdraft	19	(3,821)	(2,364)	(4,547)	(4,157)
		(1,077)	(249)	(2,423)	(3,221)

Notes to the Financial Statements

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with IFRS and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (March 2008).

The principal Group accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period. A subsidiary is an entity that is controlled by the Company. Control exists when the Group has the power, direct or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired plus costs directly attributable to the acquisition. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the Group's share of identifiable net assets is recorded as goodwill.

Use of assumptions and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting policies

Critical accounting policies are those that require significant judgement or estimates and potentially result in materially different results under different assumptions or conditions.

Pensions

As disclosed in note 4 the Group operates a closed defined benefit scheme. Year end recognition of the liabilities under this scheme and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, asset returns, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability in the balance sheet.

Deferred Taxation

The Group is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different tax and accounting treatments. Assumptions are made around the extent to which it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are recognised at the balance sheet date based on these assumptions.

Share based payments

The fair values of employee share option plans are calculated using the Binomial or Monte Carlo models as appropriate. The fair value is charged to the income statement over the vesting period of the share option schemes. The calculations require a number of estimates and judgements including the historical volatility of the Company's share price, expected forfeiture rates of options and expected life of options.

Inventory provisions

Inventory provisions are made in relation to slow moving and obsolete inventory and are based on assumptions on expected usage using historic and forecast sales as a basis.

Exceptional items

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

Segment reporting

A business segment is a group of 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.

Sales

Sales are represented by the invoiced value of goods to customers outside the Group excluding value added taxes and represents net invoiced value less estimated rebates. Sales are recognised upon delivery of goods to customers.

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 life, 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.

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 option schemes. The value of the charge is adjusted to reflect expected and actual number of options vesting except where forfeiture is only due to share plans not achieving the share price threshold for vesting.

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.

Taxation

The charge for taxation is based on profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments. Provision is made for the tax effects of these differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings.

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.

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.

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'.

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.

Notes to the Financial Statements continued

Intangible 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.

Software

Software – 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.

Other intangibles

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.

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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and 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.

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.

Financial instruments

Borrowings are measured at amortised cost, where any arrangement fees capitalised are amortised over the life of the loan. 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.

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.

Own shares held by ESOP trust

Own shares acquired, to meet future obligations under employee share options, are held in an independent trust. These are funded by the Company and purchases of shares by the Trust are charged directly to equity.

Administration expenses of the Trust are charged to the Company's income statement as incurred.

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 cash flows 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.

IFRS standards effective in 2007

The IASB and IFRIC have issued additional standards, amendments and interpretations which are effective for this accounting period.

The following have been adopted:

IFRS7, "Financial instruments: Disclosures," and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures," have been adopted in these financial statements. These introduce new disclosures relating to financial instruments.

The following have not been adopted due to their non relevance or immaterial effect on the accounts:

- i) IFRIC8 (scope of IFRS2) – consideration of transactions involving the issuance of equity instruments, where identifiable consideration is less than the fair value of the equity instrument issued.
- ii) IFRIC10 (Interim financial reporting and impairment)

In addition the following standards, amendments and interpretations issued are not effective for this accounting period:

Not yet adopted by the Group:

- i) IFRS8 (operating segments) – relates to disclosures of segments and related information.
- ii) IFRIC11 (IFRS2 – Group and treasury share transactions) – Provides guidance on the accounting for share based transactions in the standalone accounts of the parent and group companies.

Expected to be immaterial or not relevant to the Group:

- i) IAS23 (Amendment), (Borrowing costs)
- ii) IFRIC14 (IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction)
- i) IFRIC12 (Service concession arrangements)
- ii) IFRIC13 (Customer loyalty programmes)

Notes to the Financial Statements continued

1 Segmental reporting

Primary reporting format – business segments

At 29 December 2007, the Group is reported in three primary business segments:

	Gross segment sales		Inter-segment sales		External sales	
	2007 £'000	2006 (restated) £'000	2007 £'000	2006 £'000	2007 £'000	2006 (restated) £'000
Trade Division	23,727	13,137	(4,025)	(4,059)	19,702	9,078
End User Division	50,846	47,448	(463)	(430)	50,383	47,018
Direct Marketing Division	76,738	63,423	-	-	76,738	63,423
Total	151,311	124,008	(4,488)	(4,489)	146,823	119,519

As discussed in the Operating Review, during 2007 the UK Direct Marketing business was transferred to the Executive control of the Direct Marketing Division (previously called the North American Division). Its results for 2007 have been included in this Division and 2006 has been restated accordingly.

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

	Operating profit/(loss) before exceptional items and share grant		Exceptional items and share grant		Operating profit/(loss)	
	2007 £'000	2006 (restated) £'000	2007 £'000	2006 £'000	2007 £'000	2006 (restated) £'000
Trade Division	3,334	2,361	(3,492)	-	(158)	2,361
End User Division	2,880	2,345	(1,781)	(170)	1,099	2,175
Direct Marketing Division	6,167	4,910	-	-	6,167	4,910
Head Office	(1,331)	(1,015)	(1,140)	(207)	(2,471)	(1,222)
Operating profit before defined benefit pension and share option charges	11,050	8,601	(6,413)	(377)	4,637	8,224
Defined benefit pension charges	(295)	(325)	-	-	(295)	(325)
Share option charges	(595)	(735)	-	-	(595)	(735)
Total	10,160	7,541	(6,413)	(377)	3,747	7,164

The overheads and infrastructure costs of the Manchester site are shown entirely in the End User Division. As discussed in the Operating Review these overheads supported the Manchester site, including the Manchester based trade businesses until their relocation in the second half of 2007.

Net finance cost totalling £445,000 (2006 income: £174,000) and taxation charge of £1,072,000 (2006: £2,348,000) cannot be separately allocated to individual segments.

A review of the segments is included in the Operating Review.

Other segment items

	Assets		Liabilities		Capital expenditure		Depreciation		Amortisation	
	2007 £'000	2006 (restated) £'000	2007 £'000	2006 (restated) £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade Division	22,936	20,483	(3,132)	(3,167)	881	209	(665)	(116)	(61)	(17)
End User Division	25,887	22,356	(9,835)	(8,557)	365	597	(248)	(227)	(310)	(370)
Direct Marketing Division	12,170	9,903	(7,865)	(6,152)	587	661	(274)	(241)	(317)	(391)
Unallocated assets/ (liabilities) & costs	4,623	6,586	(12,989)	(21,127)	-	-	(19)	(20)	-	-
Cash/(net debt)	2,744	2,115	(9,821)	(2,364)						
Total	68,360	61,443	(43,642)	(41,367)	1,833	1,467	(1,206)	(604)	(688)	(778)

The impairment of trade receivables charged to the income statement totalled £570,000 (2006: £124,000). This was incurred in the divisions as follows; Trade Division £290,000 (2006: £40,000), End User Division £207,000 (2006: £8,000) and in the Direct Marketing Division £73,000 (2006: £76,000).

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	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Europe	74,238	59,466	54,202	49,961	1,246	806
North America	72,585	60,053	11,414	9,367	587	661
Unallocated assets – cash			2,744	2,115		
Total	146,823	119,519	68,360	61,443	1,833	1,467

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

Notes to the Financial Statements continued

2 Operating expenses

	Note	2007 £'000	2006 £'000
The following items have been included in arriving at operating profit:			
<i>Inventories:</i>			
- Purchase of raw materials and consumables		90,509	76,702
- Changes in inventories		(839)	(1,324)
Staff costs	3	22,862	18,578
Depreciation of property, plant and equipment		1,206	604
Amortisation of intangibles		688	778
Profit on disposal of fixed assets		-	(1)
<i>Other operating lease rentals payable:</i>			
- Plant and machinery		313	202
- Property		1,060	1,201
Exceptional costs	5	5,273	377
Share grant		1,140	-
Net exchange (gains)/losses on foreign currency borrowings less deposits		(55)	6
Other operating expenses		20,919	15,232
		143,076	112,355

On 1 August 2007, 200,000 shares were awarded to the Chairman. The charge of £1,140,000 represents the number of shares awarded at the share price on the date of grant plus associated costs. In view of the magnitude of the charge arising and non-recurring nature of the award, separate disclosure on the face of the income statement is relevant to assisting an understanding of the Group's financial performance.

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

	2007 £'000	2006 £'000
Audit services:		
Fee payable by the Company for company and consolidated financial statements	40	31
Audit of the Company's subsidiaries	103	58
	143	89
Non audit services:		
Tax compliance	25	21
Share option advice	15	20
Tax advice	219	23
Group reorganisation	-	67
Legal and company secretarial advice	30	-
Acquisitions	-	176
	432	396

3 Employees

Staff costs	Note	2007 £'000	2006 £'000
Wages and salaries		20,241	16,333
Social security costs		1,930	1,555
Pension costs	4	691	690
		22,862	18,578

Termination benefits totalling £1,572,555 have been charged in exceptional items (2006: £54,214).

Average number of people (including Executive Directors) employed	2007 No.	2006 (restated) No.
End User Division	261	255
Direct Marketing Division	370	307
Trade Division	310	125
Head Office	7	6
	948	693

Key management compensation	Note	2007 £'000	2006 £'000
Salaries and short-term employee benefits		1,125	961
Social security costs		103	93
Pension contributions		88	82
Share based payment charges		400	575
Share grant	2	1,140	-
		2,856	1,711

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.

Notes to the Financial Statements continued

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.

	2007	2006
	£'000	£'000
Net pension costs		
Defined contribution plans	396	365
<i>Defined benefit scheme</i>		
Current service cost	91	96
Net interest cost	204	229
	691	690

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:

	2007	2006
Rate of increase in pensionable salaries	4.30%	4.00%
Rate of increase in pensions in payment and deferred pensions	3.30%	3.00%
Discount rate	6.00%	5.30%
Inflation assumption	3.30%	3.00%
Expected return on scheme assets	7.00%	6.20%

The mortality assumptions adopted at 29 December 2007 imply the following life expectancies at age 65:

	2007	2006
Male currently age 40	21.4 yrs	19.8 yrs
Female currently age 40	24.2 yrs	22.8 yrs
Male currently age 65	20.2 yrs	19.8 yrs
Female currently age 65	23.0 yrs	22.8 yrs

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

	2007	2006
	£'000	£'000
Present value of funded obligations	(91,544)	(100,347)
Fair value of scheme assets	80,995	81,911
Net liability recognised in the balance sheet	(10,549)	(18,436)

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

	2007	2006
Equities	42%	42%
Bonds	32%	31%
Property	22%	15%
Cash	4%	12%

The amounts recognised in the income statement are as follows:

	2007 £'000	2006 £'000
Current service cost	91	96
Interest cost	5,200	4,722
Expected return on scheme assets	(4,996)	(4,493)
Total included in staff costs	295	325

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

	2007 £'000	2006 £'000
Defined benefit obligation at start of period	100,347	98,023
Current service cost	91	96
Interest cost	5,200	4,722
Contributions by scheme participants	3	3
Actuarial (gains)/losses	(9,524)	932
Benefits paid	(4,573)	(3,429)
Defined benefit obligation at end of period	91,544	100,347

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

	2007 £'000	2006 £'000
Fair value of assets at start of period	81,911	77,093
Expected return on assets	4,996	4,493
Actuarial (losses)/gains	(3,242)	2,251
Contributions by employer	1,900	1,500
Contributions by scheme participants	3	3
Benefits paid	(4,573)	(3,429)
Fair value of assets at end of period	80,995	81,911

Analysis of the movement in the balance sheet liability:

	2007 £'000	2006 £'000
At start of period	18,436	20,930
Total expense as above	295	325
Contributions paid	(1,900)	(1,500)
Actuarial gains taken directly to equity	(6,282)	(1,319)
At end of period	10,549	18,436

The actual return on scheme assets was £1,754,000 (2006: £6,744,000).

Notes to the Financial Statements continued

History of experience gains and losses

	2007	2006	2005	2004
	£'000	£'000	£'000	£'000
Experience adjustment on scheme liabilities	2,240	(25)	(75)	2,396
Percentage of the present value of scheme liabilities	2%	<1%	<1%	28%
Experience adjustment on scheme assets	(3,242)	2,251	7,013	656
Percentage of scheme assets	4%	3%	9%	1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	7,284	(907)	(10,541)	(4,139)
Percentage of the present value of scheme liabilities	8%	1%	11%	5%

5 Exceptional items

	2007	2006
	£'000	£'000
Trade Division integration costs	(3,492)	-
End User Division reorganisation costs	(980)	-
Contract exit costs	(801)	-
Group restructuring costs	-	(143)
OFT fine and related costs	-	(64)
European reorganisation charge	-	(170)
	(5,273)	(377)

The exceptional item in 2007 comprises £3,025,000 cash expenditure in 2007, £1,253,000 non cash items and £995,000 cash items included in accruals at 29 December 2007.

Trade Division integration costs and End User Division reorganisation costs represent the costs attributable to the relocation of the Manchester based Product Source and MT Golf trade businesses into the Supreme trade business in Blackpool, together with the resultant reorganisation of the business and related infrastructure in Manchester.

Contract exit costs represent the costs of exiting an onerous customer contract in the End User Division, including a £500,000 inventory write down.

The Group restructuring costs in 2006 comprised 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 in 2006 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 related to rationalisation of the Manchester based business.

6 Finance income and costs

	2007 £'000	2006 £'000
Finance costs		
Interest payable on bank borrowings	(398)	(44)
Interest payable on deferred consideration	(60)	-
	(458)	(44)
Finance income		
Bank interest	13	218

7 Taxation

	2007 £'000	2006 £'000
Analysis of charge in the period:		
UK tax – current	(341)	(96)
Overseas tax – current	2,534	1,041
Deferred tax	(1,146)	1,403
Impact of change in UK tax rate on deferred tax	25	-
Taxation	1,072	2,348

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

	2007 £'000	2006 £'000
Profit before tax	3,302	7,338
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 30%	991	2,201
Effects of:		
Adjustments in respect of foreign tax rates	360	235
Expenses not deductible for tax purposes	88	86
Timing differences and other differences	(367)	(174)
Taxation	1,072	2,348

Factors which may affect future tax charges

No provision has been made for deferred tax assets relating to trading losses that are currently carried forward of £2.8m. 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 29 December 2007.

During the year, as a result of the change in UK Corporation Tax rates which will be effective from 1 April 2008, deferred tax balances have been remeasured. Deferred tax relating to temporary differences which are expected to reverse prior to 1 April 2008 is measured at 30% and deferred tax relating to temporary differences expected to reverse after 1 April 2008 is measured at 28% as these are the tax rates that will apply on reversal.

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 28%.

Notes to the Financial Statements continued

8 Dividends

	2007 £'000	2006 £'000
Equity dividends – ordinary shares		
Interim paid: 4.00p (2006: 3.25p)	1,008	809
Final paid: 6.25p (2006: 4.50p)	1,549	1,102
	2,557	1,911

In addition, the Directors are proposing a final dividend in respect of the period ended 29 December 2007, of 8.00p per share, which will absorb an estimated £2.01m of Shareholders' funds. It will be paid on 28 April 2008 to Shareholders who are on the register of members on 28 March 2008. These financial statements do not reflect this proposed dividend.

9 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 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	2007 Weighted average number of shares '000	Pence per share	Earnings £'000	2006 Weighted average number of shares '000	Pence per share
Earnings attributable to ordinary Shareholders	2,230			4,990		
Ordinary shares in issue		25,470			25,343	
Shares held by Employee Share Trust		(501)			(754)	
Basic EPS	2,230	24,969	8.93	4,990	24,589	20.29
Effect of dilutive share options		802	(0.28)		1,084	(0.85)
Diluted EPS	2,230	25,771	8.65	4,990	25,673	19.44
Earnings attributable to ordinary Shareholders	2,230			4,990		
Add back exceptional items	5,273			377		
Add back share grant charge	1,140			-		
Tax on above	(2,052)			(120)		
Adjusted earnings attributable to ordinary Shareholders	6,591			5,247		
Ordinary shares in issue		25,470			25,343	
Shares held by Employee Share Trust		(501)			(754)	
Basic EPS before exceptional items and share grant	6,591	24,969	26.40	5,247	24,589	21.33

10 Property, plant and equipment

Group:	Long leasehold buildings £'000	Short leasehold buildings £'000	Plant, machinery, fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost:					
At 31 December 2006	2,676	101	9,246	2,577	14,600
Additions	91	36	821	244	1,192
Disposals	-	-	(516)	(1,379)	(1,895)
Exchange translation	-	(1)	(3)	(5)	(9)
At 29 December 2007	2,767	136	9,548	1,437	13,888
Depreciation:					
At 31 December 2006	5	77	2,088	2,115	4,285
Charge for the period	61	11	884	250	1,206
Disposals	-	-	(479)	(1,363)	(1,842)
Exchange translation	-	-	-	(1)	(1)
At 29 December 2007	66	88	2,493	1,001	3,648
Net book value at 29 December 2007	2,701	48	7,055	436	10,240

Group:	Long leasehold buildings £'000	Short leasehold buildings £'000	Plant, machinery, fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost:					
At 1 January 2006	-	120	2,901	2,429	5,450
Additions	-	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)
At 30 December 2006	2,676	101	9,246	2,577	14,600
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)
At 30 December 2006	5	77	2,088	2,115	4,285
Net book value at 30 December 2006	2,671	24	7,158	462	10,315

Notes to the Financial Statements continued

11 Goodwill

Group	£'000
Cost:	
At 30 December 2006 and 29 December 2007	9,084

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

	2007	2006
	£'000	£'000
End User Division	4,341	4,341
Trade Division	4,743	4,743
	9,084	9,084

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 29 December 2007 and 30 December 2006 were:

	2007	2006
	£'000	£'000
Discount rate	10%	10%
Operating profit margin	11%	8%

12 Intangible assets

Group	Computer Software £'000	Total £'000
Cost:		
At 31 December 2006	5,501	5,501
Additions	641	641
Disposals	(1,715)	(1,715)
Exchange translation	(24)	(24)
At 29 December 2007	4,403	4,403
Amortisation:		
At 31 December 2006	3,885	3,885
Charge for the period	688	688
Disposals	(1,616)	(1,616)
Exchange translation	(13)	(13)
At 29 December 2007	2,944	2,944
Net book value at 29 December 2007	1,459	1,459

Group	Brands £'000	Computer Software £'000	Total £'000
Cost:			
At 1 January 2006	1,775	5,657	7,432
Transfer to goodwill	(1,775)	-	(1,775)
Acquisition of subsidiary	-	40	40
Additions	-	659	659
Disposals	-	(583)	(583)
Exchange translation	-	(272)	(272)
At 30 December 2006	-	5,501	5,501
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)
At 30 December 2006	-	3,885	3,885
Net book value at 30 December 2006	-	1,616	1,616

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

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

13 Investments

Group	2007 £'000	2006 £'000
Investment in German trade organisation	8	7

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

Company	Shares in subsidiary undertakings £'000
Cost:	
At 30 December 2006 and 29 December 2007	104,187

Notes to the Financial Statements continued

Subsidiary companies

The principal operating subsidiaries at 29 December 2007, included in the consolidation are set out below. All of these subsidiaries are wholly owned. All subsidiaries have ordinary share capital only.

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
SPS (EU) Limited (formerly Pramic Limited)	England	Promotional products

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

14 Deferred tax

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At start of period	6,149	8,921	6,005	6,539
Income statement credit/(charge)	1,121	(1,403)	189	(180)
Deferred tax debited to reserves	(2,936)	(229)	(2,665)	(354)
Deferred tax liability on acquisition of subsidiary	-	(1,140)	-	-
At end of period	4,334	6,149	3,529	6,005

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 31 December 2006	(898)	157	5,521	1,369	6,149
Income statement credit/(charge)	403	103	(173)	788	1,121
Exchange differences credited/(debited) to reserves	3	-	-	(3)	-
Deferred tax debited to reserves	-	-	(2,396)	(540)	(2,936)
At 29 December 2007	(492)	260	2,952	1,614	4,334

Included in Other in the above table is deferred tax in respect of share options, interest deductions, US goodwill and other US timing differences.

The Company's deferred tax relates to the defined benefit pension scheme, share options and interest deductions.

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

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Exchange differences	-	(140)	-	-
Share options	(540)	459	(269)	194
Actuarial gains	(2,396)	(548)	(2,396)	(548)
	(2,936)	(229)	(2,665)	(354)

Total unrecognised deferred tax assets on trading losses were £800,000 (2006: £700,000).

15 Inventories

Group	2007 £'000	2006 £'000
Raw materials and consumables	1,089	914
Work in progress	375	328
Finished goods and goods for resale	7,871	7,167
	9,335	8,409

The Company held no inventory at 29 December 2007 or 30 December 2006.

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 £1,221,000 (2006: £793,000). The provision in 2007 includes £500,000 relating to the contract exit disclosed in note 5.

16 Trade and other receivables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts falling due within one year:				
Trade receivables	26,446	20,173	-	-
Less: Provision for impairment of receivables	(603)	(137)	-	-
Trade receivables – net	25,843	20,036	-	-
Amounts due from subsidiary companies	-	-	32,154	22,534
Other receivables	2,351	1,381	-	-
Prepayments and accrued income	2,962	2,331	233	26
	31,156	23,748	32,387	22,560

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

Notes to the Financial Statements continued

The ageing of past due trade receivables, which are not impaired is as follows:

Time past due date	Group	
	2007 £'000	2006 £'000
Up to 3 months	7,434	4,260
3 to 6 months	983	835
Over 6 months	630	88
	9,047	5,183

The ageing of impaired trade receivables is as follows:

Time past due date	Group	
	2007 £'000	2006 £'000
3 to 6 months	233	10
Over 6 months	370	127
	603	137

There were no receivables from related parties.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Sterling	14,237	11,570	30,590	21,100
US Dollars	12,420	8,386	431	-
Euros	4,275	3,660	1,366	1,460
Other currencies	224	132	-	-
	31,156	23,748	32,387	22,560

Movements in the Group provision for impairment of trade receivables are as follows:

	Group	
	2007 £'000	2006 £'000
At start of period	137	220
Exchange translation	2	(11)
Utilised	(106)	(196)
Provided	570	159
Released	-	(35)
At end of period	603	137

17 Cash and cash equivalents

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash at bank and in hand	2,744	2,115	2,124	936

18 Trade and other payables – current

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade payables	15,485	13,412	-	-
Other tax and social security payable	1,251	1,020	-	-
Other payables	1,173	397	113	-
Accruals	5,041	3,881	765	58
	22,950	18,710	878	58

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

Other payables in 2007 includes £1,060,000 deferred consideration and interest accrued relating to the purchase of Supreme Holdings Limited in 2006.

Included in other payables in 2006 is £397,000 relating to trade receivables collected by Pramic Limited and due to the vendor of Supreme Holdings Limited.

19 Financial liabilities – Borrowings

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current bank overdrafts due within one year or on demand	3,821	2,364	4,547	4,157
Non current bank loan	6,000	-	6,000	-
	9,821	2,364	10,547	4,157

All borrowings are unsecured.

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

Notes to the Financial Statements continued

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

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Euros (2007: 4.75%; 2006: 4.55%)	-	-	747	157
Sterling (2007: 6.65%; 2006: 5.96%)	9,821	2,364	9,800	4,000
	9,821	2,364	10,547	4,157

The Group had the following undrawn committed borrowing facilities available at 29 December 2007:

	Floating rate	
	2007 £'000	2006 £'000
Borrowing facilities		
Expiring within one year	2,458	5,636
Expiring in more than one year	813	3,042
	3,271	8,678

20 Financial risk management

The Group's activities expose it to a variety of financial risks including currency risks, credit risk, liquidity risk and interest rate risk.

Currency risk

The Group operates internationally and is exposed to various currency exposures, predominantly US dollars and Euros. Risk arises predominantly from the translation of profits of overseas subsidiaries and the net assets of these subsidiaries. In addition, Group subsidiaries may make both sales and purchases in a currency other than their functional currency and have foreign currency trade receivables and trade payables in relation to these transactions.

The Group does not hedge the currency exposure of profits and assets of its overseas subsidiaries or other financial transactions.

The Group operates a UK cash currency pooling arrangement and also seeks to utilise currency cash flows arising in its overseas subsidiaries to match currency cash outflows in its other subsidiaries.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers' trade receivable balances.

The risk associated with banks and financial institutions is managed on a Group basis and all banking relationships must be approved by the Group Finance Director or the Board based on the credit rating of the bank. The Group operates cash pooling arrangements for its UK subsidiaries and, apart from overseas subsidiaries working capital cash requirements, the Group seeks to hold any cash balances on deposit with its principal UK banker.

Cash deposits at 29 December 2007 are as follows:

	2007 Rating	2007 Deposit £'000	2006 Rating	2006 Deposit £'000
Lloyds TSB	Aaa	-	Aaa	-
HSBC	Aa1	1,514	Aa1	177
Associated	A	157	A	826
Fortis	Aa2	400	Aaa	350
Other		673		762
		2,744		2,115

Cash deposits were held by the Company in HSBC in both periods.

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

Credit risk arising from customers is delegated to the senior management of each division to a maximum level per customer, above which, it is referred to the Group Executive Committee for approval. External agency credit assessment reports are referred to as part of this process.

Liquidity risk

Group borrowing requirements are managed centrally and borrowing arrangements are customarily with the Group's principal UK bank and terms are agreed which are considered appropriate for the funding requirement of the Group at that time. Local operating working capital cash requirements in overseas subsidiaries are customarily raised locally in accordance with Group guidelines.

Management of operating working capital is managed within each division to levels agreed with Group and cash forecasts are reviewed regularly by Group and divisional management.

At 29 December 2007 the net debt position of the Group was £7,077,000 (2006: £249,000).

The maturity profile of the Group's borrowings is shown in note 19.

The Group has no derivative financial instruments.

Interest rate risk

Group cash balances earn interest at variable rates and Group borrowing facilities incur interest at variable rates as agreed between the Group and the banks at the time of entering the facility. These are linked to the Bank of England base rate or appropriate local equivalent for overseas subsidiaries.

21 Financial liability

An amount of £1,000,000, together with accrued interest, is due on 1 July 2008, representing deferred consideration for the purchase of Supreme Holdings Limited. This amount is presented in current liabilities in 2007.

Notes to the Financial Statements continued

22 Called up share capital

	2007	2006
	£'000	£'000
Authorised:		
39,000,000 (2006: 39,000,000) ordinary shares of 38 $\frac{1}{3}$ p each	15,000	15,000
Allotted and fully paid:		
25,539,301 (2006: 25,391,080) ordinary shares of 38 $\frac{1}{3}$ p each	9,823	9,766

148,221 ordinary shares were issued in the period (2006: 342,651) for consideration of £242,377 (2006: £204,744) to satisfy the exercise of share options under UK SAYE and US Sharesave schemes.

At 29 December 2007 the following options have been granted and were outstanding under the Company's share option schemes:

Scheme	Date of grant	Number of ordinary shares 2007	Number of options Holders 2007	Number of ordinary shares 2006	Subscription price	Date exercisable from	Date exercisable to
1987 Executive scheme USA	14.04.97	-	-	12,000	419.5p	Apr 2002	Apr 2007
1988 Executive scheme USA	14.04.98	12,000	3	12,000	450.33p	Apr 2003	Apr 2008
1996 Unapproved Executive scheme	14.04.97	-	-	8,000	419.5p	Apr 2002	Apr 2007
	16.04.99	8,000	2	12,000	350.0p	Apr 2004	Apr 2009
2004 Unapproved Executive scheme	20.12.04	-	-	100,000	nil	Jul 2007	Dec 2014
	20.12.04	240,000	2	240,000	nil	Dec 2007	Dec 2014
	24.03.05	258,890	9	258,890	nil	Mar 2008	Mar 2015
	18.04.05	51,110	5	51,110	nil	Apr 2008	Apr 2015
	14.03.06	-	-	100,000	nil	Jul 2008	Mar 2016
	14.03.06	100,000	2	100,000	nil	Mar 2009	Jun 2009
	10.04.06	120,000	7	120,000	nil	Mar 2009	Jun 2009
SAYE	20.10.04	24,050	5	82,166	104.0p	Dec 2007	May 2008
	06.10.05	69,393	42	94,647	208.0p	Jan 2009	Jun 2009
	03.10.06	47,227	56	78,689	266.0p	Jan 2010	Jun 2010
	01.10.07	41,948	80	-	346.0p	Jan 2011	Jun 2011
US Sharesave	20.10.04	-	-	56,800	\$2.07	Jan 2007	Feb 2007
	06.10.05	72,799	90	78,116	\$3.80	Jan 2008	Feb 2008
	03.10.06	52,674	118	56,048	\$6.17	Dec 2008	Jan 2009
	01.10.07	69,300	162	-	\$6.95	Dec 2009	Jan 2010
Total		1,167,391	583	1,460,466			

The weighted average exercise price for options outstanding at 29 December 2007 was 91.29p (2006: 73.90p).

23 Statements of changes in Shareholders' equity

Group	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Cumulative translation differences £'000	Retained earnings		Total equity £'000
					Own shares £'000	Profit and loss £'000	
Balance at 1 January 2006	9,634	37,684	208	(210)	(1,822)	(29,534)	15,960
Profit for the period						4,990	4,990
Exchange adjustments net of tax				(1,540)			(1,540)
Shares issued	132	73					205
Own shares utilised					424	(424)	-
Employee share options taken to reserves						650	650
Deferred tax on employee share options taken to reserves						459	459
Current tax deduction on exercise of employee share options						492	492
Actuarial gains taken to reserves						1,319	1,319
Deferred tax on pensions taken to reserves						(548)	(548)
Dividends						(1,911)	(1,911)
Balance at 30 December 2006	9,766	37,757	208	(1,750)	(1,398)	(24,507)	20,076
Balance at 31 December 2006	9,766	37,757	208	(1,750)	(1,398)	(24,507)	20,076
Profit for the period						2,230	2,230
Exchange adjustments net of tax				60			60
Shares issued	57	186					243
Own shares utilised					830	(830)	-
Own shares purchased					(183)		(183)
Employee share options taken to reserves						595	595
Share grant taken to reserves						908	908
Deferred tax on employee share options taken to reserves						(540)	(540)
Actuarial gains taken to reserves						6,282	6,282
Deferred tax on pensions taken to reserves						(2,396)	(2,396)
Dividends						(2,557)	(2,557)
Balance at 29 December 2007	9,823	37,943	208	(1,690)	(751)	(20,815)	24,718

The cumulative goodwill written off to the reserves in respect of subsidiary companies currently held amounts to £15,297,000 (2006: £15,297,000).

Notes to the Financial Statements 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	
Balance at 1 January 2006	9,634	37,684	208	(1,822)	7,512	53,216
Loss for the period					(999)	(999)
Shares issued	132	73				205
Own shares purchased and cancelled				424	(424)	-
Employee share options taken to reserves					349	349
Deferred tax on employee share options taken to reserves					194	194
Current tax deduction on exercise of employee share options					98	98
Actuarial gains taken to reserves					1,319	1,319
Deferred tax on pensions taken to reserves					(548)	(548)
Dividends					(1,911)	(1,911)
Balance at 30 December 2006	9,766	37,757	208	(1,398)	5,590	51,923
Balance at 31 December 2006	9,766	37,757	208	(1,398)	5,590	51,923
Loss for the period					(2,418)	(2,418)
Shares issued	57	186				243
Own shares utilised				830	(830)	-
Own shares purchased				(183)		(183)
Employee share options taken to reserves					244	244
Share grant taken to reserves					908	908
Deferred tax on employee share options taken to reserves					(269)	(269)
Actuarial gains taken to reserves					6,282	6,282
Deferred tax on pensions taken to reserves					(2,396)	(2,396)
Dividends					(2,557)	(2,557)
Balance at 29 December 2007	9,823	37,943	208	(751)	4,554	51,777

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 £2,418,000 (2006: loss of £999,000) is included in the financial statements of the Company.

24 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 Executive Directors and 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 31 December 2006), is determined using either the Monte Carlo valuation model or the Binomial model as appropriate and is spread over the vesting period of the options. The significant inputs into the model are an expected life of between 1.35 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.

	2007	2006
	£'000	£'000
Charge resulting from spreading the fair value of options granted after 7 November 2002, which had not been exercised by 31 December 2006 over the expected vesting period of the options	595	735

The fair value per option granted and the assumptions used in the calculation are as follows:

	UK SAYE Schemes				US Sharesave Schemes		
	20/10/04	06/10/05	03/10/06	01/10/07	06/10/05	03/10/06	01/10/07
Grant date	20/10/04	06/10/05	03/10/06	01/10/07	06/10/05	03/10/06	01/10/07
Share price at grant date	134.5p	260.0p	388.5p	432.5p	260.0p	388.5p	432.5p
Exercise price	104p	208p	266p	346p	\$3.80	\$6.17	\$6.95
Number of employees	5	42	56	80	90	118	162
Shares under option	24,050	69,393	47,227	41,948	72,799	52,674	69,300
Vesting period (years)	3	3	3	3	2.17	2.17	2.17
Expected volatility	43%	32%	29%	18%	32%	29%	18%
Option life (years)	3.5	3.5	3.5	3.5	2.25	2.25	2.25
Expected life (years)	3	3	3	3	2.17	2.17	2.17
Risk free rate	4.5%	4.2%	4.9%	5.2%	4.2%	4.9%	5.1%
Expected dividends expressed as a dividend yield	2.1%	2.1%	2.8%	2.3%	2.1%	2.1%	2.3%
Possibility of ceasing employment before vesting	10%	10%	10%	10%	10%	10%	10%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%	100%	100%
Fair value per option	47p	77p	148p	95p	70p	141p	83p

Notes to the Financial Statements continued

Grant date	Executive Share Schemes					Executive and Senior Management Share Schemes			
	20/12/04	20/12/04	14/03/06	14/03/06	07/09/07	24/03/05	18/04/05	10/04/06	07/09/07
					*				*
Share price at grant date	173.5p	173.5p	312.5p	312.5p	426p	239.5p	234.5p	339p	426p
Exercise price	nil	nil	nil	nil	nil	nil	nil	nil	nil
Number of employees	1	2	1	2	1	9	5	7	12
Shares under option	100,000	240,000	100,000	100,000	n/a	258,890	51,110	120,000	n/a
Vesting period (years)	2.55	3	1.35	3	10	3	3	3	2.13
Expected volatility	45%	45%	26%	26%	10%	37%	37%	25%	10%
Option life (years)	10	10	10	10	10	10	10	10	10
Expected life (years)	2.55	3	1.35	3	3	3	3	3	3
Risk free rate	4.4%	4.4%	4.5%	4.5%	5.2%	4.4%	4.4%	4.5%	5.2%
Expected dividends expressed as a dividend yield	2.1%	2.1%	2.1%	2.1%	2.3%	2.8%	2.8%	2.8%	2.3%
Possibility of ceasing employment before vesting	0%	0%	0%	0%	0%	6%	6%	6%	6%
Expectations of meeting performance criteria	100%	100%	100%	100%	0%	100%	100%	100%	0%
Fair value per option	127p	133p, 108p & 103p	186p	254p	n/a	192p, 160p & 124p	136p	294p	n/a

* The details of the share option grants made in September 2007 to Executive Directors, are set out below. Due to the nature of these grants, it is not possible to provide a sufficiently reliable estimate of the number of shares under option and consequently a fair value per option.

On 7 September 2007, grants were made, under an Option Deed to the Executive Chairman, Mr K. J. Minton whose remuneration is, apart from an annual salary of £30,000, entirely share based and performance related.

There were performance targets attached to the grants which provide for the vesting of such number of options as represent £500,000 for each 50p increase in the share price of the Company, commencing from a base price of £5.00 per share. Each such 50p increase in share price must be sustained for 30 consecutive days. Vested options can be exercised at any time within ten years of the date of grant.

On 7 September 2007, grants were made to two other Executive Directors, Ms G. Davies and Mr A. J. Scull, three Persons Discharging Managerial Responsibilities, Mr C. Lee, Mr K. Lyons-Tarr and Mr D. Seekings and seven other senior managers under the terms of the 4imprint Long Term Incentive Plan which was approved by Shareholders at the 2007 AGM. There are performance targets attached to the grants which are based on the increase in total shareholder return above the cost of equity, measured over a three year period, an amount not exceeding 10% of the increase in total shareholder return above the cost of equity for the period will be calculated and made available for allocation to participants. Participants will be awarded such number of shares as represents a proportion of that 10%. At the date of grant and at the date of this report, no Executive Director, Person Discharging Managerial Responsibility or other senior manager is entitled to a proportion exceeding 15.25% of that 10%.

A reconciliation of option movements over the period to 29 December 2007 is shown below:

	2007		2006	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at start of period	1,460,466	73.90p	1,642,810	68.80p
Granted	111,802	347.70p	460,148	88.91p
Forfeited	(56,656)	238.55p	(41,841)	199.56p
Exercised	(348,221)	69.18p	(552,651)	37.05p
Expired	-	-	(48,000)	355.67p
Outstanding at end of period	1,167,391	91.29p	1,460,466	73.90p
Exercisable at end of period	284,050	37.69p	44,000	402.50p

Range of exercise prices	2007				2006			
	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	770,000	0.60	0.52	Nil	970,000	1.34	1.34
£0.01 – £1	-	-	-	-	-	-	-	-
£1.01 – £2	169p	96,849	-	-	104p	138,966	0.54	0.54
£2.01 – £3	231p	116,620	1.40	1.40	226p	251,452	2.00	2.00
£3.01 – £4	336p	171,922	1.79	1.79	334p	68,048	1.58	1.58
£4.01 – £5	450p	12,000	-	-	422p	32,000	-	-

The weighted average share option price of options exercised during the period was 69.18p (2006: 37.05p). The total charge for the period relating to share based payment plans was £595,000 (2006: £735,000). After tax the charge was £500,000 (2006: £533,000).

Notes to the Financial Statements continued

25 Cash generated from operations

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Operating profit	3,747	7,164	(1,776)	(995)
Adjustments for:				
Depreciation charge	1,206	604	-	-
Amortisation of intangibles	688	778	-	-
Profit on disposal of property, plant and equipment	-	(1)	-	-
Exceptional non cash items	1,253	-	-	-
Share option charge	595	735	244	434
Share grant	1,140	-	1,140	-
IAS 19 pension charge for defined benefit scheme	295	325	295	325
Contributions to defined benefit pension scheme	(1,900)	(1,500)	(1,900)	(1,500)
Exchange gains on inter-company loans	-	-	(302)	(628)
Changes in working capital:				
Increase in inventories	(1,426)	(1,162)	-	-
Increase in trade and other receivables	(7,537)	(5,195)	(277)	(10)
Increase/(decrease) in trade and other payables	2,721	1,589	413	(54)
Decrease in payables to subsidiary undertakings	-	-	(488)	(764)
Decrease in provisions	-	(285)	-	-
Cash generated from/(used in) operations	782	3,052	(2,651)	(3,192)

On acquisition in November 2006 the trade receivables of the Supreme Group (at a value of £2,481,000) formed part of the consideration paid to the vendors. Accordingly, £1,200,000 outflow in working capital in 2006 and £1,281,000 in 2007 relates to building receivables to pre acquisition levels.

26 Financial commitments

At 29 December 2007, the Group was committed to make payments in respect of non-cancellable operating leases in the following periods:

	2007		2006	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
in one year	1,235	311	973	227
in two to five years	3,405	290	3,570	299
in more than five years	471	-	3,412	-
	5,111	601	7,955	526

The Company had no financial commitments at 29 December 2007 (2006: £nil).

27 Contingent liabilities

Guarantees have been given by the Company for the Group bank borrowings that, at 29 December 2007, amounted to £9,821,000 (2006: £2,364,000).

Guarantees have been given by the Company for letters of credit of £418,000 at 29 December 2007 (2006: £658,000).

28 Capital commitments

The Group had no capital commitments contracted but not provided for in the financial statements (2006: £37,000). The Company had no capital commitments in either year.

29 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.

	2007	2006
	£'000	£'000
Income statement:		
Finance income due from Group companies	1,280	768
Finance costs due to Group companies	2,038	737
Balance sheet:		
Interest bearing loans due from Group companies at end of period	31,722	22,534
Interest bearing loans due to Group companies at end of period	37,492	10,807

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

Notice of Annual General Meeting

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, 23 April 2008 at 11.00 a.m. You will be asked to consider the resolutions below. Resolutions 10 to 12 inclusive 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 29 December 2007.
2. To declare a final dividend of 8.00 pence per ordinary share for the period ended 29 December 2007.
3. To approve the Directors' Remuneration Report for the period ended 29 December 2007, as set out on pages 21 to 26 of the annual report.
4. To re-elect Gillian Davies, who retires by rotation and, being eligible, offers herself for re-election.
5. To re elect Andrew Scull, who retires by rotation and, being eligible, offers himself for re-election.
6. To re-elect Nicholas Temple, who retires by rotation and, being eligible, offers himself for re-election.
7. To re appoint PricewaterhouseCoopers LLP as auditors to the Company until the end of next year's annual general meeting.
8. To authorise the Board to set the auditors' fees.
9. That the Board be and is hereby generally and unconditionally authorised in substitution for the authority conferred on it on 18 April 2007 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 £3,281,871, 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.
10. 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 £492,280,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.

11. 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 $\frac{2}{13}$ pence each provided that:
- (a) The Company does not purchase more than 2,559,859 shares under this authority;
 - (b) The Company does not pay less for each share (before expenses) than 38 $\frac{2}{13}$ 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 23 April 2008 until the earlier of the end of next year's annual general meeting and 22 October 2009 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.

12. That the Article of Association produced to the meeting and initialled by the Chairman of the Meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for and to the exclusion of, the existing Articles of Association.

By order of the Board



Andrew Scull
Secretary
4 March 2008

Notes on business to be conducted at the Annual General Meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Registrars UK helpline on 0871 664 0300 (calls cost 10p per minute plus network extras) For shareholders calling from abroad the number is +44 (0)208 639 3399.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11.00 a.m. on 21st April 2008.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. In accordance with Section 41 of the Uncertificated Regulations Act 2001, to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 11.00am on 21st April 2008 (or, in the event of any adjournment, 48 hours prior to the start of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 4 March 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 25,598,597 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 March 2008 are 25,598,597 ordinary shares.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent, Capita Registrars (ID RA10) by 11.00 a.m. on 21st April 2008. 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 Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. 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, 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. 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.
12. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

Notes on business to be conducted at the Annual General Meeting

Explanatory notes to the notice of Annual General Meeting

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 9 inclusive are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 10 to 12 inclusive are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution No. 1

Annual report

It is a requirement of the Companies Act 1985 (which will remain in force under Companies Act 2006) 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 29 December 2007 to Shareholders for their approval. If approved the dividend will be paid on 28 April 2008 to holders of ordinary shares on the register of members of the company at the close of business on 28 March 2008, making a total dividend in respect of the period ended 29 December 2007 of 12 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 21 to 26 of the annual report for the period ended 29 December 2007.

Resolution No. 4

Re-election of Gillian Davies

Gillian Davies was appointed as Group Finance Director in December 2004. She is retiring by rotation and seeking re-election at this year's meeting.

Resolution No. 5

Re-election of Andrew James Scull

Andrew James Scull was appointed as Corporate Services Director and Legal Counsel in November 2004. He is retiring by rotation and seeking re-election at this year's meeting.

Resolution No. 6

Re-election of Nicholas Temple

Nicholas Temple was appointed as a Non-Executive Director in 2003. He is retiring by rotation and seeking re-election at this year's meeting.

Resolution No. 7

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. 8

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. 9

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 18 April 2007. The resolution asks Shareholders to approve a new authority to allow the Directors to allot shares up to an aggregate nominal amount of £3,281,871 which represents approximately one-third of the issued share capital of the Company as at the last practicable date prior to publication of this document. 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. 10

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. Shareholders are asked to consider a resolution to renew the Directors' authority to allot equity shares for cash rather than on a pro-rata basis. This will be limited to 1,279,929 ordinary shares which represents approximately 5% of the Company's issued ordinary share capital as at 29 December 2007 and as at the last practicable date prior to publication of this document. The authority will expire at the conclusion of the AGM held in 2009.

Resolution No. 11

Authority to make market purchases

Shareholders are asked to consider a resolution which, if approved, would enable the Company to purchase up to a maximum of 2,559,859 of its 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 2009 or, if earlier 22 October 2009. 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 of this document.

The total number of options to subscribe for ordinary shares outstanding at the last practicable date prior to publication of this document was 1,108,095 which represented approximately 4 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 the Shareholders.

Resolution No. 12

Adoption of new articles of association

It is proposed in resolution 12 to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in the Appendix. The New Articles showing all the changes to the Current Articles are available for inspection.

Explanatory notes of principal changes to the Company's articles of association

1. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. Form of resolution

The concept of extraordinary resolutions has been removed under the Companies Act 2006 and references to them have therefore been replaced in the New Articles.

3. Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

4. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The New Articles give the directors discretion, when calculating the time limits, to exclude weekends and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder.

5. Procedure if quorum not present at General Meetings

The New Articles change the provisions relating to the procedure if a quorum is not present at a general meeting of the Company. Under the Current Articles, if a quorum is not present within 30 minutes of the time appointed for beginning of the general meeting, the chairman may adjourn the meeting to another time of his choosing, or, if the general meeting has been requisitioned by members, the meeting shall be dissolved. The New Articles give the chairman the power to wait between five minutes and one hour for a quorum to be present. If the meeting has been requisitioned by members, the meeting shall be dissolved. In any other cases, the meeting will stand adjourned for a period of between 3 and 28 days from the original date of the meeting.

6. Chairman of a General Meeting

The New Articles reduce the time the other directors are required to wait before appointing one of their number as chairman of the meeting if neither the appointed chairman nor any of the deputy chairmen is present or willing to act. This period is reduced from 30 minutes after the time appointed for the commencement of the meeting under the Current Articles to within 5 minutes under the New Articles.

7. Adjournments

Under the Current Articles the chairman can only adjourn the meeting to a later date if so directed by the meeting. The New Articles retain this, but add in a provision whereby the chairman may adjourn without the consent of the meeting where it appears to him that either the members entitled to vote and wishing to attend cannot reasonably be accommodated at the appointed venue; the conduct of the persons present means that the orderly conduct of the meeting is unlikely; or an adjournment is otherwise necessary for the proper conduct of the business of the meeting.

8. Reconvening of adjourned meeting

The Current Articles state that seven clear days notice is to be given for the reconvening of a meeting that has been adjourned for 30 days or more. Under the New Articles, the time limit is raised to three months or more, and the notice period shall be the notice given in the case of the original meeting. Furthermore, unless otherwise specified in the New Articles, it is not necessary to give notice of the reconvening of adjourned meetings or the business to be transacted at them.

9. Security arrangements and orderly conduct

The New Articles insert a provision whereby the board may put into place such security arrangements as they consider appropriate at general meetings. Similarly, the New Articles give the chairman of the meeting a new power to take such action or give directions for such action to be taken as he thinks fit to promote the orderly conduct of the meeting.

10. Amendments to resolutions

The New Articles insert a provision limiting the extent to which resolutions may be amended prior to the meeting. No amendment to a special or ordinary resolution may be considered or voted upon unless either the proposed amendment is notified to the Company or the chairman at least two working days prior to the date of the meeting or, alternatively, the chairman decides to allow the amended resolution to be considered or voted upon.

11. Method of voting

Both the Current Articles and the New Articles state that the default position is that votes will be decided on a show of hands unless a poll is demanded. Under the Current Articles, a poll can be demanded by not less than two members entitled to vote at the meeting. The New Articles increase this to at least five persons entitled to vote on the resolution.

12. Number of Directors

The minimum number of Directors has been decreased from three under the Current Articles to two under the New Articles. This reflects the requirement under Section 154(2) Companies Act 2006 for a public company to have at least two directors. The maximum number remains at 15.

13. Directors' Fees

Under the Current Articles, each Director's remuneration is not to exceed a maximum amount determined by the Company in a general meeting. The New Articles change this by giving the board the power to determine each director's fee providing that the aggregate of all fees paid to directors does not exceed £1.5m.

14. Retirement of Directors by rotation

The requirement in the Current Articles that one-third of the directors retire from office at each annual general meeting has been removed and replaced in the New Articles with provisions that are aligned with the provisions of the Combined Code in respect of the retirement of directors by rotation.

15. Removal of Directors

Under the Current Articles, the Company has the power to remove a Director from office by passing an ordinary resolution in general meeting, of which special notice has been given. Under the New Articles a resolution to remove a Director must be a special resolution.

16. Conversion of shares into stock

The Current Articles contain provisions enabling shares to be converted into stock. Under the Companies Act 2006, this will no longer be possible. There is therefore no equivalent provision in the New Articles.

17. Purchase by the Company of its own shares

The Current Articles require an extraordinary resolution (to be passed) at a separate general meeting of the holders of shares of each class on a purchase by the company of its own shares. There is no equivalent provision in the New Articles as the concept of extraordinary resolutions has not been retained under the Companies Act 2006 and the provisions regarding the purchase of shares are set out in the Companies Act 2006.

18. Interest due on non-payment

In circumstances where interest is charged on sums payable from shareholders to the Company, the New Articles calculate such interest based on percentage points above the Bank of England base rate, rather than as a fixed percentage. This is in line with the draft Model Articles under the Companies Act 2006.

19. Scrip dividends

The provisions relating to scrip dividends have been updated. This includes the removal of the requirement to ensure that a small cash dividend is payable on each share in each year. The requirement under the Trustee Investments Act 1961 for trustees acting under statutory investment powers to invest only in companies that had paid a dividend on all of their shares in the past five years has now been removed by the Trustee Act 2000.

20. Seals

The Current Articles state that every document to which the Company seal is attached must be signed by either two Directors or one Director and the Company Secretary, or any other person appointed by the Board for that purpose. The New Articles amend this requirement by stating that any document to which the Company seal is attached need not be signed by any person unless the Board decides, or the law requires, otherwise. This is consistent with the Companies Act 2006.

21. Uncashed dividends

Under the Current Articles the Company may stop sending dividend payments to members if the payments had been uncashed or returned to the Company on three or more consecutive occasions. The New Articles reduce the period of time before the Company may stop sending dividend payments to members. If the dividend remains uncashed or has been returned and reasonable enquiries have failed to establish a new postal address or bank account of the member, the Company may cease sending dividend payments after one dividend. Otherwise, the Company may cease sending dividend payments if the dividend payment remains uncashed for at least two consecutive dividends. The Company must recommence sending dividend payments if the member or person entitled by transmission requests such commencement in writing.

22. Method of service

The New Articles update the options for methods of service to include other means so authorised in writing by the relevant member. The New Articles also allow the Company to stop sending notices to members if on three consecutive occasions any notice or other information served on or supplied to a member has been returned undelivered. The Company can do this until a new address for service has been supplied by the member.

23. Record date for service

The New Articles insert a provision to the effect that any notice served by the Company may be by reference to the register of members as it stands at any time not more than 15 days before the date of service.

24. Members resident abroad

Under the Current Articles, a member who does not have a registered address in the UK is not eligible to receive notices unless he supplies the Company with a UK address. The New Articles modernise this article by stating that a member whose registered address is outside the UK but who supplies the Company with a UK address will be entitled to receive notices at that address or by making them available on a website and notifying the member of the website address. Furthermore, a member whose registered address is outside the UK may supply the Company with an address for communication by electronic means. Otherwise, a member whose registered address is outside the UK is not entitled to receive any notices from the Company.

25. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

26. Records to be kept

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

27. Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

28. Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors to make provision for a person employed or formerly employed by the company in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company, may be exercised by the directors or by the company in general meeting. However, if the power is to be exercised by the directors, the articles of association must include a provision to this effect. The New Articles give a clearer statement to the effect that the directors may exercise this power.

29. Electronic and web communications

The New Articles reflect the provisions of the Companies Act 2006 which enable companies to communicate with members by electronic and/or website communications (which were adopted by the Company pursuant to the resolution passed at the Annual General Meeting on 18 April 2007).

30. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

31. General

Generally the opportunity has been taken to modernise and bring clearer language into the New Articles and delete redundant provisions.

Five Year Financial Record

	IFRS 2007 £'000	IFRS 2006 £'000	IFRS 2005 £'000	IFRS 2004 £'000	UK GAAP 2003 £'000
Income statement					
Continuing operations					
Sales	146,823	119,519	96,481	88,965	89,773
Operating profit	3,747	7,164	5,388	2,625	1,340
Operating profit before exceptional items and share grant	10,160	7,541	5,703	3,150	1,761
Exceptional items	(5,273)	(377)	(315)	(525)	(421)
Share grant	(1,140)	-	-	-	-
Operating profit	3,747	7,164	5,388	2,625	1,340
Finance costs	(458)	(44)	(47)	(140)	(234)
Finance income	13	218	300	325	216
Profit before tax	3,302	7,338	5,641	2,810	1,322
Taxation	(1,072)	(2,348)	(1,691)	492	548
Profit from continuing operations	2,230	4,990	3,950	3,302	1,870
Profit/(loss) from discontinued operations	-	-	4,012	3,270	(10,006)
Profit/(loss) attributable to equity Shareholders	2,230	4,990	7,962	6,572	(8,136)
Earnings/(loss) per ordinary share	8.93p	20.29p	30.94p	22.97p	(28.34)p
Dividend per share – paid and proposed	12.00p	9.50p	7.00p	5.25p	4.00p
Balance sheet					
Non current assets	20,791	21,022	9,275	8,748	7,826
Deferred tax asset	4,334	6,149	8,921	8,407	1,814
Net current assets	16,142	12,341	18,694	22,698	22,301
Pension (liability)/prepayment	(10,549)	(18,436)	(20,930)	(17,989)	1,016
Other liabilities	(6,000)	(1,000)	-	-	(1,267)
Shareholders' funds	24,718	20,076	15,960	21,864	31,690
(Net debt)/cash	(7,077)	(249)	9,012	12,745	7,652

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

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