

## 4imprint Group plc Annual Report and Accounts 2013

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# 4imprint Group plc Annual Report and Accounts 2013

## Driving organic growth



# 4imprint Group

4imprint is a UK listed promotional products Group with one continuing operation – 4imprint Direct Marketing.

In 2013 the Group had two businesses 4imprint Direct Marketing and SPS. In early 2014 the Group sold SPS, a UK manufacturing business, which represented 7% of Group revenue. This followed the sale, in March 2012, of Brand Addition, its European distribution business.

The disposal of these non-core businesses allows the Group to concentrate on its strategy of continued growth in its Direct Marketing business, gaining market share in the large and highly fragmented markets in which it operates, as well as reducing the risk of its legacy defined benefit pension scheme.

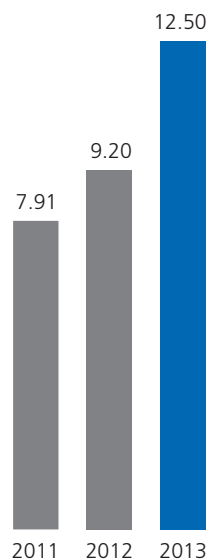
## 4imprint Direct Marketing

4imprint Direct Marketing is a leading direct marketer of promotional products in the USA, Canada, the UK and Ireland. The business is headquartered in Wisconsin, USA and 96% of its revenue is generated in the USA and Canada. The business also serves UK and Irish customers out of its base in Manchester, England.

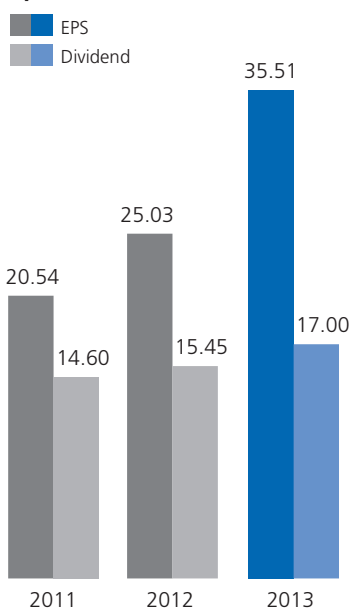
**Group revenue<sup>†</sup>**  
(£m) – continuing operations



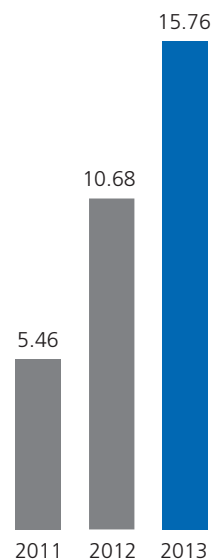
**Group underlying\* PBT<sup>†</sup>** (£m) – continuing operations



**Underlying\* EPS<sup>†</sup>**  
and dividend per share  
(pence) – continuing operations



**Group net cash**  
(£m)



\* Underlying is before share option related charges, defined benefit pension charges and exceptional items

† Restated for amendments to IAS 19, to include SPS as a discontinued operation and to include delivery receipts and other income in revenue

## Financial – continuing operations

	2013 £m	2012 restated <sup>†</sup> £m	Change
Revenue	<b>212.86</b>	183.51	+16%
Underlying* profit before tax	<b>12.50</b>	9.20	+36%
Profit before tax	<b>9.25</b>	6.37	+45%
Underlying* basic EPS (p)	<b>35.51</b>	25.03	+42%
Basic EPS (p)	<b>25.64</b>	16.41	+56%
Proposed total dividend (p)	<b>17.00</b>	15.45	+10%

\* Underlying is before share option related charges, defined benefit pension charges and exceptional items.

† Restated for amendments to IAS 19, to classify SPS as a discontinued operation and to include delivery receipts and other income in revenue.

## Operational

- Strong growth in revenue and profit
- 4imprint Direct Marketing:
  - Continued organic growth in North America – Order numbers 15% ahead of 2012
    - More than 600,000 orders received
    - Re-order rates strong
  - UK Direct Marketing revenue 12% ahead of 2012
- Sale of SPS completed in February 2014 for gross proceeds of £7.25m
- Robust financial position; net cash £15.76m, an increase of £5.08m

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# Chairman's statement



2013 was another successful year for 4imprint Group plc. The strong performance is documented in the pages which follow.

The Direct Marketing business delivered revenue growth and operating margin percentage ahead of target, derived from an increased yield on revenue investment in marketing and favourable cost experience in its marketing expenditure.

The UK Direct Marketing business, now located in its new facility in Manchester, also enjoyed good growth.

SPS, having shown good performance improvement over the past three years, was sold shortly after year-end to a private equity/management vehicle, having completed a competitive process.

Following the sale, the Group has significant net cash which will be directed to further reductions in risk in the legacy defined benefit pension scheme. To this effect an, albeit minor, step is a proposal for individual flexible early retirement which has been offered to eligible deferred pensioners in February 2014.

Early indications for 2014 are of continuing good operational performance in line with our aspirations although the dollar exchange rate will, if sustained, act as a headwind on performance measured in sterling.

**John Poulter**

Chairman

5 March 2014



**4imprint Direct Marketing** is a leading direct marketer of promotional products in the USA, Canada, the UK and Ireland. Its strategy is to deliver profitable organic growth, gaining market share in the large and highly fragmented markets in which it operates. This is achieved through ongoing investment in marketing, people and technology.

From early 2014 onwards, 4imprint Direct Marketing, which generates 96% of its revenue in North America, is the sole business in the 4imprint Group (and represents the Group's "continuing operations"). This follows the disposal, in February 2014, of SPS, a UK based manufacturer of promotional products and the disposal, in 2012, of Brand Addition, a European distributor of promotional products to medium and large businesses. These businesses are both classified as "discontinued operations".

The disposal of these non-core businesses allows the Group to concentrate on its strategy of doubling the revenue of its Direct Marketing business, at stable operating profit margin percentage, over the five year period 2011 to 2016, consistent with the achievement in the previous five years. In 2013, in respect of its continuing operations, the Group achieved revenue growth of 16%, underlying\* profit before tax growth of 36% and underlying\* basic EPS growth of 42%. This represented another year of delivery of this strategy.

The Group is in a strong financial position, with net cash, and will continue to focus its resources on i) growth in the profitable and cash generative Direct Marketing business and ii) reducing the risk and size of its legacy defined benefit pension scheme.

## Business model

**4imprint Direct Marketing sells an extensive range of customised products to individuals in businesses and organisations of all sizes, processing hundreds of thousands of individually customised orders each year. Items are imprinted and shipped directly to customers from 4imprint's suppliers. 4imprint provides an easy**

**and convenient order process, allowing customers to purchase in a simple and secure way online or via telephone, backed by its service level guarantees. Organic growth is delivered by using a range of data-driven, offline and online direct marketing techniques to capture market share in the large and highly fragmented promotional products markets it serves.**

## Background

Promotional products are purchased by a wide range of individuals within all types and sizes of businesses and organisations. These products have a wide range of uses: as an integral part of sales and marketing activities; recruitment and recognition schemes; health and safety programmes and other initiatives to make a connection between the customer's organisation and the recipient. The range of products is diverse from basic giveaways such as pens, bags and drinkware to more exclusive products such as embroidered clothing, business gifts and full colour trade show displays.

## Market

4imprint is the largest direct marketer of promotional products in both the US and Canadian promotional products markets, which together total \$24 billion, and is a leading player in the £830 million UK market. The promotional products market place is highly fragmented. The largest market, the USA, is served by more than 23,000 distributors, of which more than 90% each have annual sales of less than \$2.5 million.

The US and Canadian markets are serviced out of the principal office in Wisconsin, USA and the UK and Irish markets out of an office in Manchester, UK.

## Business model

4imprint has a unique business model through which to address the market, allowing it to access millions of potential customers, offering thousands of customised products.

Customers are offered an easy and convenient way to purchase an extensive range of products via telephone



\* Underlying is before share option related charges, defined benefit pension charges and exceptional items



or over the web, with the assistance of a highly skilled customer service team. They receive free samples, free artwork and unique service level guarantees such as lowest price, on time delivery or free and total satisfaction or money back. 4imprint has a strong service culture, committed to equipping employees with training and tools to deliver a superior customer experience which is a key component of growth.

Key supplier partnerships facilitate rapid and efficient deliveries against short lead times, underpinning 4imprint's service guarantees and allowing 4imprint to expand its product range without significant investment in inventory. A dedicated merchandising team works with suppliers, continually updating the product range to ensure that the business offers customers an extensive product choice, including some products which are exclusive to 4imprint.

Growth is achieved through investment in marketing to increase the customer base. A wide range of innovative catalogue and internet-based direct marketing techniques are used to acquire an increasing number of new customers. Once a customer has been acquired, targeted marketing such as Blue Boxes™ (product samples and tailored individual marketing packages sent to customers), catalogues, internet advertising and subscription e-mails are used to retain customers and generate repeat purchases.

This model is backed by innovative proprietary technology which provides a fast and simple experience for the customer, together with an efficient platform for processing hundreds of thousands of customised orders to tight lead times and seamless interfaces with key suppliers. Sophisticated database analytics support the targeted marketing to millions of potential and existing customers.

4imprint has developed its competitive advantage through the investment of free cash flow to increase its market share, continually developing and enhancing bespoke marketing methods and proprietary technology. The continued growth of the business increases the competitive barriers to entry created by its scale and complexity.

### Financials

Double-digit annual revenue growth has been achieved consistently over a number of years. This is driven by increasing the number of customers acquired each year and maintaining the rate at which customers repurchase as the number of customers acquired increases. More than 30% of new customers place new orders within one year and more than 40% within two years.

4imprint has grown significantly ahead of the market, consistently gaining market share. Growth has been achieved organically, driven by revenue investment in marketing, technology and people. Even after this investment, the business generates substantial operating cash flow. This is driven by low fixed and working capital requirements which are less than 5% of annual revenue, due to limited inventory and a high proportion of customer payments being made by credit card.

### Employee engagement

The contribution of each of its employees is key to 4imprint's success and the business is committed to a culture which encourages the training, development, wellbeing and participation of each employee. For each of the last six years, the North American business has been named a top 25 medium sized best workplace in the USA.

Employees are informed of business objectives through quarterly briefings and are encouraged to contribute to the development of the business through these briefings and team meetings. All employees participate in a "gain share" plan which is paid on a quarterly basis, dependent upon meeting specified targets which are regularly discussed with and communicated to them.

Training and development of new employees is usually carried out in-house and covers job specific skills and other soft skills required for their role. In addition, employees are regularly offered ongoing training to encourage their development in a variety of business related subjects and other areas.



The North American business, which is predominately office based, has a wellness programme for its employees to mitigate any health and safety risks. Employees are offered health risk assessments on site as well as a range of other initiatives e.g. nutritionist, physical therapist.

The business recognises the importance and benefit of ensuring employee diversity and strives to create a culture which recruits and promotes the development of all employees regardless of background or gender. At 28 December 2013, women made up 75% of the total

employees of the Direct Marketing business and 22% of its senior management team.

The North American business runs a 'one by one®' charitable giving programme which reflects its culture and philosophy. Each business day, the business gives a non-profit organisation \$500 in promotional products to spread the word, recruit volunteers or thank donors. In addition, employees are given paid time off to volunteer for a charity of their choice.

## Operating review

	2013	2012 (restated) <sup>†</sup>	
	£m	£m	Change
<b>Revenue</b>			
Sales of promotional products	<b>196.42</b>	168.90	
Delivery receipts and other income	<b>16.44</b>	14.61	
<b>Total</b>	<b>212.86</b>	183.51	+16%
	2013	2012 (restated) <sup>†</sup>	
	£m	£m	Change
<b>Underlying* operating profit</b>			
4imprint Direct Marketing	<b>14.60</b>	11.00	
Head Office	<b>(2.14)</b>	(1.84)	
<b>Total</b>	<b>12.46</b>	9.16	+36%

Underlying profit is included because the Directors consider this gives a measure of the underlying performance of the business.

\* Underlying is before share option related charges, defined benefit pension charges and exceptional items.

† Restated to classify SPS as a discontinued operation and to include delivery receipts and other income in revenue.

### 4imprint Direct Marketing

The 2013 results represent another year of progress consistent with the strategy to drive significant organic revenue growth at a stable percentage operating profit margin.

Revenue grew 16% compared to 2012 (15% at constant currency). Underlying operating profit increased 33% compared to prior year, (31% at constant currency),





## Operating review continued

driven by a combination of stable gross margin, successful marketing execution and a favourable environment in respect of its catalogue costs in the year.

The North American business produced revenue growth of 15% to \$294.91m. This compares to the US promotional products market as a whole which, according to industry estimates, grew by approximately 5-6% from 2012 to 2013. The business processed more than 600,000 individually customised orders, each backed by an 'on time or free' guarantee, demonstrating the robustness and scalability of its processes and systems.

Orders from new customers in North America increased by 8% compared to 2012, representing the acquisition of over 145,000 new customers, which was in line with the increased investment in new customer marketing. New customer activity was particularly strong in the second half of the year, driven by increased prospecting, powered by opportunities identified via advances in data analytics.

Orders from existing customers were 19% higher than prior year, demonstrating the productive and reliable nature of the customer file. The popular Blue Box™ sample mailings remain a key element of retention marketing.

Marketing spend in the year increased by 10%, in line with the strategy of investment to drive organic growth. The increase in spend included expansion of the current customer acquisition and retention techniques as well as the implementation of additional on and offline marketing activities. Online marketing spend increased by 25% in the year. Revenue generated per marketing dollar in 2013 improved to \$5.72 (2012: \$5.48). This was due to both improved yield on marketing initiatives and favourable postage and paper prices in 2013, which would ordinarily have been expected to increase.

All sales activity, whether to new or existing customers, is underpinned by a commitment to innovation and excellence in business operations. Merchandising initiatives and evolving supplier partnerships resulted in a stream of new

products. In addition, continued investment in technology produced enhanced websites, process efficiency and further sophistication in data analysis. A commitment to providing a remarkable customer experience characterises the approach to customer care. Essential to making all of this happen is the ability to attract and retain a quality workforce. For the sixth year in succession, the North American business was named as a top 25 medium sized best workplace in the USA.

The UK business, based in Manchester, also had a successful year. Revenue was 12% higher than 2012, outpacing growth in the market. During 2013 there was an emphasis on expansion of the product range and further implementation of marketing and customer service techniques which have been tried and tested in the North American business. The same principles of innovation and excellence seen in the North American business drive the continued growth in the UK.

The Direct Marketing model remains highly cash generative with US\$21.93m of pre tax operating cash generated in North America.

### Head office

Head office costs of £2.14m (2012: £1.84m) comprised Board costs, UK corporate office and other plc related costs.



## Finance review

Continuing operations	2013 Underlying* £m	2012 Underlying (restated)† £m	2013 Total £m	2012 Total (restated)† £m
Revenue	212.86	183.51	212.86	183.51
Underlying* operating profit	12.46	9.16	12.46	9.16
Share option related charges (including social security)			(1.60)	(0.65)
Exceptional items			(0.25)	(0.59)
Net finance income	0.04	0.04	0.04	0.04
Defined benefit pension charges			(1.40)	(1.59)
Profit before tax	12.50	9.20	9.25	6.37

Underlying profit is included because the Directors consider this gives a measure of the underlying performance of the business.

\* Underlying is before share option related charges, defined benefit pension charges and exceptional items.

† Restated to classify SPS as a discontinued operation and to include delivery receipts and other income in revenue.

### Exchange

The average US dollar rate for the year was \$1.56 (2012: \$1.58). The closing US dollar rate for the year ended 28 December 2013 was \$1.65 (2012: \$1.62). The majority of the Group's revenue and its operating profit are earned in US dollars. If the average rate for the year had been \$1.65 (the year end rate) revenue would have been £10.58m lower and profit before tax £0.74m lower.

The movement in the average rate for the year, compared to 2012, increased revenue by £2.66m and profit by £0.19m. The movement in the year end rate reduced US dollar denominated overseas subsidiaries assets by £0.28m.

### Share option charges

The Group charged £1.60m (2012: £0.65m) to continuing operations in respect of IFRS 2, 'Share-based payments'. £1.52m related to the charge in respect of the Group Performance Share Plan approved by Shareholders on 27 April 2011, including £0.81m employers' social security costs in respect of options that have now vested and may be exercised from April 2014, as well as the charges in respect of UK and US SAYE schemes.

### Exceptional items

Exceptional items in the year totalled £0.25m. These costs related to third party fees incurred in respect of a flexible early retirement offer made to 153 eligible deferred pensioners in February 2014, as part of the pension risk reduction exercise. Further costs will be incurred in respect of this exercise in 2014 and are dependent upon the number of people who accept the offer.

Exceptional costs of £0.59m in 2012 arose as a consequence of the sale of Brand Addition in that year.

### Net finance income

Net finance income in the year was £0.04m (2012: £0.04m), which reflected the Group's net cash position, invested at the current rates of interest.

### Taxation

The tax charge for continuing operations for the year was £2.47m (2012: £2.05m), an effective rate of 27% (2012: 32%). The charge comprised current tax of £1.91m representing tax payable in the USA and deferred tax of £0.56m. The tax charge for underlying profit before tax was £3.10m, an effective tax rate of 25% (2012: 29%).

The effective tax rate is above the UK corporate tax rate as the Group's profit is generated principally in the USA where there is a higher corporate tax rate.

### Earnings per share

Underlying basic earnings per share in respect of continuing operations was 35.51p (2012: 25.03p), an increase of 42%, reflecting the increased earnings and lower underlying effective tax rate compared to 2012.

Basic earnings per share, from continuing operations, was 25.64p (2012: 16.41p), an increase of 56%.

Including the impact of discontinued operations, basic earnings per share was 14.74p (2012: 51.95p). 2013 EPS included a decrease of 10.90p in respect of the £2.89m loss related to discontinued operations (2012: an increase of 35.54p in respect of £9.34m profit from discontinued operations).

### Dividends

The Board has proposed a final dividend of 11.40p which, together with the interim dividend of 5.60p, gives a dividend paid and proposed for the year of 17.00p, an increase of 10% compared to prior year, in line with its progressive dividend policy.

## Finance review continued

### Discontinued operations

On 10 February 2014, the Group completed the sale of SPS, its UK based manufacturing operation, to the SPS senior management, backed by Maven Capital Partners, a leading UK private equity firm. The consideration was £7.25m (subject to post completion adjustments relating to the amount of working capital, debt and cash at completion). Net cash proceeds are expected to be circa £5.8m after costs of disposal, including a bonus payable to the SPS senior management on completion of the disposal.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', SPS has been presented as a discontinued operation in both the 2013 and 2012 Income Statements and as an asset held for sale in the 2013 Balance Sheet.

Revenue generated by SPS in 2013 was £15.33m, an increase of 9% compared to the prior year. Operating profit was £0.92m (2012: £0.78m). The improved performance was a result of successful focus on new product innovation and marketing initiatives, together with stable gross margin. SPS generated £0.84m of pre tax cash flow in 2013 (2012: £0.20m). Cash spend on costs related to the sale in 2013 was £0.18m.

A £3.65m provision for loss on the remeasurement of the SPS net assets to their net realisable value, has been made in the year. This was based on year end net assets of £9.20m, adjusted to reflect normalised working capital, and takes into account the estimated costs of disposal.

The Group completed the sale of Brand Addition, its European distribution business, on 23 March 2012 for aggregate consideration of £24.00m, of which £1.25m was deferred for a year and received in March 2013. Profit on the sale in 2012 was £8.46m. Cash flow from discontinued operations in 2013 included £1.25m of deferred consideration received and payment of costs previously accrued of £0.08m in relation to this sale.

### Defined benefit pension scheme

The Group sponsors a UK defined benefit pension scheme, closed to new members and future accrual. At the end of 2013 the scheme had 1,163 pensioners (including 436 with insured benefits), 591 deferred members and no active members.

The Board's strategy is to reduce the risk of the defined benefit pension scheme to the Group. The Group has completed a number of risk reduction exercises in previous years, including a partial buy-in of £20.47m of pensioner liabilities in 2012. In early 2014, the Group made a flexible early retirement offer to 153 eligible deferred pensioners. The Group is also considering the feasibility and cost of insuring further tranches of pensioner liabilities.

Amendments to IAS 19 have been adopted in the period. The Group is now required to include the administration costs of the Scheme (managed and paid by the Scheme Trustee) within operating expenses in the Group income statement. These costs totalled £0.48m (2012: £0.44m) and have been included within operating expenses and £0.08m (2012: nil) has been included within exceptional operating expenses. Prior periods have been restated.

In addition, the defined benefit pension finance charge has been calculated in line with the amendments to IAS 19 which requires the discount rate on Scheme liabilities to be used to calculate the interest income on Scheme assets, resulting in a charge of £0.92m (2012: £1.15m, increased by £0.12m to reflect the amendments to IAS 19).

Contributions to the Scheme in the year were £3.18m. During the year, the Scheme's triennial actuarial valuation at 5 April 2013 was finalised. The deficit, on a Scheme funding basis, at that date was £30.64m. The Company has agreed a schedule of contributions with the Trustee. The contribution to the Scheme in 2014 will be £3.28m and this amount will increase by 3% annually. The recovery plan period is 6.3 years, which takes into account the material funding improvement between the date of valuation and the date of the recovery plan (December 2013), as agreed with the Scheme Actuary. The improvement is principally due to an increase in UK gilt rates during that period.

At 28 December 2013, the deficit of the Scheme on an IAS 19 basis was £16.61m (2012: £22.89m).

The change in deficit is explained as follows:

	£m
IAS 19 deficit at 29 December 2012	(22.89)
Company contributions to the Scheme	3.18
Pension finance and administration charges	(1.40)
Exceptional items – flexible early retirement offer costs	(0.08)
Remeasurement gains due to changes in assumptions	4.58
<b>IAS 19 deficit at 28 December 2013</b>	<b>(16.61)</b>

### Cash flow

The Group had net cash of £15.76m at 28 December 2013, resulting from a net cash inflow of £5.08m in the year. Net cash at 28 December 2013 was represented by:

	2013 £m	2012 £m
Other financial assets – cash deposits	4.95	3.00
Cash and cash equivalents	10.81	14.10
Borrowings due in less than one year	–	(1.64)
Borrowings due after one year	–	(4.78)
<b>Net cash</b>	<b>15.76</b>	<b>10.68</b>

The Group has US\$13.0m working capital facilities with its principal US bank, JPMorgan Chase. The interest rate is US\$ LIBOR plus 1.5% and the facilities are due for repayment on 31 August 2015.

The movement in net cash is summarised below. This presentation shows an analysis of operating cash flow from continuing operations and cash flow in relation to discontinued operations as a single line.

	2013 £m
<b>Operating cash flow</b>	
Underlying operating profit	12.46
Depreciation and amortisation	1.15
Change in working capital	0.19
Capital expenditure	(1.14)
<b>Operating cash flow after capital expenditure – continuing operations</b>	12.66
Interest and tax	(1.68)
Defined benefit pension contributions	(3.18)
Exchange and other	(0.37)
<b>Free cash flow – continuing operations</b>	7.43
Discontinued operations net cash inflow	1.83
Dividends to Shareholders	(4.18)
<b>Net cash inflow in the year</b>	5.08

The Group delivered a strong cash flow performance in 2013, generating £12.66m of pre tax operating cash flow (after £1.14m of capital expenditure) from continuing operations. This demonstrates the cash generative profile of the Direct Marketing business which is one of the key strengths of the Group. The business has low fixed and working capital requirements and the North American business generated US\$21.93m of pre tax operating cash flow in 2013 – an operating profit to cash conversion rate of 97% (2012: 98%).

Free cash flow from continuing operations (after the defined benefit pension contribution of £3.18m and pension related exceptional payments of £0.17m) was £7.43m, providing cover of 1.8 times the dividend paid in the year.

Cash flow from discontinued operations of £1.83m, included £1.25m of deferred proceeds from the sale of Brand Addition in 2012, £0.84m of pre tax operating cash inflow (after capital expenditure) from SPS offset by £0.26m cash spend in respect of disposal costs.

#### Balance sheet and Shareholders' equity

Net assets at 28 December 2013 were £16.78m (2012: £13.79m), an increase of £2.99m.

In 2013, the net assets of SPS, which have been written down to net realisable value, are shown as assets and liabilities held for sale. In 2012 the assets and liabilities of SPS are included within each line item on the balance sheet.

	2013 £m	2012 £m
Non current assets	9.99	19.57
Working capital	2.49	6.20
Net cash	15.76	10.68
Pension deficit	(16.61)	(22.89)
Deferred consideration	–	1.25
Net assets held for sale	5.74	–
Other liabilities	(0.59)	(1.02)
	16.78	13.79

Shareholders' equity has increased as a result of profit generated for the year of £3.90m (continuing operations: £6.79m and a loss from discontinued operations: £2.89m), remeasurement gains on the pension scheme deficit net of tax of £2.35m; offset by dividends paid to shareholders of £4.18m and other items of £0.92m.

#### Return on capital employed

	Average operating capital employed <sup>†</sup> £m	ROCE* %
4imprint Direct Marketing	9.87	148.0

\* Based on underlying operating profit.

† Includes fixed assets and operating working capital.

#### Treasury policy

Treasury policy is to manage centrally the financial requirements of the Group. The Group operates cash pooling arrangements separately for its North American operations and its UK operations. The Group enters into forward contracts to buy or sell currency relating to specific receivables and payables as well as remittances from its overseas subsidiaries. The Group holds the majority of its cash on deposit with its principal UK banker and working capital requirements of the North American business are funded by a facility with its principal US banker.

#### 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 only critical accounting policy is in respect of pensions.

#### New Accounting Standards

Amendments to IAS 19, 'Employee Benefits' are effective from accounting periods commencing on or after 1 January 2013. Although the Group's 2013 accounting period began on 30 December 2012, the Group has adopted these amendments in its 2013 financial statements and 2012 has been restated. The impact of the restatement is disclosed in the notes. No other new standards have impacted the Group's financial statements in the period.

## Finance review continued

### Key performance indicators (KPIs)

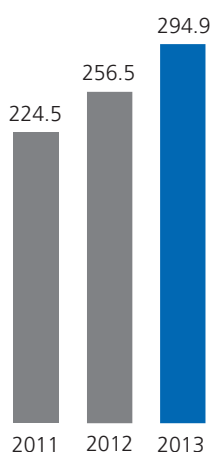
The Board monitors the performance of the Direct Marketing business and Group against its strategy using the KPIs set out below. These KPIs have been selected as they are considered appropriate to measure the progress of the business towards achieving its strategy and objectives.

As 96% of the Group's business is based in North America the revenue, underlying operating profit margin, operating cash generation, order intake rate and efficiency of marketing spend of that business are shown separately and presented in US dollars as appropriate. Underlying profit before tax, underlying earnings per share and dividends paid per share are measured at a Group level and are presented in Sterling.

The Group's key strategic aim is organic revenue growth in its Direct Marketing business at stable operating margin percentage, through investment in marketing, people and technology.

### 4imprint Direct Marketing KPIs

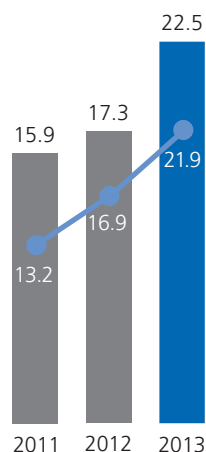
#### Revenue \$m



Growth of 15% in the year.

#### Underlying operating profit and cash generated \$m

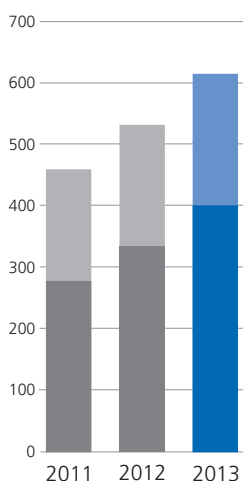
Underlying operating profit  
Operating cash generated



Operating profit grew 31% in the year and operating cash conversion rate was 97%.

#### Orders received (000s)

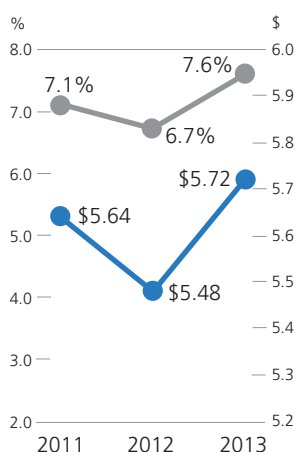
New customer orders  
Existing customer orders



Total orders increased by 16% in the year, new customer orders increased by 8% and existing customer orders by 19%.

#### Revenue per marketing dollar and operating margin %

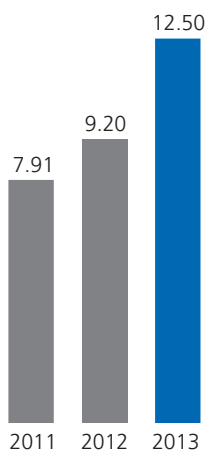
Operating Margin %  
Revenue/Mktg spend \$



Revenue per marketing dollar increased to \$5.72 in the year. Operating profit margin % increased.

### Group KPIs

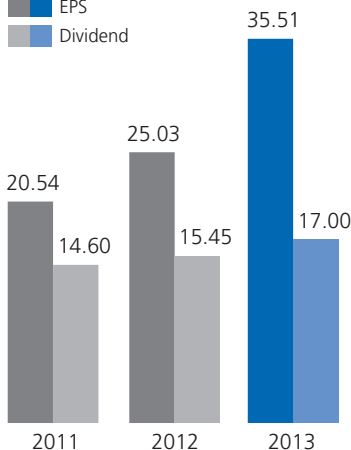
#### Group underlying\* PBT<sup>†</sup> £m



Underlying PBT increased by 36% in the year.

#### Underlying\* EPS<sup>†</sup> and dividend per share (pence)

EPS  
Dividend



Underlying EPS increased by 42% and dividend by 10%

\* Underlying is before share option related charges, defined benefit pension charges and exceptional items

† Restated for amendments to IAS 19, to include SPS as a discontinued operation and to include delivery receipts and other income in revenue



## Risks

The Group's business model means that it may be affected by a number of risks, not all of which are within its control. Outlined below are a number of risks which may affect the Group, but the list is not exhaustive and other factors may adversely affect the Group.

Risk	Mitigating activities
<b>Economic and market risks</b>	
<b>Macroeconomic conditions</b>	
The Group conducts its operations principally in the USA and the profitability of its business could be adversely affected by a worsening of general economic conditions in this region.	<ul style="list-style-type: none"> <li>• Management monitors economic conditions to ensure that where possible, any potential adverse impact can be factored into business requirements and actions.</li> <li>• Continual efforts to deliver value to customers, via price and quality, in light of economic climate at any given time.</li> </ul>
<b>Competition</b>	
The Group operates in competitive markets, competing with other distributors of promotional products. New technology, changing commercial circumstances, existing competitors and new entrants to the markets in which the Group currently operates may adversely affect revenue.	<ul style="list-style-type: none"> <li>• Price, satisfaction and service level guarantees provided to customers.</li> <li>• Post-order and other surveys/research to gauge customer satisfaction and perception.</li> <li>• A proactive approach to monitoring marketplace activity.</li> </ul>
<b>Finance</b>	
Due to the concentration of the business in the USA, the Group may be adversely impacted by movements in the Sterling/US dollar exchange rate, when it repatriates cash to UK.	<ul style="list-style-type: none"> <li>• The Group partially hedges cash receipts from its overseas subsidiary for the following 12 months which gives some certainty for a short period of amounts receivable in Sterling.</li> </ul>
<b>Technological risks</b>	
<b>Failure or interruption of information technology systems and infrastructure</b>	
The business is dependent on its IT infrastructure and any system performance issues (for example, system or infrastructure failure, damage or denial of access) could affect trading and performance of the Group.	<ul style="list-style-type: none"> <li>• Ongoing investment in IT systems, to ensure that they are sufficient to continue to respond to the needs of a growing business.</li> <li>• Back up processes in place to minimise impact of information technology interruption.</li> </ul>
<b>Failure to adopt technological innovations</b>	
Failure to adopt new technological platforms to reach its target market could impact the business performance.	<ul style="list-style-type: none"> <li>• The use of various technology platforms and systems is regularly reviewed by management.</li> <li>• The business has demonstrated a proactive approach to adopting relevant new technologies.</li> </ul>
<b>Security of customer data</b>	
Unauthorised access to customer data could lead to reputational damage and loss of customer confidence.	<ul style="list-style-type: none"> <li>• The business employs IT staff who are appropriately trained to mitigate IT security violations.</li> <li>• Technical and physical controls in place to mitigate unauthorised access to customer data.</li> <li>• The business is PCI compliant and complete credit card data is not stored by the business.</li> </ul>

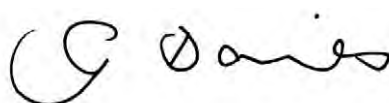
## Risks continued

Risk	Mitigating activities
<b>Operational risks</b>	
<b>Business facility disruption</b>	
In North America, the business operates from two centralised facilities, an office and a distribution centre. The performance of the Group could be adversely affected if activities at one of these facilities were to be disrupted, for example, by fire, flood or failure.	<ul style="list-style-type: none"> <li>• Back up plans are in place to ensure that customer service disruption is minimised.</li> </ul>
<b>Disruption to delivery service or the product supply chain</b>	
The business's operations could be adversely affected if the activities of one of its key suppliers were disrupted and it was unable to source an alternative supplier in the short term.	<ul style="list-style-type: none"> <li>• Rigorous selection process for key suppliers, with arrangements in place for monitoring quality, production capability/capacity, ethical standards and financial stability.</li> <li>• The business maintains relationships with suitable alternative suppliers for each product category.</li> </ul>
<b>Purchase of materials and services</b>	
The Group purchases a range of materials and services which are essential to its operation, for example, the purchase of products; postage and paper for catalogues and online marketing services. Increased costs or lack of availability could affect the performance of the Group.	<ul style="list-style-type: none"> <li>• The Group uses cost effective sources of materials and services, where possible, using a range of suppliers to mitigate potential cost increases, or shortages of such materials and services.</li> <li>• The Group regularly trials new services and suppliers in order to strengthen its offering, reduce risk or reduce costs.</li> </ul>
<b>Reliance on key personnel</b>	
The Group's performance depends on the Group's ability to continue to attract, motivate and retain key staff. These individuals possess sales and marketing, merchandising, supply chain, IT and financial skills that are key to the continued successful operation of the Group's business.	<ul style="list-style-type: none"> <li>• The Group provides employment conditions aimed at attracting and retaining key personnel.</li> </ul>

Social and ethical responsibility, health and safety and environmental matters are covered in the Directors' report on pages 14 to 16.



**Kevin Lyons-Tarr**  
CEO, 4imprint Direct Marketing



**Gillian Davies**  
Group Finance Director

# Board of Directors



**J.W. Poulter**

**Executive Chairman**

John Poulter was appointed a Non-Executive Director with effect from 1 May 2010 and Executive Chairman on 1 September 2010. John is currently Non-Executive Chairman of RM plc. He is a former Non-Executive Chairman and Chief Executive of Spectris plc. He has served as Non-Executive Chairman on several public and private Boards, including Filtronic plc and as a Non-Executive Director of, amongst others, RAC Plc and Kidde plc.



**G. Davies**

**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.



**K. Lyons-Tarr**

**Executive Director**

Kevin Lyons-Tarr was appointed an Executive Director in 2012. He is Chief Executive Officer of 4imprint Direct Marketing based in Oshkosh, Wisconsin and has been with the business for twenty-two years, serving in several capacities, including Chief Information Officer and Chief Operating Officer. He was appointed President of the Direct Marketing business in 2004 and has led its substantial growth.



**A.J. Scull**

**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.



**J.A. Warren**

**Senior Independent Non-Executive Director**

John Warren was appointed a Non-Executive Director in 2012. A chartered accountant, John was Group Finance Director of United Biscuits (Holdings) Plc and WH Smith PLC before embarking on a career as a Non-Executive Director. He is currently a Non-Executive Director and Chairman of the Audit Committee at Spectris plc, Bovis Homes Group PLC, Welsh Water and Greencore Group plc. He has previously served on the Boards of The Rank Group Plc, Rexam Plc, RAC Plc and BPP Holdings Plc and chaired the Board at Uniq Plc through the resolution of their major pension issues.



**S.J. Gray**

**Independent Non-Executive Director**

Steve Gray was appointed a Non-Executive Director in 2012. After an early career with FMCG companies including Procter & Gamble and Pepsico, Steve was appointed Managing Director of dunnhumby UK & Ireland Limited, the Tesco customer loyalty and data analytics company and a director of the dunnhumby joint venture, with Kroger, in the USA. He is currently Chairman of Tanfield Foods, a Senior Advisor to Boston Consulting Group and founder of SG-retail.

**Audit Committee**

Mr J.A. Warren (Chairman)  
Mr S.J. Gray

**Remuneration Committee**

Mr S.J. Gray (Chairman)  
Mr J.A. Warren

**Nomination Committee**

Mr S.J. Gray (Chairman)  
Mr J.A. Warren

# Directors' report

The Directors present their report and the audited consolidated financial statements for the period ended 28 December 2013. The Company's statement on Corporate Governance is included in the Corporate Governance report on pages 17 to 22 of these financial statements. The Corporate Governance report forms part of the Directors' Report and is incorporated into it by cross reference.

4imprint Group plc (registered number 177991) is a public limited company incorporated in England and Wales, domiciled in the UK and listed on the London Stock Exchange. Its registered office is 7/8 Market Place, London W1W 8AG.

## Dividends

An interim dividend of 5.60p per ordinary share was paid on 13 September 2013 and the Directors recommend a final dividend of 11.40p per share. The proposed final dividend, if approved, will be paid on 9 May 2014 in respect of shares registered at the close of business on 11 April 2014.

The total distribution paid and recommended for 2013 on the ordinary shares is £4.50m or 17.00p per share (2012: £4.08m or 15.45p per share).

## Social and ethical responsibility

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 the businesses in the Group operate in accordance with best practice.

The policy addresses such issues as working hours, discrimination, collective bargaining and child labour. The policy is regularly reviewed and was reconsidered by the Board at its meeting on 4 December 2013.

## Environment

The Board recognises its obligations to protect the environment and is committed both to achieving required environmental standards across all the activities of the Group and to minimising environmental impact. Formal systems in place are subject to audits and management is regularly notified of key issues and developments. The businesses in the Group assess and monitor the potential impact of their operations upon the environment and steps are taken to control energy consumption and waste and to ensure that paper used for marketing purposes is sourced from sustainable forests.

## Political donations

No political donations were made in the period or prior period.

## 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.

## Health and safety

During 2013, the Group continued to pursue improvements to the management of health and safety in its businesses. Regular reports on health and safety are received and reviewed by the Board. Any accidents and incidents are reported to the Board together with corrective actions which have been implemented. There was one such incident in 2013 relating to the SPS business.

## Directors

The names of the present Directors (and others who were Directors during the period) and their interests in the share capital of the Company are shown on page 34. The biographical details of the present Directors, committee memberships, independence status and identification of the Senior Independent Director are given on page 13.

Neither the Directors, nor 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 Sections 197, 198, 200, 201 and 203 of the Companies Act 2006.

## Diversity

The Group recognises the importance and benefit of ensuring diversity throughout the business and strives to create a culture which recruits and promotes the development of all employees regardless of background or gender.

As at 28 December 2013, 16% of the Board is female and 16% is non-UK national.

## Share capital

The Group's objective for managing capital is described in note 21.

The Company has a single class of share capital which is divided into ordinary shares of 38 <sup>6</sup>/<sub>13</sub> 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 in 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 Act and other Shareholders' rights, unissued shares are at the disposal of the Board. At each Annual General Meeting, the Company seeks annual Shareholder authority for 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.

## 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.

### Sale of SPS

On 10 February 2014, the Group completed the sale of SPS to the SPS senior management, backed by Maven Capital Partners. The gross consideration was £7.25m (subject to post completion adjustments relating to the levels of working capital, debt and cash at completion).

### Qualifying third party indemnity provisions

During 2008, Qualifying Third Party Indemnity Agreements were signed by the Company in respect of each of the Directors then in office and these remained in effect during 2013 and up to 5 March 2014 in respect of Ms G. Davies and Mr A.J. Scull. Qualifying Third Party Indemnity Agreements have also been signed by the Company in respect of Mr J.W. Poulter, Mr S.J. Gray, Mr J.A. Warren and Mr K. Lyons-Tarr with effect from the date of their respective appointments.

### Shares held in Trust for Employee Share Schemes

The trustees of both the 4imprint Group plc Employee Share Trust and the 4imprint 2012 Employee Benefit Trust may vote or abstain from voting on shares held in the trusts in any way they consider appropriate.

### Significant agreements

There are no agreements containing provisions entitling the counterparty to exercise termination or other rights in the event of a change of control.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 3 to 12. The financial position of the Group, its cash flows, and net cash position are described in the Financial review on pages 7 to 10. In addition note 21 to the financial statements includes the Group's policies for managing its financial risk and its exposures to credit risk, liquidity risk, and capital risk management.

The Group borrowings and facilities are set out in note 18. The Group has a diverse number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group can manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

### Remuneration report

Details of the procedures and guidelines used by the Committee in determining remuneration are outlined in its report on pages 24 to 30.

### Purchase of own shares

Following the approval at the 2013 Annual General Meeting of Resolution 14, the Company is authorised, generally and without conditions to make market purchases, as defined in the Companies Acts, of its ordinary shares of 38 <sup>6</sup>/<sub>13</sub> pence subject to the provisions set out in such Resolution. This authority applies from 1 May 2013 until the earlier of the end of the 2014 Annual General Meeting or 1 August 2014 unless previously cancelled or varied by the Company in general meeting. No such cancellation or variation has taken place.

### Substantial interests

At 17 February 2014 the Company had been notified of the following interests in the issued ordinary share capital of the Company:

	Number of shares	%
BlackRock Investment Management	4,422,348	16.54
Standard Life Investments	2,607,901	9.75
GVO Investment Management	1,878,775	7.02
Mr K.J. Minton	1,735,088	6.49
Artemis Fund Managers Limited	1,718,892	6.43
Fidelity Worldwide Investment	1,479,366	5.53
J.P. Morgan Asset Management	1,070,563	4.00
Crystal Amber Asset Management (Guernsey)	918,423	3.43

### Waiver of dividends

The dividend income in respect of the 279,668 shares (2012: 255,573 shares) held in 4imprint Group plc employee share trusts has been waived.

### Greenhouse Gas Emissions Report

#### Global greenhouse gas (GHG) emissions data for the year

	Tonnes of carbon dioxide equivalent
Combustion of fuel and operation of facilities (Scope 1)	171
Electricity, heat, steam and cooling purchased for own use (Scope 2)	3,054
Emissions intensity per thousand pounds of revenue	0.015

### Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 for Scope 1 and Scope 2 emissions.

We have used emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2013.

### Annual General Meeting

Notice of the AGM is set out in a separate document. 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.



## Independent 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.

## Directors' statement as to disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the date this report was approved:

- So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors is unaware; and
- Each of the Directors has taken all of the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

By order of the Board



**Andrew Scull**

Company Secretary  
5 March 2014

# Statement on Corporate Governance

The disclosures required by Company law in relation to the Takeover Directive in relation to the Group's capital structure are incorporated in the Directors' report on pages 14 to 16.

During 2013 the Group has complied with the provisions of The UK Corporate Governance Code (2010) (the "Code"), except for the following matter:

There is no Group Chief Executive but the role of Executive Chairman was undertaken by Mr J.W. Poulter during the year. (Principle A.2.1).

Having considered the matter at its Board meeting on 4 December 2013 and taking into account Mr Lyons-Tarr's position as CEO of the Direct Marketing business, 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 structure of the Group is such that during 2013 there were two businesses, each of which had a Chief Executive Officer supported by a Finance Director and senior marketing and operational managers. The CEO of the Direct Marketing business, Mr K. Lyons-Tarr, is also a Director of 4imprint Group plc.

Reviews have been undertaken, at least bi-monthly, at which the Chief Executive and other senior management of the two businesses presented to the Executive Chairman, the Group Finance Director and the Corporate Services Director a report, including the financial performance of their businesses and the risks which it faces together with its plans for the short and medium term. In advance of these scheduled meetings, detailed financial information was circulated, together with any other items for discussion.

The Code is publicly available on the Financial Reporting Council's website, [www.frc.org.uk](http://www.frc.org.uk).

## 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 maintains 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 4 December 2013. 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.

The Companies Act 2006 codifies the Directors duty to avoid a situation in which they have, or could have, an interest that conflicts or possibly may conflict, with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association, by the other Directors. Each Director has confirmed that they are aware of the need to notify the Company of any potential conflict of interest. Mr A.J. Scull has notified the Company that he is a Director and Company Secretary of the 4imprint Pension Trustee Company Limited which administers the legacy defined benefit pension scheme.

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 18 to 22.

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, the Chief Executive of the Direct Marketing business, the Group Finance Director, the Corporate Services Director and two Independent Non-Executive Directors. The role of the Non-Executive Directors includes assisting in the development of strategy, scrutinising 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.

The Board has considered whether it is appropriate to have additional Non-Executive Directors but has concluded that such additional appointments are not necessary at the current stage of the Group's development. The current Non-Executive Directors have letters of appointment for three years from 11 June 2012, which 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 also acts as the Company Secretary. This situation has been re-considered by the Board at its meeting on 4 December 2013 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 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 businesses and items for discussion. This enables the Directors to make informed decisions on the corporate and business issues

under consideration. Additionally, the Company 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.

The Board evaluations and those of its Committees which were undertaken in 2009, 2010 and 2011 were undertaken internally through a process conducted by the Non-Executive Directors, assisted by the Company Secretary. The Code recommends that FTSE 350 companies should undertake an external evaluation at least once every three years. During 2012, two new Non-Executive Directors were appointed and whilst an evaluation was undertaken internally, the Board was of the view that before any external evaluation should be undertaken, it would be of greater value once those Directors had been in their respective roles for at least one full year.

A table setting out the number of Board and Committee Meetings held during the period and attendance by Directors at those meetings is set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Total number	7	2	1	0
Mr J.W. Poulter	7	2*	1*	0
Ms G. Davies	7	2*	0	0
Mr K. Lyons-Tarr	6	0	0	0
Mr A.J. Scull	7	2*	0	0
Mr J.A. Warren	7	2	1	0
Mr S.J. Gray	7	2	1	0

\* By invitation.

## Board Committees

The Board has three permanent Committees being the Audit Committee, the Nomination Committee and the Remuneration Committee. 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 described in this report.

## Remuneration Committee

The responsibilities and composition of the Remuneration Committee are disclosed in the Remuneration report on page 23.

The Remuneration Committee has Terms of Reference which were re-considered and approved by the Board at its meeting on 4 December 2013. These Terms of Reference are available for inspection at the Company's registered office during normal business hours.

The Remuneration Committee met once during 2013.

## Relations with Shareholders

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

The Group, principally through the Executive Chairman, the CEO of the Direct Marketing business 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, discussions cover a wide range of issues, including strategy, performance, management and governance.

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.

Private Shareholders can keep up to date through updates provided on the 4imprint corporate website, investors.4imprint.com, 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.

## Share capital

Details of the Company's share capital are provided in the Directors' report on page 14.

## Going concern

The going concern statement is on page 15.

### Nomination Committee

I am pleased to present my report to Shareholders as Chairman of the Nomination Committee.

#### Responsibilities of the 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; (ii) identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise; and (iii) putting in place plans for succession at Board level.

The Nomination Committee has Terms of Reference which were re-considered and approved by the Board of the Company at its Board Meeting on 4 December 2013. These Terms of Reference are available for inspection at the Company's registered office during normal business hours.

#### Appointment and replacement of Directors

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 Annual General Meeting and is then eligible for election by the Shareholders.

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

#### Composition of the Nomination Committee

I chair the Nomination Committee and I am an Independent Non-Executive Director. The other member of the Committee is Mr J.A. Warren, the Senior Independent Non-Executive Director. The Chairman of the Company is usually invited to attend formal meetings of the Committee. The Company Secretary may be invited to attend meetings of the Nomination Committee, in his capacity as Company Secretary.

#### Meetings of the Nomination Committee

The Nomination Committee meets as frequently as is required to fulfil its duties. When there are no specific decisions or recommendations to be made, the Chairman of the Committee consults the other member of the Committee as necessary. During the year ended 28 December 2013 there were no meetings of the Nomination Committee.



**S.J. Gray**

Chairman of the Nomination Committee  
5 March 2014

### Audit Committee

I am pleased to present my report to Shareholders as Chairman of the Audit Committee.

#### Responsibilities of the 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 fair, balanced and understandable assessment of the Company's performance and position.

The Committee reviews the effectiveness, 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 Audit Committee has Terms of Reference which were re-considered and approved by the Board at its meeting on 4 December 2013. These Terms of Reference are available for inspection at the Company's registered office during normal business hours. The Board considers that the Audit Committee members 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.

#### Composition of the Audit Committee

I chair the Audit Committee and I am the Senior Independent Non-Executive Director. I am a chartered accountant and was Group Finance Director of United Biscuits (Holdings) PLC and WH Smith PLC. The Board is of the view that I have recent and relevant financial knowledge and experience derived from current roles as Chairman of the Audit Committee at Spectris plc, Bovis Homes Group Plc, Welsh Water and Greencore Group plc. The other member of the Committee is Mr S.J. Gray, an Independent Non-Executive Director. The Chairman of the Company and the Group 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 Company Secretary.

#### How the Audit Committee discharges its responsibilities

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 meets at least twice each year and has an agenda linked to events in the Group's financial calendar. The Audit Committee met twice during 2013.

In order to fulfil its Terms of Reference, the Audit Committee receives and reviews presentations and reports from the Group's senior management and the external auditors.

During the year, the Audit Committee formally reviewed draft Interim and Annual Reports and associated interim and year end results' announcements. These reviews considered:

- the accounting principles, policies and practices adopted in the Group's accounts, and proposed changes to them; and
- significant accounting issues and areas of judgement and complexity.

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 Corporate Governance 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 identified frauds perpetrated against the Group.

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.

During 2013, the Group's auditors provided non-audit advice in a number of areas, principally in respect of advice on the pension flexible early retirement offer. Before any significant 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 commissioning. For the area referred to above, after following the process described in this paragraph, it was considered that PricewaterhouseCoopers LLP was the most suitable firm to perform the work. During 2013, tax advice was also taken from Deloitte LLP.

In addition to the above, the Board has specifically reviewed the nature and extent of other non-audit work carried out by the auditors in 2013 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 of external audit team 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 relevant skills and experience of the audit partner and team and their knowledge of the business;
- planning and scope of the audit and identification of areas of audit risk;
- execution of the audit plan; and
- formal reports presented to the Audit Committee.

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.

## **Main activities of the Committee during the year ended 28 December 2013**

During the year ended 28 December 2013, the Audit Committee's business has included the following items:

- consideration and approval of half year results;
- consideration and approval of full year results;
- principal judgmental accounting matters affecting the Group based on reports from both the Group's management and the external auditors;
- review of external audit plans and reports;
- consideration of fraud and loss prevention measures in the Group;
- consideration and approval of risk assessments relating to the Group's business; and
- specific investigations as required.

## **Financial reporting and significant financial judgments**

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgments. The Committee reviews accounting papers prepared by management which provided details on the main financial reporting judgments.

The Committee also reviews reports by the external auditors on the half year and full year results which highlight any



issues arising from the work undertaken in respect of the half year review and year end audit.

Specific areas of audit and accounting risk reviewed by the Committee were:

#### **Accounting for defined benefit pension scheme**

The defined benefit pension scheme is material to the financial position of the Group. The amount shown in the balance sheet is highly sensitive to changes in key actuarial assumptions. The Committee reviewed the appropriateness and consistency of these assumptions and the auditors confirmed that the assumptions used were reasonable and within an acceptable range. Full disclosure of the pension scheme is provided in note 4 to the accounts, which includes the key assumptions on page 54 and the sensitivities on page 55.

#### **Accounting for SPS (EU) Limited**

The classification of SPS as a discontinued operation and a business held for sale was considered by the Committee. The auditors confirmed that in their view SPS met the requirements laid down in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and that therefore the accounting treatment and presentation adopted was appropriate. Additionally, the judgements made in calculating the provision for the estimated loss on disposal of SPS were discussed with management and the auditors, and the Committee was satisfied that the amounts provided were appropriate. The provision, described as 'Loss on remeasurement of assets of disposal group', is shown in note 10.

#### **Financial statements**

The Committee considered, and was satisfied with, management's presentation of the financial statements and, in particular, the presentations of certain items as exceptional items.

The auditors confirmed to the Committee that it was not aware of any material misstatements during the course of their work. The Committee is satisfied that the judgments made by management are reasonable and that appropriate disclosures have been included in the financial statements.

After reviewing the presentation from management and following discussions with the auditors, the Committee is satisfied that:

- the financial statements appropriately address the critical judgments and key estimates both in respect of the amounts reported and the restated disclosures in the financial statements;
- that the processes used for determining the value of the assets and liabilities have been appropriately reviewed, challenged and are sufficiently robust; and
- that the financial statements are fair, balanced and understandable.

#### **Auditor independence**

PricewaterhouseCoopers LLP, or its predecessor firms, has been the Company's auditor since 1992. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness.

Accordingly, the Committee has not considered it necessary to date to require the firm to retender for the Audit. However, the Committee has noted the guidance from the Financial Reporting Council and potential future changes in the EU to the regulatory framework and will continue to keep the matter under review.

The external auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every five years. The current audit partner was first appointed in respect of the financial year ended December 2010 and will cease to be partner in charge of the Company audit no later than the conclusion of the December 2014 audit, after five years, in line with the Listing Rules.

There are no contractual obligations restricting the Company's choice of external auditor.

Taking into consideration the external auditors' knowledge of the Group and level of experience, the Audit Committee has recommended to the Board that the external auditors are re-appointed.

Given the present structure of the Group, the Board does not currently consider the establishment of a separate internal audit function to be necessary. However, this matter is reviewed by the Board at least 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.

As Chairman of the Committee I 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.

#### **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 effectiveness of 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 Statement on Corporate Governance on pages 17 and 18, the Group operates a continuous process of identifying, evaluating and managing the significant risks faced by each

business and the Group as a whole. This process, which has been in place throughout 2013 and up to the date of the approval of this Annual Report, complies with the Turnbull guidance and 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 management;
- regular reviews of both forward looking business plans and historic performance; and
- regular reports to the Board from the Executive Directors.

The internal controls extend to the financial reporting process and the preparation of the consolidated financial statements. The basis of preparation of the consolidated financial statements is set out on page 44.

The internal control process will continue to be monitored and reviewed by the Board which will, where necessary, ensure improvements are implemented. During the year the Board has undertaken a review of the effectiveness of internal controls and systems. No material matters were identified.



**J.A. Warren**

Chairman of the Audit Committee  
5 March 2014

# Annual statement by the Chairman of the Remuneration Committee

The Board's strategy is the pursuit of further profitable and cash generative organic growth in 4imprint Direct Marketing while taking appropriate steps to reduce the burden of the legacy defined benefit pension scheme.

Recent years have seen sustained growth in the 4imprint Direct Marketing business and in earnings per share and share price. The Board and the Remuneration Committee aim to ensure that the Company has the best possible management to continue both that growth and the creation of further shareholder value and aim to reward for fulfilment of this strategy.

The Committee's approach to remuneration is that it should: (i) be competitive when compared to those in organisations of similar size, complexity and type, (ii) be structured so that remuneration is linked to the long term growth in profitability and shareholder value of the Company (iii) be clear, easy to understand and motivating, (iv) not promote unacceptable behaviour or encourage unacceptable risk taking, and (v) be structured to avoid reward for failure.

In April 2011, Shareholders approved the introduction and implementation of the 2011 4imprint Group plc Performance Share Plan which provided, for Executive Directors and senior management, nil-cost share option and conditional share awards which vested upon share price targets of £3, £3.50 and £4 being achieved and maintained for a minimum of thirty consecutive dealing days. The options become exercisable on 27 April 2014 being three years from the date of grant. The 2011 closing year end share price was £2.29.

Given the changes in the structure of 4imprint since the introduction of the 2011 Performance Share Plan, in particular the increasing focus of the business towards the USA and the 2013 closing year end share price of £6.85p considerably exceeding the share price targets under the 2011 Performance Share Plan, the Committee does not intend to award any further nil-cost share options or conditional share awards under the 2011 Performance Share Plan.

The Committee intends that a new, share based, long-term incentive plan will be developed, during 2014, which will reflect the changes in the Group since the introduction of the 2011 Performance Share Plan. This new plan will support the long term strategy of the Group, align management interests with those of Shareholders and will be put to Shareholders for approval at the 2015 Annual General Meeting. Assuming it is approved, awards will be made pursuant to its terms.

Pursuant to the Group's strategy, SPS, a UK based manufacturer, was sold on 10 February 2014. Therefore, the Group's continuing operations now comprises the Direct Marketing businesses, 96% of the revenue of which is generated in North America. Consequently, the remuneration policy will need to reflect the increasing focus of the business to the United States.

The Committee reserves the right to make payments outside this policy in exceptional circumstances. The Committee would only use this right where it believes that this is in the best interests of the Company and when it would be disproportionate to seek specific approval from a general meeting.

Remuneration is a topic upon which shareholders have widely differing views, but I hope that 4imprint's principles of clarity, relative simplicity and balance will help to explain what the Committee does and to enable Shareholders to evaluate the Remuneration Policy. In this context, I am pleased to note that at the 2013 Annual General Meeting the Remuneration report was approved by 96.65% of our Shareholders.



**S.J. Gray**

Chairman of the Remuneration Committee  
5 March 2014

# Remuneration report

This report sets out the information required by the Companies Act 2006, Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the Financial Conduct Authority. This report is unaudited, except where otherwise stated. An ordinary resolution to approve this report will be put to the Annual General Meeting on 6 May 2014.

## Remuneration Governance

### Remuneration Committee composition

The Remuneration Committee is a committee whose membership is comprised solely of independent Non-Executive Directors, being Mr S.J. Gray (Chairman of the Committee) and Mr J.A. Warren. The Committee meets at least once a year and may invite other attendees as it sees fit.

The Committee did not use any external consultants during the year ended 28 December 2013 and has not consulted Shareholders or employees in formulating the remuneration policy. However, the Committee remains mindful of the remuneration of employees when reviewing changes in executive pay.

During the year ended 28 December 2013, the Remuneration Committee met once.

### Remuneration Committee responsibilities

The principal duties of the Remuneration Committee are reflected in its Terms of Reference and include the following:

- to determine and recommend to the Board the overall remuneration policy of the Company;
- to determine and recommend to the Board the remuneration of the Executive Directors;
- to monitor and review the level and structure of remuneration for senior management;
- to determine the targets for any performance related bonus and share incentive schemes operated for Executive Directors and senior management; and
- to review and approve any material termination payments.

The remuneration of Non-Executive Directors is determined by the Executive Chairman of the Board and the Executive Directors.

### Remuneration Committee activities in the year ending 28 December 2013

The Remuneration Committee met once during the year ending 28 December 2013 and the following matters were considered:

#### Salaries

Approving the salaries of the Executive Directors for 2013 and monitoring and reviewing the level and structure of salaries for senior management for 2013.

#### Bonuses

Approving the bonuses for the Executive Directors for 2012 and monitoring and reviewing the level and structure of bonuses for senior management for 2012.

Approving the structure of the bonus criteria for Executive Directors for 2013.

#### Share Awards

Approving awards and performance targets under the Rules of the 2011 4imprint Group plc Performance Share Plan for 20,000 nil cost share awards to be made to each of seven senior managers in the Direct Marketing business.

### Future remuneration policy

The Company has a well-established and clear remuneration policy which, in the view of the Committee, has made an important contribution to the success of the Company over a sustained period. The policy includes providing Executive Directors with remuneration packages which are: (i) competitive when compared to those in organisations of similar size, complexity and type; (ii) structured so that remuneration is linked to the long term growth in profitability and shareholder value of the Company; (iii) clear, easy to understand and motivating; (iv) designed not to promote unacceptable behaviour or encourage unacceptable risk taking; and (v) structured to avoid reward for failure.

New regulations came into force on 1 October 2013, which require the Company to offer Shareholders a binding vote on the Company's forward-looking directors' remuneration policy at least every three years. Once the policy is approved, the Company will not be able to make a remuneration payment to a current or prospective director or a payment for loss of office to a current or past director, unless that payment is consistent with the policy or has been approved by a resolution of the members of the Company.

As such, Shareholders are also being asked to approve the remuneration policy as set out below, such policy to take effect from the date on which the resolution is passed.

### Elements of remuneration

Remuneration for Executive Directors comprises both fixed and variable elements. The principal component of the fixed element is a salary, which is set at an appropriate level for the size and type of the Company to retain the quality of management it requires to further the Board's objectives, but which is not excessive. Base salary in 2013 was not increased from the level in the preceding year.

The variable element of remuneration is designed to incentivise and motivate management to meet annual performance targets and reward for performance. The principal components of the variable element are (i) an annual bonus and (ii) a share based long term incentive plan.

The targets for the annual bonus, which is capped at a maximum of 50% of annual base salary, are set by the Committee each year and evolve with the growth objectives of the Company. They include profitability, cash generation, improvement in financial performance over prior year and specific corporate objectives designed to meet the Board's strategy.

The fixed and variable components of remuneration are set out below.

### Fixed components

Element and purpose	Policy and opportunity	Operation and performance measures	Implementation of policy in year
<b>Base salary</b>			
This is the basic element of pay and reflects the individual's role, position and responsibility within the Company and includes adjustments to reflect their experiences, capability and contribution	<ul style="list-style-type: none"> <li>While base salaries are reviewed each year, the Company's policy is not automatically to award an inflationary increase</li> <li>Base salaries are considered against those paid in organisations of similar size, complexity and type in order to attract and retain the required quality of executives to meet the Board's strategy and, while the Committee applies judgement rather than setting by reference to a fixed percentile position, its general approach when considered in conjunction with variable pay and long-term incentives is to constrain base salaries to levels it believes to be at the lower end of an acceptable market range</li> <li>No claw back or recovery provisions apply</li> </ul>	<ul style="list-style-type: none"> <li>Base salary is paid monthly in arrears in cash</li> <li>Base salaries are reviewed annually with changes normally taking effect from 1 January taking into account:               <ul style="list-style-type: none"> <li>(i) personal contribution</li> <li>(ii) changes in level of responsibility</li> <li>(iii) change of role</li> <li>(iv) individual experience and performance</li> <li>(v) market practice</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>For the year ended 28 December 2013 no salary increase was effected for any Executive Director</li> <li>The maximum salary increase will normally be in line with the market. However, larger increases may be awarded in certain circumstances, including, but not limited to:               <ul style="list-style-type: none"> <li>(i) increase in scope or responsibilities of the role;</li> <li>(ii) to apply salary progression for a newly appointed director; and</li> <li>(iii) where the directors' salary has fallen significantly below the market positioning</li> </ul> </li> </ul>



Element and purpose	Policy and opportunity	Operation and performance measures	Implementation of policy in year
<b>Benefits in kind</b>			
To provide other benefits valued by the recipient to assist in attracting and retaining executives of the required quality to meet the Board's objectives	<ul style="list-style-type: none"> <li>– Provide benefits in kind which are competitive in the market</li> <li>– Benefits include: <ul style="list-style-type: none"> <li>(i) company car or car allowance paid in cash</li> <li>(ii) private medical insurance for the executive and his/her family</li> <li>(iii) life assurance of 4 times base salary</li> <li>(iv) income protection insurance</li> <li>(v) access to independent professional advice when necessary</li> </ul> </li> <li>– No claw back or recovery provisions apply</li> </ul>	<ul style="list-style-type: none"> <li>– Benefits currently received by Executive Directors comprise a car allowance (other than for Mr K. Lyons-Tarr and Mr J.W. Poulter) and for each Executive Director, (other than Mr J.W. Poulter) and their spouse and children up to the age of 18 provision of a private healthcare and income protection scheme</li> <li>– The Company may periodically amend the benefits it makes available and the Executive Directors would normally be eligible to receive such amended benefits on similar terms to all other senior staff</li> </ul>	<ul style="list-style-type: none"> <li>– No changes were made to this element of remuneration in the year ended 28 December 2013</li> </ul>
<b>Pension</b>			
To attract and retain Executive Directors of the required quality to meet the Board's objectives and remain competitive within the market place	<ul style="list-style-type: none"> <li>– Provide a competitive employer sponsored pension plan</li> <li>– The maximum entitlement is 15 per cent of base salary</li> <li>– No claw back or recovery provisions apply</li> </ul>	<ul style="list-style-type: none"> <li>– All Executive Directors (other than Mr J.W. Poulter) are eligible to (i) participate in a defined contribution pension plan or (ii) receive a salary supplement in lieu (such salary supplement is not taken into account as salary for calculation of annual bonus, LTIP or other benefits), with a total value of 15 per cent of salary</li> <li>– Mr K. Lyons-Tarr is entitled to receive post retirement benefits through the defined contribution retirement programmes established by 4imprint Incorporated</li> </ul>	<ul style="list-style-type: none"> <li>– No changes were made to these elements of remuneration within the year</li> <li>– Ms G. Davies and Mr A.J. Scull received a total benefit equivalent to 15 per cent of salary</li> <li>– Mr K. Lyons-Tarr received a total benefit equivalent to 2.9 per cent of salary</li> <li>– During the financial year ended 28 December 2013 no contributions for Mr A.J. Scull were paid into the defined contribution pension scheme but an equivalent amount to such contributions was paid to Mr A.J. Scull as salary, which is subject to deduction of tax and National Insurance</li> </ul>

## Variable components

Element and purpose	Policy and opportunity	Operation and performance measures	Implementation of policy in year
<b>Annual Bonus</b>			
The short term incentive arrangements are designed to motivate employees and incentivise delivery of annual performance targets across a range of key strategic areas for the business	<ul style="list-style-type: none"> <li>– The maximum bonus potential is 50 per cent of base salary for all Executive Directors (including with effect from 1 January 2014, Mr J.W. Poulter)</li> <li>– The Company retains the ability to adjust or set different performance measures if events occur (e.g. a change in strategy, material acquisition, divestment or change in prevailing market conditions) which cause it to determine that the conditions are no longer appropriate and that amendment is required so that the conditions achieve their original purpose. In these circumstances, any amendment would not result in achievement against those measures being materially less difficult to satisfy. Any use in this ability would, where relevant, be explained in the Annual Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major Shareholders</li> <li>– No claw back or recovery provisions apply</li> </ul>	<ul style="list-style-type: none"> <li>– Bonus levels and the appropriateness of performance measures are reviewed annually to ensure they continue to support the Company's strategy</li> <li>– In respect of the CEO of the Direct Marketing business, the bonus is based upon revenue percentage increase and operating profit margin percentage achieved in the Direct Marketing business</li> <li>– In respect of the other Executive Directors the bonus is based upon a range of measures including profitability, cash generation, improvement in financial performance over prior year and specific corporate objectives, for example, reducing the risks associated with the legacy defined benefit pension scheme</li> </ul>	<ul style="list-style-type: none"> <li>– Any annual bonus is paid in one tranche, usually in March</li> <li>– The bonuses paid to Executive Directors in respect of the year ended 28 December 2013 were: <ul style="list-style-type: none"> <li>(i) Zero in the case of Mr J.W. Poulter</li> <li>(ii) 50 per cent of salary in respect of the other three Executive Directors, being £90k in the case of Ms G. Davies and Mr A.J. Scull and \$175k in the case of Mr K. Lyons-Tarr</li> </ul> </li> <li>– Bonuses were paid since all targets for the year ended 28 December 2013 were met or exceeded</li> </ul>

Element and purpose	Policy and opportunity	Operation and performance measures	Implementation of policy in year
<b>Long-term incentives</b>			
<p>To motivate and incentivise delivery of sustained share price performance over the long-term, the Group has operated the 2011 4imprint Group plc Performance Share Plan ("2011 PSP")</p> <p>A new long term share based incentive plan will be put to Shareholders for approval at the 2015 AGM</p>	<p>– Given the changes in the structure of the Group since the approval by Shareholders of the 2011 PSP, in particular the divestment of the two UK based businesses, Brand Addition in 2012 and SPS in 2014 and the consequent increasing focus of the Group's business towards the USA, it is intended that no further awards under the 2011 PSP will be made and that a new long-term share based incentive plan will be put to Shareholders for approval at the 2015 AGM. Assuming such new plan is approved by Shareholders, awards (including any maximum awards) will be made pursuant to its terms</p> <p>– No claw back or recovery provisions apply</p>	<p>– Under the terms of the 2011 PSP the Executive Directors are entitled to nil-cost share option and conditional share awards which vested upon share price targets of £3, £3.50 and £4 being achieved and maintained for a minimum of thirty consecutive dealing days and become exercisable on 27 April 2014 being three years from the date of grant. The 2011 closing year end share price was £2.29</p>	<p>– No long-term incentive awards were made to Directors in the year</p>
<b>Shareholding guidelines</b>			
<p>To encourage share ownership by the Executive Directors and ensure interests are aligned with Shareholders</p>	<p>– There are no specific shareholding requirements for Executive Directors</p>	<p>– Despite there not being any specific shareholding requirement for Executive Directors, currently (using a share price of £6.85p being the share price at the end of the period concluding on 28 December 2013) the value of the shareholdings of the respective Executive Directors at the same date and as a multiple of their annual salaries are:</p> <p>(i) Mr J.W. Poulter 1.71</p> <p>(ii) Mr K. Lyons-Tarr 3.04</p> <p>(iii) Ms G. Davies 4.62</p> <p>(iv) Mr A.J. Scull 4.81</p>	

Element and purpose	Policy and opportunity	Operation and performance measures	Implementation of policy in year
<b>All-employee share plans</b>			
To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the Shareholders	<ul style="list-style-type: none"> <li>– Executive Directors are able to participate in all-employee share plans on the same terms as other Group employees</li> </ul>	<ul style="list-style-type: none"> <li>– Save As You Earn – Two plans are in place. The first is a Save As You Earn plan in the UK under which individuals may save up to a maximum of £250 each month for a fixed period of three years</li> <li>– The second is an Employee Stock Purchase plan in the USA under which individuals may save amounts each month for a period of two years and three months</li> <li>– At the end of the savings period, individuals may use their savings to buy ordinary shares in the Company at a discount of up to 20 per cent of the market price set at the launch of each scheme</li> </ul>	<ul style="list-style-type: none"> <li>– No schemes were established or options issued in the year ended 28 December 2013</li> </ul>
<b>Non-Executive Director fees</b>			
To set fees reflecting non-time commitments and responsibilities in each role, in line with fees provided by similarly sized companies	<ul style="list-style-type: none"> <li>– The fees paid to the Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size, complexity and type. Fee levels are periodically reviewed by the Board. The Company does not adopt a quantitative approach to pay positioning and exercises judgement as to what it considers to be reasonable in all the circumstances as regards quantum</li> <li>– No claw back or recovery provisions apply</li> </ul>	<ul style="list-style-type: none"> <li>– Fees are paid in monthly arrears in cash</li> <li>– Fee levels for the Non-Executive Directors are reviewed periodically, the last such review being on their appointment in 2012</li> </ul>	<ul style="list-style-type: none"> <li>– Current fee levels are £35,000 for the role of Non-Executive Director</li> </ul>

### Recruitment remuneration policy

The Company's recruitment remuneration policy aims to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the appropriate skills to deliver the Company's strategic objectives. The following represents guidelines considered reasonable by the Committee:

- The starting point for the Committee will be to look at the general remuneration policy for Executive Directors as set out above and structure a package in accordance with that policy
- For external appointments, the Committee reserves the right to make payments outside this policy, but only in exceptional circumstances. The Committee would only use this right where it believes that to do so would be in the best interests of the Company and when it would be disproportionate to seek specific approval from a general meeting. Any use of this discretion would be disclosed to Shareholders
- For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment, as appropriate

- For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses and legal fees as it considers to be appropriate. Assistance will be subject to reasonable claw back for service of less than 24 months
- It is not envisaged that, ignoring any special recruitment arrangements which may prove to be necessary, any annual bonus or long-term incentive compensation arrangements, will operate differently (including the maximum award levels) than for the predecessor of any newly appointed executive
- Where it is necessary to make a recruitment-related pay award to an external candidate, the Company will not pay more than the Committee considers to be necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing incentive pay structure. It may, however, be necessary in some cases to make such awards on terms that are more bespoke than the existing annual and equity-based pay structures at the Company in order to secure a candidate
- All awards for external appointments, whether under any long-term incentive plan, or otherwise, will take account of the nature, time-horizons and performance requirements for any remuneration relinquished by the individual when leaving a previous employer, and will be appropriately discounted to ensure that the Company does not, in the opinion of the Committee, over-pay. Any such awards would not be considered in calculating any other element of remuneration.

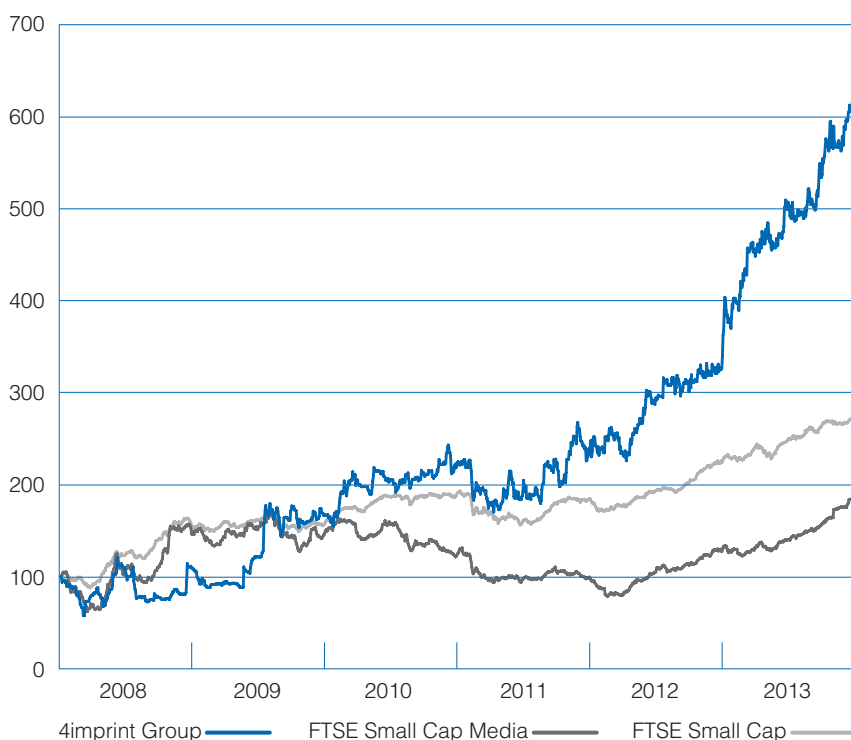
## Statement of voting at general meeting

At the Annual General Meeting held on 1 May 2013, the Directors Remuneration Report received the following votes from Shareholders:

For	96.65%
Against	3.35%

## Total Shareholder Return

The graph below illustrates the Company's Total Shareholder Returns performance relative to constituents of the FTSE small cap and FTSE small cap media of which the Company is a constituent. The graph shows performance of a hypothetical £100 invested in its performance over the period.





### Change in Executive Chairman remuneration

	2009 £000s	2010 £000s	2011 £000s	2012 £000s	2013 £000s
K.J. Minton	55	172			
J.W. Poulter		40	120	738	<b>1,356</b>
Total Remuneration	55	212	120	738	<b>1,356</b>

### Annual variable award

% versus max opportunity	n/a	100%	n/a	n/a	<b>n/a</b>
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### Long term incentive

Vesting rate	–	–	–	33.30%	<b>66.70%</b>
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There is no Group Chief Executive Officer and therefore reference in this section is to the Executive Chairman, who fulfils the role.

### Percentage change in remuneration of Executive Chairman and employees

The table below shows the percentage change in remuneration of the Director undertaking the role of Group Chief Executive Officer and the Company's employees as a whole between 2013 and 2012.

	Percentage increase in remuneration in 2013 compared with remuneration in 2012	
	Executive Chairman	Average pay based on all employees
Salary	0%	3.4%
Benefits	0%	4.1%
Annual bonus	0%	85.8%

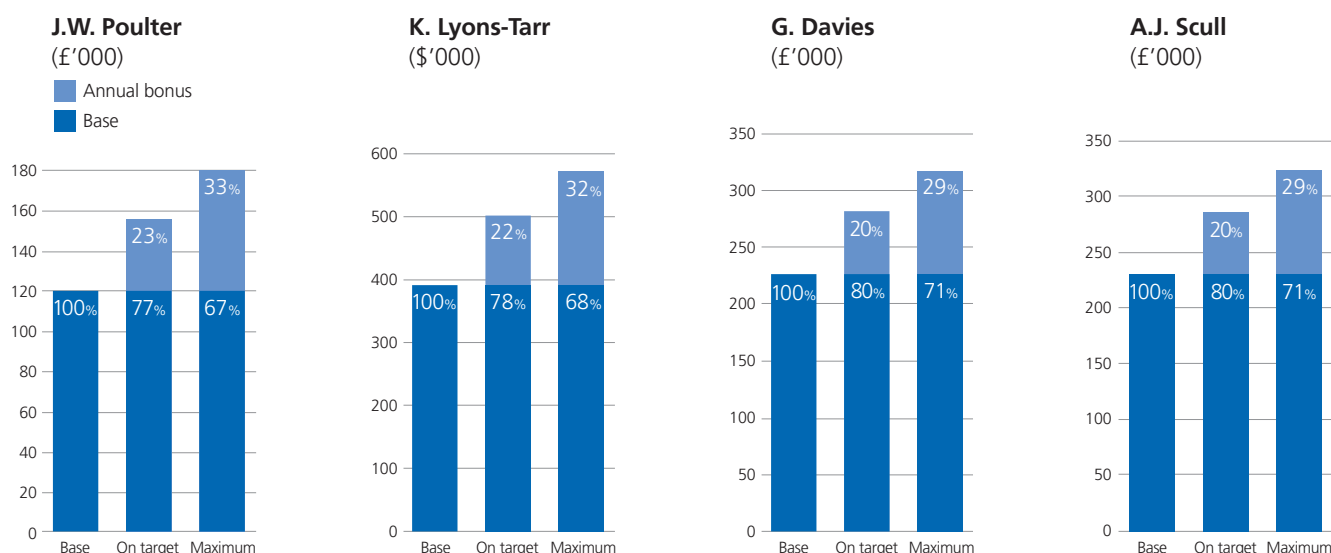
### Relative importance of spend on pay

The following table below shows the Group's actual spend on pay (for all employees within continuing operations) relative to dividends:

	2013 £m	2012 £m	% change
Wages and salaries	<b>18.40</b>	16.03	14.0%
Dividends paid	<b>4.18</b>	3.90	7.2%

### Reward scenarios

The chart below shows how the composition of the Executive Directors remuneration packages for 2014 may vary at different levels of performance under the policy set out in this report as a percentage of total remuneration opportunity.



## Remuneration implementation

### Current service agreements

Ms G. Davies and Mr A.J. Scull (the “UK-based Executive Directors”) have rolling service contracts which continue until terminated by the expiry of twelve months written notice from the Company to the Director. Each service contract provides for participation in a discretionary bonus scheme, the provision of a car (or car allowance) and, in the case of Ms G. Davies, pension entitlements and in the case of Mr A.J. Scull, pay in lieu of pension entitlements. 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, employers’ contributions to defined contribution pension schemes (in the case of Ms G. Davies) and contributions to healthcare and income protection schemes.

Mr K. Lyons-Tarr (the “US-based Executive Director”) has a rolling employment agreement with 4imprint Incorporated which continues until terminated by the expiry of twelve months written notice from that Company to the Director. The employment agreement for the US-based Director provides for participation in a discretionary bonus scheme and entitlement to benefits generally available to employees of 4imprint Incorporated from time to time including, for example, retirement, disability, group accident, life and health insurance programmes. The contractual termination payment in such circumstances would comprise up to twelve months payments, equivalent to the notice period in respect of salary and other non-discretionary components.

Any commitment made to the Executive Directors by the Company under his/her service contract or otherwise which is consistent with the approved remuneration policy in force at the time that commitment was made will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Name	Contract Details	Unexpired term at 28 December 2013	Notice period (i) from Company (ii) from Director	Contractual Termination payment
J.W. Poulter	30 April 2013	Two years and eight months	(i) Three months (ii) Three months	(i) n/a (ii) n/a
G. Davies	6 December 2004	n/a	(i) Twelve months (ii) Six months	(i) Twelve months contractual benefits (ii) n/a
K. Lyons-Tarr	27 July 2009	n/a	(i) Twelve months (ii) Six months	(i) Twelve months contractual benefits (ii) n/a
A.J. Scull	8 November 2004	n/a	(i) Twelve months (ii) Six months	(i) Twelve months contractual benefits (ii) n/a

### Letters of appointment for the Executive Chairman and the Non-Executive Directors

Mr J.W. Poulter, the Executive Chairman has a letter of appointment dated 30 April 2013. The appointment is for a period of three years from 1 May 2013 after which it is renewable by mutual agreement subject to the provisions in respect of reappointment 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 or otherwise) pursuant to the Company’s Articles of Association; or
- (b) he is removed as a Director of the Company by resolution passed at a General Meeting of the Company; or
- (c) he ceases to be a Director of the Company by reason of his vacating or being removed from office pursuant to any provisions of the Company’s Articles of Association.

The letter of appointment does not provide for: (i) any participation in an annual bonus scheme; (ii) any pension provision; or (iii) any car allowance. With effect from 1 January 2014, Mr J.W. Poulter will be entitled to the annual bonus and therefore his appointment letter will be amended in due course to reflect this entitlement.

Mr S.J. Gray and Mr J.A. Warren have letters of appointment dated 30 May 2012. Their respective appointments are for three years, after which they are renewable by agreement with the Company, 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), (b) or (c) above apply.

The Executive Directors service contracts and the Non-Executive Directors and Mr J.W. Poulter's letters of appointment are available for inspection at the Company's registered office.

#### Policy on payment for loss of office

Executive Directors are entitled to receive any contractual benefits on termination of employment. The Committee may consider pro-rata payment of any accrued bonus entitlement within the remuneration policy. In addition to any contractual rights to a payment for loss of office, all employees (including the Executive Directors) will have legal rights under law to certain additional payments e.g. in a redundancy situation.

No loss of office payments or payments to past Directors were made in the year under review.

The following information on pages 33 and 34 has been audited by the Company's auditors, PricewaterhouseCoopers LLP.

#### Directors' remuneration – single total figure

	Basic salary/fee £	Car allowance £	Benefits in kind £	Annual bonus £	Total emoluments £	LTIP vested (a) £	Employers pension contributions/ pay in lieu (b) £	Total remuneration 2013 £
<b>Executive</b>								
J.W. Poulter	120,000				120,000	1,236,000		<b>1,356,000</b>
G. Davies	180,000	9,600	3,485	90,000	283,085	1,236,000	27,000	<b>1,546,085</b>
A.J. Scull	180,000	9,600	6,201	90,000	285,801	1,236,000	27,000	<b>1,548,801</b>
K. Lyons-Tarr	223,771		9,833	111,885	345,489	1,236,000	6,549	<b>1,588,038</b>
<b>Non-Executive</b>								
J.A. Warren	35,000				35,000			<b>35,000</b>
S.J. Gray	35,000				35,000			<b>35,000</b>
<b>Total</b>	<b>773,771</b>	<b>19,200</b>	<b>19,519</b>	<b>291,885</b>	<b>1,104,375</b>	<b>4,944,000</b>	<b>60,549</b>	<b>6,108,924</b>

K. Lyons-Tarr is paid in US dollars and the amounts have been converted at the average exchange rate for the year of 1.564.

(a) Based on the 200,000 shares vested at an average share price for the last quarter of 2013 of £6.18.

(b) Mr A.J. Scull received £27,000 pay in lieu of pension contributions (2012: £22,438).

	Basic salary/fee £	Car allowance £	Benefits in kind £	Annual bonus £	Total emoluments £	LTIP vested (c) £	Employers pension contributions/ pay in lieu (b) £	Total remuneration 2012 £
<b>Executive</b>								
J.W. Poulter	120,000				120,000	618,000		738,000
G. Davies	180,000	9,600	658	36,000	226,258	618,000	27,000	871,258
A.J. Scull	180,000	9,600	2,193	36,000	227,793	618,000	26,938	872,731
K. Lyons-Tarr*	109,023		5,451	21,805	136,279	618,000	3,503	757,782
<b>Non-Executive</b>								
J.A. Warren*	20,417				20,417			20,417
S.J. Gray*	20,417				20,417			20,417
I. Brindle**	17,500				17,500			17,500
N. Temple**	17,500				17,500			17,500
<b>Total</b>	<b>664,857</b>	<b>19,200</b>	<b>8,302</b>	<b>93,805</b>	<b>786,164</b>	<b>2,472,000</b>	<b>57,441</b>	<b>3,315,605</b>

\* Appointed 11 June 2012

\*\* Resigned 30 June 2012

(c) The amount included for the LTIP vested has been restated to be based on 100,000 shares vested at the average share price for the last quarter of 2013, of £6.18. The value shown last year would have been £347,200 for each Executive Director based on an average share price during the last quarter of 2012 of £3.47p.

# Remuneration report continued

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

	Holding at 28 December 2013	Holding at 29 December 2012
J.W. Poulter	30,000	30,000
G. Davies	121,481	114,250
K. Lyons-Tarr	99,432	99,432
A.J. Scull	126,548	116,117
J.A. Warren	5,000	5,000
S.J. Gray	8,000	8,000

There has been no change in the Directors' interests in the share capital of the Company since 28 December 2013 to the date of this report.

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

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

	Holding at 29 Dec 2012	Exercised during the year	Holding at 28 Dec 2013	Date of grant	Exercise price	Exercisable From	To
<b>J.W. Poulter</b>							
– Performance Share Plan	300,000	–	300,000	27 Apr 2011	Nil	27 Apr 2014	27 Apr 2021
– 2012 SAYE	3,383	–	3,383	31 Oct 2012	266p	1 Jan 2016	30 Jun 2016
<b>G. Davies</b>							
– Performance Share Plan	300,000	–	300,000	27 Apr 2011	Nil	27 Apr 2014	27 Apr 2021
– 2009 SAYE	10,431	(10,431)	–	7 Oct 2009	87p	1 Jan 2013	30 Jun 2013
– 2012 SAYE	3,383	–	3,383	31 Oct 2012	266p	1 Jan 2016	30 Jun 2016
<b>K. Lyons-Tarr</b>							
– Performance Share Plan	300,000	–	300,000	27 Apr 2011	Nil	27 Apr 2014	27 Apr 2021
– 2012 US Sharesave	2,395	–	2,395	31 Oct 2012	\$4.76	16 Jan 2015	29 Jan 2015
<b>A.J. Scull</b>							
– Performance Share Plan	300,000	–	300,000	27 Apr 2011	Nil	27 Apr 2014	27 Apr 2021
– 2009 SAYE	10,431	(10,431)	–	7 Oct 2009	87p	1 Jan 2013	30 Jun 2013
– 2012 SAYE	3,383	–	3,383	31 Oct 2012	266p	1 Jan 2016	30 Jun 2016

Gains on exercise of options in the period were £27,694 each for Ms G. Davies and Mr A.J. Scull (2012: £nil).

During 2013 the middle-market value of the share price ranged from 352p to 685p and was 685p at the close of business on 28 December 2013.

Details of share options granted by 4imprint Group plc as at 28 December 2013 are given in note 23. None of the terms and conditions of the share options was varied during the period. The performance criteria for all Directors' options were consistent with the remuneration policy. Once an award has vested, the exercise of share options is unconditional, subject to the Rules of the option grant.

On behalf of the Board



**S.J. Gray**

Chairman of the Remuneration Committee  
5 March 2014

# 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 Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess a Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors on page 13 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the strategic report, operating review, financial review and Directors' report on pages 3 to 16 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board



**Andrew Scull**  
Company Secretary  
5 March 2014



# Independent Auditors' report to the members of 4imprint Group plc

## Report on the Group financial statements

### Our opinion

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 28 December 2013 and of the Group's profit and cash flows for the 52 week period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The Group financial statements, which are prepared by 4imprint Group plc, comprise:

- the Group balance sheet as at 28 December 2013;
- the Group income statement and statement of comprehensive income for the 52 week period then ended;
- the Group statement of changes in Shareholders' equity and cash flow statement for the 52 week period then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and the Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing

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

### Overview of our audit approach

#### Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the Group financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £480,000 which represents approximately 5% of profit before tax and non-recurring impairment charges.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £20,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Overview of the scope of our audit

The Group has three trading entities (which combine to form two operating segments, one of which has been presented as a discontinued operation in the year, as set out in note 1 and note 10 to the financial statements). 4imprint Inc. and 4imprint Direct Marketing Limited form the Direct Marketing operating segment and are based in the United States and United Kingdom respectively. SPS (EU) Limited has been presented as a discontinued operation in the year following its sale post year end. These entities, together with the Parent Company, 4imprint Group plc and six non-trading entities form the Group's reporting units.

In establishing the overall approach to the Group audit, we determined the level and type of work that we needed to perform at each reporting unit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We performed an audit of the complete financial information at four reporting units, being 4imprint Inc., SPS (EU) Limited, 4imprint Direct Limited and 4imprint Group plc, which in total comprised in excess of 95% of the consolidated Group's revenue and profit before tax and non-recurring impairment charges.

### Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

During our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through a combination of testing the effectiveness of controls and substantive procedures.

We considered the following areas to be those that required particular focus in the current period. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee.

Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 20 to 21.

Area of focus	How the scope of our audit addressed the area of focus
<b>Accounting for defined benefit pension scheme assets and liabilities</b>	
We focused on this area because the Group operates a large defined benefit pension scheme which, although closed to future accrual, has a significant deficit which is sensitive to changes in actuarial assumptions. Modest changes to the assumptions used to value the Group's net pension deficit could have a significant effect on the results and financial position of the Group.	Our audit procedures included evaluating the assumptions and methodologies used by the Group's actuarial advisors, in particular those relating to the discount rate, inflation and mortality assumptions. We compared the Group's assumptions to externally derived data as well as our own, independently formed, assessments in relation to these and other key inputs in assessing whether the assumptions used were reasonable. We also assessed whether the disclosures reflect the risks inherent in the accounting for the pension scheme.
<b>Accounting for SPS (EU) Limited as held for sale and the related discontinued operations</b>	
We focused on this area given the judgement required in determining whether SPS (EU) Limited met the criteria for classification as a disposal group held for sale and as a discontinued operation as at 28 December 2013; and in determining the fair value less cost to sell of SPS (EU) Limited. Changes in estimates of net proceeds and costs to sell could materially impact the impairment charge recognised.	We tested the Directors' presentation and disclosure of SPS (EU) Limited as held for sale and the presentation of the results for the 52 week period ended 28 December 2013 as discontinued operations. We also tested the restatement of the prior year income statement to reflect the results of SPS (EU) Limited as discontinued in the comparative information.
The impairment charge arising on classification as held for sale had a significant impact on the Group's financial performance and position.	Our audit procedures included obtaining the sale and purchase agreement to check the net proceeds from the sale agreed after the year end date. We tested the Directors' estimate of costs to sell by agreeing them to supporting third party documentation and checking that the costs included were directly attributable to the sale.
<b>Fraud in revenue recognition</b>	
ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition.	Our testing of revenue transactions, to assess whether a service had been provided or a sale had occurred, focused on understanding whether cash had been received and whether evidence existed to support the completion of the service or sale agreed to be provided.
We focused on the risk that revenue may have been recognised for each revenue stream for transactions that had not occurred.	Where revenue was recorded through manual journal entries we checked whether a sale had occurred in the financial year to support this recognition.
<b>Risk of management override of internal controls</b>	
ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors, that may represent a risk of material misstatement due to fraud. We also tested journal entries to determine the rationale for manual adjustments.

### Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 15, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and

# Independent Auditors' report

## to the members of 4imprint Group plc continued

that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

### Opinions on matters prescribed by the Companies Act 2006

#### In our opinion:

- the information given in the Strategic report and the Directors' report for the financial period for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 17 to 22 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

### Other matters on which we are required to report by exception

#### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to Shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

#### Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility. Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ("the Code"). We have nothing to report having performed our review.

On page 35 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 21, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

### Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors responsibilities set out on page 35, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

#### Other matter

We have reported separately on the parent company financial statements of 4imprint Group plc for the 52 week period ended 28 December 2013 and on the information in the Directors' Remuneration report that is described as having been audited.

**Nicholas Boden** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

5 March 2014

# Group income statement

for the 52 weeks ended 28 December 2013

	Note	2013 £'000	2012 (restated) <sup>†</sup> £'000
<b>Continuing operations</b>			
<b>Revenue</b>	1	<b>212,861</b>	183,513
Operating expenses	2	<b>(202,724)</b>	(176,039)
Operating profit before exceptional items		<b>10,391</b>	8,066
Exceptional items	5	<b>(254)</b>	(592)
<b>Operating profit</b>	1	<b>10,137</b>	7,474
Finance income	6	<b>56</b>	199
Finance costs	6	<b>(17)</b>	(157)
Other net financing charges	6	<b>(924)</b>	(1,151)
Net finance cost		<b>(885)</b>	(1,109)
<b>Profit before tax</b>		<b>9,252</b>	6,365
Taxation	7	<b>(2,466)</b>	(2,053)
<b>Profit for the period from continuing operations</b>		<b>6,786</b>	4,312
<b>Discontinued operations</b>			
(Loss)/profit from discontinued operations	10	<b>(2,886)</b>	9,337
<b>Profit for the period</b>		<b>3,900</b>	13,649

## Earnings per share

### Basic

From continuing operations	8	<b>25.64p</b>	16.41p
From continuing and discontinued operations	8	<b>14.74p</b>	51.95p

### Diluted

From continuing operations	8	<b>24.38p</b>	16.18p
From continuing and discontinued operations	8	<b>14.01p</b>	51.20p

### Underlying

From continuing operations	8	<b>35.51p</b>	25.03p
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<sup>†</sup> See page 44

# Group statement of comprehensive income

for the 52 weeks ended 28 December 2013

	2013 £'000	2012 (restated) £'000
<b>Profit for the period</b>	<b>3,900</b>	13,649
<b>Other comprehensive income/(expense)</b>		
<i>Items that may be reclassified subsequently to the income statement:</i>		
Exchange differences on translation of foreign subsidiaries	(423)	(316)
<i>Items that will not be reclassified subsequently to the income statement:</i>		
Remeasurement gains/(losses) on post employment obligations	4,586	(10,124)
Tax relating to components of other comprehensive income	(2,239)	1,265
Effect of change in UK tax rate	(483)	(589)
<b>Other comprehensive income/(expense) net of tax</b>	<b>1,441</b>	(9,764)
<b>Total comprehensive income for the period</b>	<b>5,341</b>	3,885

	2013 £'000	2012 (restated) £'000
<b>Total comprehensive income/(expense) attributable to equity Shareholders arising from</b>		
– Continuing operations	8,227	(5,452)
– Discontinued operations	(2,886)	9,337
	<b>5,341</b>	3,885



# Group balance sheet

at 28 December 2013

	Note	2013 £'000	2012 £'000
<b>Non current assets</b>			
Property, plant and equipment	11	5,337	12,338
Intangible assets	12	818	954
Deferred tax assets	13	3,834	6,281
		<b>9,989</b>	19,573
<b>Current assets</b>			
Assets held for sale	10	8,381	–
Inventories	14	2,235	3,338
Trade and other receivables	15	18,253	20,190
Other financial assets – bank deposits	16	4,950	3,000
Cash and cash equivalents	16	10,807	14,101
		<b>44,626</b>	40,629
<b>Current liabilities</b>			
Trade and other payables	17	(17,997)	(16,075)
Current tax		(150)	(150)
Borrowings	18	–	(1,646)
Liabilities held for sale	10	(2,646)	–
		<b>(20,793)</b>	(17,871)
<b>Net current assets</b>		<b>23,833</b>	22,758
<b>Non current liabilities</b>			
Retirement benefit obligations	4	(16,611)	(22,894)
Borrowings	18	–	(4,777)
Deferred tax liability	19	(289)	(720)
Provisions for other liabilities and charges	20	(147)	(150)
		<b>(17,047)</b>	(28,541)
<b>Net assets</b>		<b>16,775</b>	13,790
<b>Shareholders' equity</b>			
Share capital	22	10,286	10,222
Share premium reserve		38,575	38,437
Other reserves	24	(335)	88
Retained earnings		(31,751)	(34,957)
<b>Total Shareholders' equity</b>		<b>16,775</b>	13,790

The financial statements on pages 39 to 73 were approved by the Board of Directors on 5 March 2014 and were signed on its behalf by:

  
**John Poulter**  
Chairman

  
**Gillian Davies**  
Group Finance Director

# Group statement of changes in Shareholders' equity

for the 52 weeks ended 28 December 2013

	Share capital £'000	Share premium reserve £'000	Other reserves (note 24) £'000	Retained earnings		Total equity £'000
	£'000	£'000	£'000	Own shares £'000	Profit and loss £'000	£'000
Balance at 31 December 2011	9,939	38,016	439	(124)	(35,213)	13,057
Profit for the period (restated)					13,649	13,649
<i>Other comprehensive income/(expense)</i>						
Exchange differences on translation of foreign subsidiaries			(316)			(316)
Remeasurement losses on post employment obligation (restated)					(10,124)	(10,124)
Tax relating to components of other comprehensive income (restated)					1,265	1,265
Effect of change in UK tax rate					(589)	(589)
<b>Total comprehensive income</b>			<b>(316)</b>		<b>4,201</b>	<b>3,885</b>
Shares issued	283	421				704
Own shares utilised				3	(3)	–
Own shares purchased				(605)		(605)
Share-based payment charge					685	685
Recycled translation differences of business sold			(35)			(35)
Dividends					(3,901)	(3,901)
Balance at 29 December 2012	10,222	38,437	88	(726)	(34,231)	13,790
Profit for the period					<b>3,900</b>	<b>3,900</b>
<i>Other comprehensive income/(expense)</i>						
Exchange differences on translation of foreign subsidiaries			<b>(423)</b>			<b>(423)</b>
Remeasurement gains on post employment obligations					<b>4,586</b>	<b>4,586</b>
Tax relating to components of other comprehensive income					<b>(2,239)</b>	<b>(2,239)</b>
Effect of change in UK tax rate					<b>(483)</b>	<b>(483)</b>
<b>Total comprehensive income</b>			<b>(423)</b>		<b>5,764</b>	<b>5,341</b>
Shares issued	<b>64</b>	<b>138</b>				<b>202</b>
Own shares utilised				<b>5</b>	<b>(5)</b>	<b>–</b>
Own shares purchased				<b>(130)</b>		<b>(130)</b>
Share-based payment charge					<b>795</b>	<b>795</b>
Deferred tax relating to share options					<b>961</b>	<b>961</b>
Dividends					<b>(4,184)</b>	<b>(4,184)</b>
<b>Balance at 28 December 2013</b>	<b>10,286</b>	<b>38,575</b>	<b>(335)</b>	<b>(851)</b>	<b>(30,900)</b>	<b>16,775</b>

# Group cash flow statement

for the 52 weeks ended 28 December 2013

	Note	2013 £'000	2012 £'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	25	11,451	(5,992)
Net tax paid		(1,735)	(1,421)
Finance income		70	169
Finance costs		(14)	(181)
Net cash generated from/(used in) operating activities		9,772	(7,425)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(986)	(1,685)
Purchases of intangible assets		(311)	(448)
Net proceeds from sale of business	10	991	18,543
Net cash (used in)/generated from investing activities		(306)	16,410
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(6,434)	(2,452)
Proceeds from borrowings		–	2,142
Capital element of finance lease payments		(151)	(141)
Amounts placed on deposit		(1,950)	(3,000)
Proceeds from issue of ordinary shares	22	202	704
Purchase of own shares		(130)	(605)
Dividends paid to Shareholders	9	(4,184)	(3,901)
Net cash used in financing activities		(12,647)	(7,253)
<b>Net movement in cash and cash equivalents</b>		<b>(3,181)</b>	<b>1,732</b>
Cash and cash equivalents at beginning of the period		14,101	12,492
Exchange losses on cash and cash equivalents		(113)	(123)
<b>Cash and cash equivalents at end of the period</b>		<b>10,807</b>	<b>14,101</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank and in hand	16	6,557	9,351
Short term deposits	16	4,250	4,750
		10,807	14,101

# Notes to the financial statements

## General information

4imprint Group plc, registered number 177991, is a public limited company incorporated and domiciled in the UK and listed on the London Stock Exchange. Its registered office is 7/8 Market Place, London W1W 8AG.

## 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, except as noted below.

The Group has adopted IAS 19 (revised) in the period and prior periods have been restated (see note below). Other new and revised standards effective during the period have not impacted on the Group's financial statements.

## Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, IFRS IC interpretations and those parts of the Companies Act 2006 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 financial statements (March 2014).

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue to operate for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements.

## 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, directly 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, as amended to conform with Group accounting policies, 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 consideration paid. 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. Acquisition related costs are expensed as incurred.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement

from the effective date of acquisition or up to the effective date of disposal, as appropriate. In addition, comparatives are also restated to reclassify disposed businesses, or those that meet the criteria of IFRS 5 to be classified as held for sale and as discontinued operations.

## 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.

## Restatement

The 2012 income statement, statement of comprehensive income, statement of changes in Shareholders' equity and notes have been restated to classify SPS as a discontinued operation; to include income from delivery receipts and other activities in revenue; and also for the amendments to IAS 19 'Employee Benefits'.

The reclassification of SPS as a discontinued operation has no net impact on the profit for the period. The amounts reclassified to discontinued operations are shown by line item in note 10.

Revenue has been restated to include income from delivery receipts and other income which has been moved from operating expenses, where it was offset against the costs of these activities. Management consider that this is in line with current best practice. The amounts moved to revenue are disclosed in note 1. This change has no net impact on profit.

The IAS 19 amendments require the administration costs of the defined benefit pension scheme, which are managed and paid by the Scheme Trustee, to be included in operating expenses. Costs of managing the pension scheme assets continue to be deducted from the return on scheme assets within equity. In addition, the return on defined benefit pension scheme assets is required to be calculated using the same discount rate that is applied to calculate the present value of the defined benefit obligation. The impact of these changes in 2012 is to increase operating expenses by £438,000 and interest expense by £123,000, with associated deferred tax relief of £137,000. This results in a reduction in profit for the period of £424,000. Offsetting this, in the statement of comprehensive income, the remeasurement losses on post employment obligations are reduced by £561,000 and the tax relief relating to components of other comprehensive income is reduced by £137,000. Consequently there is no net impact on the balance sheet and no cash flow impact.

As a result of these changes in accounting policy, the comparative amounts have been restated, as follows:

	2012 £'000
Profit for the period as previously reported	14,073
Increase in operating expenses	(438)
Increase in net pension finance charge	(123)
Deferred tax impact of the above	137
Profit for the period as restated	13,649
Other comprehensive expense as previously reported	(10,188)
Reduction in remeasurement loss on post employment obligations	561
Deferred tax impact of the above	(137)
Other comprehensive expense as restated	(9,764)

### 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. Management consider the following to be the only critical accounting policy:

#### Pensions

As disclosed in note 4 the Group sponsors a defined benefit pension scheme closed to new members and future accruals. Period 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, 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.

### Other accounting policies

#### Revenue

Revenue from sales of promotional goods, delivery receipts and other activities, is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business net of discounts, returns and sales related taxes. Revenues are recognised upon the despatch of goods to customers, or when the service is provided.

#### Segmental reporting

The reporting requirements of IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified by the Directors as the Board and accordingly the segmental reporting included in the financial statements aligns with those reported monthly to the Board.

During 2013 the reporting to the Board included two operating segments: 4imprint Direct Marketing; and SPS. In addition corporate head office costs were shown separately. SPS has now been classified as a discontinued operation

and on a continuing basis the Group has one operating segment, 4imprint Direct Marketing.

#### Leases

Where the Group has substantially all of the risks and 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 property, plant and equipment, at the lower of the fair value of the leased asset and the present value of the minimum lease payments. These assets are 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 on a straight line basis over the period of the lease.

#### Share-based payments

All share options are measured at fair value at the date of grant using option-pricing models (primarily Black-Scholes or Monte Carlo) allowing for any non-market and service conditions, and the impact of any non-vesting conditions (for example requirements for the employee to save). The fair value is charged to the income statement over the vesting period of the share option schemes on a straight line basis. The value of the charge is adjusted each year to reflect the expected number of options that will become exercisable. All options cancelled are fully expensed to the income statement upon cancellation.

#### 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. The Directors consider that the separate disclosure of these items assists in understanding the Group's financial performance.

#### Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case the tax is recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

## Dividends

Final equity 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 when paid.

## Foreign currency

The functional and presentation currency of the Company is Sterling and the Group's financial statements are presented in Sterling.

Transactions in currencies other than the functional currency of the Company or subsidiary concerned 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 translated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement.

On consolidation the balance sheets of overseas enterprises are translated into Sterling at the exchange rate ruling at the balance sheet date and income statements are translated at average rates for the trading period under review. The resulting exchange differences are taken to the cumulative translation differences reserve and are reported in the statement of comprehensive income.

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

## Derivative instruments

The Group uses derivative forward foreign exchange contracts to hedge highly probable cash flows in relation to future sales and product purchases, as well as remittances from its overseas subsidiaries.

Derivatives are recognised initially at fair value and are remeasured at fair value at each reporting date. The treatment of the gain or loss on remeasurement depends on the nature of the item being hedged.

Hedges of the fair value of recognised assets and liabilities are designated as fair value hedges. Hedges of highly

probable forecast transactions are designated as cash flow hedges.

Changes in the fair value of fair value hedging instruments are recognised in the income statement. Changes in the fair value of the hedged items are also recognised in the income statement.

The effective portion of changes in cash flow hedges are deferred in a hedging reserve, where material, and then charged to the income statement when the forecast sale or purchase occurs or if the forecast transaction is no longer expected to occur. Any ineffective portion of the cash flow hedge is recognised immediately in the income statement.

## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. No depreciation is provided on land and assets in the course of construction. For all other property, plant and equipment, 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 on a regular basis. Leasehold assets are depreciated over the shorter of the term of the lease or their estimated useful lives.

Cost comprises the purchase price plus costs directly incurred in bringing the asset into use.

The principal useful lives currently fall within the following ranges:

Freehold and long leasehold buildings	50 years
Short leasehold buildings	Life of lease
Plant, machinery, fixtures and fittings	3 – 15 years
Computer hardware	3 years

Freehold land is not depreciated.

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

## Intangible assets

Acquired software licences and external expenditure on developing websites and other computer systems is capitalised, held at historic cost 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.

An expense is recognised for mail order catalogues and other related marketing expenses when the Group has access to those catalogues.

## Impairment of assets

All property, plant and equipment and intangible assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' if there is some indication that the carrying value of the asset may have been impaired. 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, discounted by the appropriate

cost of capital, resulting from the use of those assets.

Assets are grouped at the lowest level for which there is a separately identifiable cash flow (cash generating unit). 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.

#### **Discontinued operations and assets held for sale**

Business components that represent separate major lines of business or geographical areas of operations are recognised as discontinued if the operations have been disposed of, or meet the criteria to be classified as held for sale under IFRS 5. Assets and disposal groups are classified as held for sale if their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, expected to be completed within one year and the asset (or disposal group) is available for immediate sale in its present condition. Disposal groups or assets held for sale are held at the lower of their carrying amount on the date they are classified as held for sale and fair value less costs to sell.

#### **Inventories**

Inventories are valued at the lower of cost, net of provisions for slow moving and discontinued items, and net realisable value using weighted average cost or first in first out basis. 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.

#### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement. Trade and other receivables are discounted when the time value of money is considered material.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held on 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. In the cash flow statement cash and cash equivalents are shown net of bank overdrafts. Cash deposits with an original maturity in excess of three months are classified as other financial assets.

#### **Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Trade and other payables are discounted when the time value of money is considered material.

#### **Pensions**

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 sponsors a defined benefit scheme, which is now closed to new members and future accruals. The Group accounts for the defined benefit-scheme under IAS 19 'Employee Benefits'. The deficit of the defined benefit pension 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 the defined benefit obligation is updated on an annual basis, by independent actuaries, using the projected unit credit method.

Pension charges recognised in the income statement consists of administration charges of the scheme and a finance cost based on the interest on net pension scheme liabilities calculated in accordance with IAS 19.

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

#### **Borrowings**

Borrowings are measured initially at fair value net of transaction costs incurred and subsequently carried at amortised costs using the effective interest rate method. Arrangement fees are amortised over the life of the borrowing. Borrowings are discounted when the time value of money is considered material.

#### **Provision for onerous leases**

Provisions for future lease costs and dilapidations 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 that 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 employee share trusts**

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

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

#### **IFRS standards effective in future financial statements**

The IASB and IFRS IC have issued new or amended standards and interpretations which are effective for accounting periods as noted overleaf. Management do

not believe the impact of adopting these new or amended standards and interpretations will have a material impact on the results or net assets of the Group.

IFRS 10, 'Consolidated Financial Statements' (effective 1 January 2013) (endorsed 1 January 2014)  
IFRS 12, 'Disclosures of Interests in Other Entities' (effective 1 January 2013) (endorsed 1 January 2014)  
IAS 27 (revised 2011) 'Separate Financial Statements' (effective 1 January 2013) (endorsed 1 January 2014)  
Amendments to IFRS 10, 11 and 12 on transition guidance (effective 1 January 2013) (endorsed 1 January 2014)  
Amendments to IAS 32 on financial instruments asset and liability offsetting (effective 1 January 2014)  
Amendment to IAS 36 'Impairment of Assets' on recoverable amount disclosures (effective 1 January 2014)  
Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' on novation of derivatives and hedge accounting (effective 1 January 2014)  
Amendment to IAS 12 'Income Taxes' on deferred tax (effective 1 January 2012) (endorsed 1 January 2013)  
IFRS 13 'Fair Value Measurement' (effective 1 January 2013)  
Amendments to IFRS 7 on financial instruments asset and liability offsetting (effective 1 January 2013)  
Annual improvements 2011 (effective 1 January 2013)  
Annual improvements 2012 (effective 1 July 2014)

## 1 Segmental reporting

The chief operating decision maker has been identified as the Board of Directors and the segmental analysis is presented based on the Group's internal reporting to the Board.

At 28 December 2013, the Group is reported as one primary operating segment and the costs of the Head Office:

### Revenue – continuing operations

	2013 £'000	2012 (restated) £'000
<b>4imprint Direct Marketing</b>		
Sales of promotional products	<b>196,422</b>	168,905
Delivery receipts and other income	<b>16,439</b>	14,608
<b>Total revenue from promotional products</b>	<b>212,861</b>	183,513

### Profit – continuing operations

	Underlying		Total	
	2013 £'000	2012 (restated) £'000	2013 £'000	2012 (restated) £'000
4imprint Direct Marketing	<b>14,602</b>	11,002	<b>14,602</b>	11,002
Head Office	<b>(2,139)</b>	(1,848)	<b>(2,139)</b>	(1,848)
<b>Underlying operating profit</b>	<b>12,463</b>	9,154	<b>12,463</b>	9,154
Exceptional items – Head Office (note 5)			<b>(254)</b>	(592)
Share option related charges (note 23)			<b>(1,594)</b>	(650)
Defined benefit pension scheme administrative expenses (note 4)			<b>(478)</b>	(438)
<b>Operating profit</b>	<b>12,463</b>	9,154	<b>10,137</b>	7,474
Net finance income (note 6)	<b>39</b>	42	<b>39</b>	42
Defined benefit pension finance charge (note 4)			<b>(924)</b>	(1,151)
<b>Profit before tax</b>	<b>12,502</b>	9,196	<b>9,252</b>	6,365

Taxation charge of £2,466,000 (2012: £2,053,000) cannot be separately allocated to individual segments.

# Notes to the financial statements continued

## 1 Segmental reporting continued

### Other segmental information

	Assets		Liabilities		Capital expenditure		Depreciation		Amortisation	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
4imprint Direct Marketing	26,351	23,259	(16,382)	(13,497)	1,040	2,002	(767)	(632)	(344)	(353)
Head Office items	4,126	8,156	(18,812)	(24,368)	–	–	(26)	(27)	(11)	(16)
Cash/(debt)	15,757	17,101	–	(6,423)	–	–	–	–	–	–
	46,234	48,516	(35,194)	(44,288)	1,040	2,002	(793)	(659)	(355)	(369)
Discontinued operations*	8,381	11,686	(2,646)	(2,124)	169	312	(571)	(607)	(45)	(91)
<b>Total</b>	<b>54,615</b>	<b>60,202</b>	<b>(37,840)</b>	<b>(46,412)</b>	<b>1,209</b>	<b>2,314</b>	<b>(1,364)</b>	<b>(1,266)</b>	<b>(400)</b>	<b>(460)</b>

Head Office items relate principally to retirement benefit obligations and Group tax balances.

\* The assets/liabilities of the discontinued operation (formerly the SPS segment) are included in assets/liabilities held for resale in 2013 (note 10).

### Geographical analysis of revenue and non current assets

	UK £'000	North America £'000	All other countries £'000	Total £'000
<b>2013 – Continuing operations</b>				
Total revenue by destination	7,837	204,649	375	212,861
Property, plant and equipment	1,005	4,332	–	5,337
Intangible assets	71	747	–	818
<b>2012 – Continuing operations</b>				
Total revenue (restated) by destination	7,168	176,137	208	183,513
Property, plant and equipment	7,936	4,402	–	12,338
Intangible assets	140	814	–	954

## 2 Operating expenses

		2013 £'000	2012 (restated) £'000
<b>Continuing operations</b>	Note		
<b>The following items have been included in arriving at operating profit</b>			
Purchase of goods for resale, raw materials and consumables		122,041	105,002
Changes in inventories		(601)	(272)
Staff costs	3	21,972	18,407
Depreciation of property, plant and equipment		793	659
Amortisation of intangible assets		355	369
Operating lease payments		874	820
Exceptional items	5	254	592
Defined benefit pension scheme administration charge	4	478	438
Net exchange losses/(gains)		135	(69)
Other operating expenses		56,423	50,093
		<b>202,724</b>	<b>176,039</b>

During the year the Group obtained the following services from its auditors at costs as detailed below:

	2013 £'000	2012 (restated) £'000
<b>Continuing operations</b>		
Fees payable to the Company's auditors for the audit of the parent company, non statutory audits of overseas subsidiaries and audit of consolidated financial statements	88	81
Fees payable to the Company's auditors and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	7	6
– pensions advice	196	123
– share scheme advice	–	29
– all other services	4	4
	<b>295</b>	<b>243</b>
<b>Discontinued operations</b>		
– audit of Company's subsidiaries included in discontinued operations	17	23
Fees in respect of the disposal of Brand Addition:		
– transaction services	–	111
	<b>312</b>	<b>377</b>

The 4imprint defined benefit pension scheme has paid the auditors £8,900 (2012: £8,000) for audit services.



## 3 Employees

	Note	2013		2012 (restated)	
		Continuing operations £'000	Discontinued operations £'000	Continuing operations £'000	Discontinued operations £'000
<b>Staff costs</b>					
Wages and salaries		18,405	4,310	16,030	5,790
Social security costs		1,510	379	1,313	531
Pension costs	4	463	74	414	128
Share option charges	23	784	11	650	35
Social security costs related to share options	23	810	–	–	–
		<b>21,972</b>	<b>4,774</b>	18,407	6,484

### Average monthly number of people (including Executive Directors) employed

	2013 No.	2012 No.
4imprint Direct Marketing	590	546
Head Office	8	8
<b>Continuing operations</b>	<b>598</b>	554

For the period prior to disposal, discontinued operations had an average headcount of 210 in 2013 (2012: 449).

### Key management compensation

	2013 £'000	2012 £'000
Salaries, fees and short-term employee benefits	1,131	900
Social security costs	95	103
Pension contributions	34	38
Share option charges	540	538
Social security costs in respect of share options	790	–
	<b>2,590</b>	1,579

Key management compensation in the period includes the emoluments of all Directors (which are disclosed separately in the Remuneration report). In 2012 the figure also included Mr Lyons-Tarr's remuneration for the part of the year before he was appointed a Director.

### Directors' remuneration

	2013 £'000	2012 £'000
Aggregate emoluments	1,131	809
Company contributions to money purchase pension schemes	34	35

#### 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 charges recognised in the income statement are:

	2013 £'000	2012 £'000
<b>Continuing operations</b>		
Defined contribution plans – employers contributions (note 3)	463	414

Pension charges in respect of discontinued operations were £74,000 (2012: £128,000) for defined contribution schemes.

The Group also sponsors a UK defined benefit pension scheme which is closed to new members and future accrual.

The amounts recognised in the income statement are as follows:

	2013 £'000	2012 (restated) £'000
<b>Continuing operations</b>		
Administrative expenses paid by the Scheme	478	438
Interest cost on net defined benefit obligation	924	1,151
Exceptional items – flexible early retirement offer costs paid by Scheme	76	–
<b>Total defined benefit pension charge – continuing operations</b>	<b>1,478</b>	<b>1,589</b>

The amounts recognised in the balance sheet comprise:

	2013 £'000	2012 £'000
Present value of funded obligations	(96,390)	(100,263)
Fair value of scheme assets	79,779	77,369
<b>Net liability recognised in the balance sheet</b>	<b>(16,611)</b>	<b>(22,894)</b>

The funds of the Scheme are held in trust and administered by a Trustee body to meet pension liabilities for around 1,750 past employees of the Group. The level of retirement benefit is principally based on salary earned in the best three consecutive tax years in the 10 years prior to leaving active service and is linked to changes in inflation both pre and post retirement.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of trustees is determined by the Scheme's trust documentation. It is policy that one third of all trustees should be nominated by the members.

The Scheme typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to Scheme liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the Scheme's annuities and bond holdings. Additionally, caps on inflationary increases are in place to protect the Scheme against extreme inflation.

A full actuarial valuation was undertaken as at 5 April 2013 in accordance with the Scheme funding requirements of the Pensions Act 2004. This Scheme actuarial valuation showed a deficit of £30,636,000. The Company has agreed a schedule of contributions with the Trustee. The contributions to the Scheme in 2014 will be £3,279,000 in respect of the deficit and administration costs, and this amount will increase by 3% per annum. The recovery plan period is 6.3 years and takes into account the material funding improvement between the date of valuation and date of the recovery plan (December 2013), as agreed with the Scheme actuary. The improvement is principally due to an increase in UK gilt rates during that period.

## 4 Employee pension schemes continued

For the purposes of IAS 19 the actuarial valuation as at 5 April 2013, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 28 December 2013. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

The principal assumptions applied by the actuaries, as determined by the Directors, at each period end were:

	2013	2012
Rate of increase in pensions in payment	3.20%	2.65%
Rate of increase in deferred pensions	2.20%	1.90%
Discount rate	4.48%	4.30%
Inflation assumption – RPI	3.30%	2.75%
– CPI	2.30%	2.00%

The mortality assumptions adopted at 28 December 2013 have been updated to align with those used in the Scheme valuation and imply the following life expectancies at age 65:

	2013	2012
Male currently age 40	24.6 yrs	24.5 yrs
Female currently age 40	27.1 yrs	28.0 yrs
Male currently age 65	22.4 yrs	22.1 yrs
Female currently age 65	24.7 yrs	25.4 yrs

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

	2013 £'000	2012 (restated) £'000
Defined benefit obligation at start of period	100,263	92,870
Administrative expenses paid by the Scheme	478	438
Exceptional items – flexible early retirement costs paid by the Scheme	76	–
Interest cost	4,200	4,428
Remeasurement (gains)/losses due to Scheme experience	(1,056)	1,288
Remeasurement gain due to changes in demographic assumptions	(1,953)	–
Remeasurement losses due to changes in financial assumptions	161	6,750
Benefits and expenses paid	(5,779)	(5,511)
<b>Defined benefit obligation at end of period</b>	<b>96,390</b>	<b>100,263</b>

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

	2013 £'000	2012 £'000
Fair value of assets at start of period	77,369	69,323
Interest income	3,276	3,277
Return on Scheme assets	1,738	(2,086)
Contributions by employer – normal contributions	3,175	3,090
– additional contributions	–	9,276
Benefits and expenses paid	(5,779)	(5,511)
<b>Fair value of assets at end of period</b>	<b>79,779</b>	<b>77,369</b>

#### 4 Employee pension schemes continued

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

	2013		2012	
	£'000	%	£'000	%
Equities	12,498	16	17,098	22
Diversified Growth Funds	23,727	30	–	–
Corporate bonds	14,134	18	17,162	22
Gilts	–	–	7,979	10
Property	6,436	8	14,242	18
Insured annuities	18,713	23	20,465	27
Cash	4,271	5	423	1

The Scheme holds no 4imprint Group plc shares or any property occupied by the Group.

It is the policy of the Trustee and the Company to review the investment strategy from time to time and at the time of each funding valuation. The Trustee investment objectives and the processes undertaken to measure and manage the risks inherent in the Scheme investment strategy are documented in the Scheme's Statement of Investment Principles.

The asset-liability matching strategy of the Scheme involves the purchase of insured annuities for certain pensioners and investment in corporate bonds.

The sensitivities on the key actuarial assumptions as at the end of the period were:

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 0.25%	Increase by 3.2%
Rate of inflation	Increase of 0.25%	Increase by 1.2%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.2%

The sensitivities shown above are approximate. Each sensitivity considers each change in isolation and are calculated using the same methodology as used for the calculation of the defined benefit obligation at the end of the period. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. In practice it is unlikely that the changes would occur in isolation.

The average duration of the defined benefit obligation at 28 December 2013 is 12 years.

#### 5 Exceptional items

	2013 £'000	2012 £'000
<b>Continuing operations</b>		
Pension flexible early retirement offer costs	254	–
Business separation costs	–	592
	<b>254</b>	<b>592</b>

In 2013, pension costs related to third party fees in respect of a flexible early retirement offer made to 153 eligible deferred pensioners in February 2014. The fees include £76,000 incurred and paid by the defined benefit pension scheme.

In 2012, business separation costs arose as a consequence of the sale of Brand Addition and included: office relocation; restructuring the Group's intercompany financing; and fees in respect of the pension buy-in exercise.

Cash expenditure in respect of the continuing Group's exceptional items in 2013 was £167,000 (2012: £1,057,000).

# Notes to the financial statements continued

## 6 Net finance income and costs

	2013	2012 (restated)
	£'000	£'000
<b>Continuing operations</b>		
<b>Finance income</b>		
Bank and other interest	56	199
<b>Finance costs</b>		
Interest payable on bank borrowings	(13)	(144)
Interest payable on finance leases	(4)	(13)
	(17)	(157)
<b>Other financing costs</b>		
Net pension finance charge (note 4)	(924)	(1,151)
<b>Net finance costs</b>	<b>(885)</b>	<b>(1,109)</b>

## 7 Taxation

	2013	2012 (restated)
	£'000	£'000
<b>Continuing operations</b>		
<i>Analysis of charge in the period:</i>		
UK tax – current	–	–
Overseas tax – current	1,906	1,122
<b>Total current tax</b>	<b>1,906</b>	<b>1,122</b>
Origination and reversal of temporary differences	549	892
Effect of change in UK tax rate	(3)	1
Adjustment in respect of prior years	14	38
<b>Total deferred tax (notes 13 and 19)</b>	<b>560</b>	<b>931</b>
<b>Taxation – continuing operations</b>	<b>2,466</b>	<b>2,053</b>

## 7 Taxation continued

The tax for the period is different to the standard rate of corporation tax in the UK (23.25%). The differences are explained below:

	2013 £'000	2012 (restated) £'000
Profit before tax – continuing operations	9,252	6,365
(Loss)/profit before tax from discontinued operations (note 10)	(2,730)	9,261
<b>Profit before tax – total operations</b>	<b>6,522</b>	<b>15,626</b>
Profit before tax multiplied by rate of corporation tax in the UK of 23.25% (2012: 24.5%)	1,516	3,828
Effects of:		
Adjustments in respect of foreign tax rates	764	376
Adjustments in respect of prior years	26	–
Expenses not deductible for tax purposes and non taxable income	(505)	(120)
Non deductible loss/(non taxable profit) on disposal of business	849	(2,073)
Timing differences and other differences	45	192
Utilisation of tax losses not previously recognised	(26)	(203)
Effect of change in UK tax rate on deferred tax balances	(47)	(23)
<b>Taxation – total operations</b>	<b>2,622</b>	<b>1,977</b>
Taxation – continuing operations	2,466	2,053
Taxation – discontinued operations (note 10)	156	(76)
<b>Taxation – total operations</b>	<b>2,622</b>	<b>1,977</b>

The main rate of UK corporation tax has been reduced to 21% from 1 April 2014 and to 20% from 1 April 2015. The net deferred tax asset at 28 December 2013 has been calculated at a tax rate of 20%.

## 8 Earnings per share

### Basic, diluted and underlying

The basic, diluted and underlying earnings per share are calculated based on the following data:

	2013 £'000	2012 (restated) £'000
Profit after tax – continuing operations	6,786	4,312
(Loss)/profit after tax – discontinued operations	(2,886)	9,337
<b>Profit after tax</b>	<b>3,900</b>	<b>13,649</b>



# Notes to the financial statements continued

## 8 Earnings per share continued

	2013 £'000	2012 (restated) £'000
<b>Profit before tax – continuing operations</b>	<b>9,252</b>	6,365
<i>Adjustments:</i>		
Share option charges (note 23)	<b>784</b>	650
Social security charges on share options (note 23)	<b>810</b>	–
Exceptional items (note 5)	<b>254</b>	592
Defined benefit pension scheme administration charges (note 4)	<b>478</b>	438
Defined benefit net pension finance charges (note 4)	<b>924</b>	1,151
<b>Underlying profit before tax – continuing operations</b>	<b>12,502</b>	9,196
Taxation – continuing operations	<b>(2,466)</b>	(2,053)
Tax relating to above adjustments	<b>(638)</b>	(568)
<b>Underlying profit after tax – continuing operations</b>	<b>9,398</b>	6,575
	<b>2013 Number 000s</b>	2012 Number 000s
Basic weighted average number of shares	<b>26,463</b>	26,271
Dilutive potential ordinary shares – employee share options	<b>1,372</b>	388
<b>Diluted weighted average number of shares</b>	<b>27,835</b>	26,659
	<b>2013</b>	2012 (restated)
Basic earnings per share from continuing operations	<b>25.64p</b>	16.41p
Basic (loss)/earnings per share from discontinued operations	<b>(10.90)p</b>	35.54p
	<b>14.74p</b>	51.95p
Diluted earnings per share from continuing operations	<b>24.38p</b>	16.18p
Diluted (loss)/earnings per share from discontinued operations	<b>(10.37)p</b>	35.02p
	<b>14.01p</b>	51.20p
Underlying basic earnings per share from continuing operations	<b>35.51p</b>	25.03p
Underlying diluted basic earnings per share from continuing operations	<b>33.76p</b>	24.66p

The basic weighted average number of shares excludes shares held in the 4imprint Group plc employee share trusts. The effect of this is to reduce the average by 272,936 (2012: 112,997).

The basic earnings per share is calculated based on the profit for the financial period divided by the basic weighted average number of shares.

For diluted earnings per share, the basic 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 and are likely to vest at the balance sheet date. The Performance Share Plan had met vesting conditions for 1,540,000 options at the balance sheet date.

The underlying basic earnings per share is calculated before the after tax effect of share option charges, exceptional items and defined benefit pension charges and is included because the Directors consider this gives a measure of the underlying performance of the continuing business.

## 9 Dividends

	2013 £'000	2012 £'000
<b>Equity dividends – ordinary shares</b>		
Interim paid: 5.60p (2012: 5.25p)	<b>1,482</b>	1,383
Final paid: 10.20p (2012: 9.60p)	<b>2,702</b>	2,518
	<b>4,184</b>	3,901

In addition, the Directors are proposing a final dividend in respect of the period ended 28 December 2013 of 11.40p per share, which will absorb an estimated £3.02m of Shareholders' funds. Subject to Shareholder approval at the Annual General Meeting, the dividend is payable on 9 May 2014 to Shareholders who are on the register of members at close of business on 11 April 2014. These financial statements do not reflect this proposed dividend.

## 10 Discontinued operations

On 10 February 2014, the Group completed the sale of SPS to the SPS senior management team, backed by Maven Capital Partners. The consideration was £7.25m (subject to post completion adjustments relating to the levels of working capital, debt and cash at completion).

On 23 March 2012, the Group completed the sale of the Brand Addition business to H.I.G. for aggregate consideration of £24m, of which £1.25m was deferred for one year and which was received in March 2013.

The results of discontinued operations were as follows:

	2013 £'000	2012 (restated) £'000
<b>Revenue</b>	<b>15,327</b>	25,330
Operating expenses	<b>(14,407)</b>	(24,529)
<b>Operating profit</b>	<b>920</b>	801
Loss on remeasurement of assets of disposal group	<b>(3,650)</b>	–
Profit on disposal of business	–	8,460
<b>(Loss)/profit before tax</b>	<b>(2,730)</b>	9,261
Taxation	<b>(156)</b>	76
<b>(Loss)/profit for the period from discontinued operations</b>	<b>(2,886)</b>	9,337

2013 related entirely to SPS. 2012 includes both SPS and Brand Addition. The SPS elements of the restated numbers are: Revenue £14,018,000; operating expenses £13,239,000; operating profit £779,000; and a deferred taxation credit of £80,000.

The loss on remeasurement of SPS assets is calculated based on the best estimates of the adjusted consideration net of costs of disposal and expected net assets of the disposal group at the time of completion. Costs of £176,000 in respect of the disposal had been paid up to 28 December 2013.

<b>Profit on disposal of business</b>	2012 £'000
Consideration	24,000
Adjustment for working capital and cash at date of sale	(1,722)
<b>Adjusted consideration*</b>	22,278
Costs of disposal	(1,574)
	20,704
Net assets sold, excluding cash and debt	(11,447)
Cash transferred with business sold	(832)
Recycled translation differences of business sold	35
<b>Profit on disposal of business</b>	8,460

\* £21.03m received in 2012 and £1.25m received in March 2013.

# Notes to the financial statements continued

## 10 Discontinued operations continued

### Assets held for sale

	Gross £'000	Provision £'000	28 Dec 2013 £'000
<b>Non current assets</b>			
Property, plant and equipment (note 11)	6,441	(3,474)	2,967
Intangible assets (note 12)	34	–	34
	6,475	(3,474)	3,001
<b>Current assets</b>			
Inventories	1,848	–	1,848
Trade and other receivables	3,532	–	3,532
	5,380	–	5,380
<b>Assets held for sale</b>	<b>11,855</b>	<b>(3,474)</b>	<b>8,381</b>

### Liabilities held for sale

<b>Current liabilities</b>			
Trade and other payables	(2,220)	–	(2,220)
Deferred tax liability (note 19)	(426)	–	(426)
<b>Liabilities held for sale</b>	<b>(2,646)</b>	<b>–</b>	<b>(2,646)</b>

<b>Net assets held for sale</b>	<b>9,209</b>	<b>(3,474)</b>	<b>5,735</b>
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Net assets held for sale at 28 December 2013 related to SPS. Net assets held for sale at 29 December 2012 were £nil.

Included within the cash flow statement are the following cash flows from discontinued operations:

	2013 £'000	2012 (restated) £'000
<b>Net cash generated from/(used in) operating activities</b>	<b>994</b>	<b>(3,039)</b>

### Cash flows from investing activities

Purchase of property, plant and equipment	(153)	(250)
<i>Proceeds from sale of business:</i>		
Consideration received	1,250	21,028
Cash costs of disposal	(176)	(1,285)
Payment of disposal costs accrued in prior period	(83)	(368)
Cash in subsidiaries sold	–	(832)
Net proceeds from sale of businesses	991	18,543
<b>Net cash generated from investing activities</b>	<b>838</b>	<b>18,293</b>
<b>Net movement in cash and cash equivalents</b>	<b>1,832</b>	<b>15,254</b>

## 11 Property, plant and equipment

	Freehold land and buildings £'000	Long leasehold buildings £'000	Plant, machinery, fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost:					
At 30 December 2012	3,604	2,767	11,050	1,069	18,490
Additions	5	–	592	301	898
Disposals	–	–	(86)	(146)	(232)
Transfer to assets held for sale (note 10)	–	(2,767)	(6,551)	(211)	(9,529)
Exchange translation	(61)	–	(106)	(22)	(189)
<b>At 28 December 2013</b>	<b>3,548</b>	<b>–</b>	<b>4,899</b>	<b>991</b>	<b>9,438</b>
Depreciation:					
At 30 December 2012	269	376	4,729	778	6,152
Charge for the period	107	62	970	225	1,364
Disposals	–	–	(84)	(145)	(229)
Transfer to assets held for sale (note 10)	–	(438)	(2,476)	(174)	(3,088)
Exchange translation	(9)	–	(76)	(13)	(98)
<b>At 28 December 2013</b>	<b>367</b>	<b>–</b>	<b>3,063</b>	<b>671</b>	<b>4,101</b>
<b>Net book value at 28 December 2013</b>	<b>3,181</b>	<b>–</b>	<b>1,836</b>	<b>320</b>	<b>5,337</b>

Freehold land with a value of £488,000 (2012: £494,000) has not been depreciated.

Plant and machinery includes assets with a net book value of £nil (2012: £263,000) held under finance leases.

The Directors are not aware of a significant difference between the net book value and the fair value of property, plant and equipment.

# Notes to the financial statements continued

## 11 Property, plant and equipment continued

	Freehold land and buildings £'000	Long leasehold buildings £'000	Plant, machinery, fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost:					
At 1 January 2012	3,084	2,767	10,960	1,186	17,997
Additions	637	–	1,032	197	1,866
Disposals	–	–	(791)	(286)	(1,077)
Exchange translation	(117)	–	(151)	(28)	(296)
At 29 December 2012	3,604	2,767	11,050	1,069	18,490
Depreciation:					
At 1 January 2012	204	314	4,639	881	6,038
Charge for the period	74	62	895	195	1,226
Disposals	–	–	(712)	(278)	(990)
Exchange translation	(9)	–	(93)	(20)	(122)
At 29 December 2012	269	376	4,729	778	6,152
Net book value at 29 December 2012	3,335	2,391	6,321	291	12,338

## 12 Intangible assets

	2013 £'000	2012 £'000
<b>Computer software</b>		
Cost:		
At start of period	2,292	2,343
Additions	311	448
Disposals	(359)	(430)
Transfer to assets held for sale (note 10)	(477)	–
Exchange translation	(32)	(69)
<b>At end of period</b>	<b>1,735</b>	<b>2,292</b>
Amortisation:		
At start of period	1,338	1,398
Charge for the period	400	406
Disposals	(359)	(428)
Transfer to assets held for sale (note 10)	(443)	–
Exchange translation	(19)	(38)
<b>At end of period</b>	<b>917</b>	<b>1,338</b>
<b>Net book value at end of period</b>	<b>818</b>	<b>954</b>

The average remaining life of intangible assets is 2.3 years (2012: 2.3 years).

### 13 Deferred tax assets

	2013 £'000	2012 £'000
At start of period	6,281	6,115
Reclassified between deferred tax asset and deferred tax liability	(70)	161
Income statement charge – continuing operations	(648)	(794)
Prior year adjustment	(14)	–
Deferred tax (debited)/credited to other comprehensive income	(1,502)	1,402
Deferred tax debited to other comprehensive income – prior year adjustment	(737)	–
Deferred tax credited to equity	961	–
Effect of change in UK tax rate – income statement – continuing operations	3	1
Effect of change in UK tax rate – other comprehensive income	(483)	(589)
Exchange in reserves	43	(15)
<b>At end of period</b>	<b>3,834</b>	<b>6,281</b>

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.

£1.3m of the net deferred tax asset is expected to reverse within the next 12 months.

The movements in the net deferred tax asset (subject to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown in the following table. 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

	Depreciation/ capital allowances £'000	Tax losses £'000	Pension £'000	Other £'000	Total £'000
At start of period	(9)	289	6,001	–	6,281
Reclassified between deferred tax liability and deferred tax asset	(363)	–	–	293	(70)
Income statement charge – continuing operations	(4)	(238)	41	(447)	(648)
Prior year adjustment	(14)	–	–	–	(14)
Deferred tax debited to other comprehensive income	–	–	(1,502)	–	(1,502)
Deferred tax debited to other comprehensive income – prior year adjustment	–	–	(737)	–	(737)
Deferred tax credited to equity	–	–	–	961	961
Effect of change in UK tax rate – income statement	3	–	–	–	3
Effect of change in UK tax rate – other comprehensive income	–	–	(483)	–	(483)
Exchange in reserves	–	6	–	37	43
<b>At end of period</b>	<b>(387)</b>	<b>57</b>	<b>3,320</b>	<b>844</b>	<b>3,834</b>

Included in Other in the table above is deferred tax in respect of timing differences and future deductions relating to share options for US employees.

Deferred tax assets have been recognised where it is considered that there will be sufficient taxable profit available in future against which the deductible temporary timing differences can be utilised.

No provision has been made for deferred tax assets relating to losses carried forward in holding companies of £9.7m (2012: £5.6m). These losses have no expiry date and may be available for offset against future profits in these companies.

No provision has been made for deferred tax assets relating to the future exercise of share options by UK employees, as there is unlikely to be sufficient taxable UK profits against which the deductions could be utilised.



## 14 Inventories

	2013 £'000	2012 £'000
Raw materials and consumables	–	292
Work in progress	–	45
Finished goods and goods for resale	2,235	3,001
	<b>2,235</b>	<b>3,338</b>

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 in respect of continuing operations total £42,000 (2012: £12,000).

During the year a net amount of £39,000 has been charged in respect of continuing operations in the income statement in respect of provisions for slow moving and obsolete stock (2012: £6,000).

The amount of inventory charged to the income statement for continuing operations is shown in note 2.

## 15 Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	12,153	13,476
Less: Provision for impairment of receivables	(71)	(61)
Trade receivables – net	12,082	13,415
Other receivables	4,188	5,149
Prepayments and accrued income	1,983	1,626
	<b>18,253</b>	<b>20,190</b>

Due to their short term nature the fair value of trade receivables does not differ from the book value.

The impairment of trade receivables charged to continuing operations in the income statement was £65,000 (2012: £29,000). There is no impairment of any receivables other than trade receivables.

The ageing of past due trade receivables which are not impaired, based on the customers' credit worthiness and payment history, is as follows:

Time past due date	2013 £'000	2012 £'000
Up to 3 months	1,411	2,137
3 to 6 months	4	119
	<b>1,415</b>	<b>2,256</b>

The ageing of impaired trade receivables is as follows:

Time past due date	2013 £'000	2012 £'000
Up to 3 months	–	11
3 to 6 months	68	31
Over 6 months	3	19
	<b>71</b>	<b>61</b>

## 15 Trade and other receivables continued

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

	2013 £'000	2012 £'000
Sterling	1,338	5,246
US dollars	15,824	13,955
Euros	35	216
Canadian dollars	1,056	773
	<b>18,253</b>	<b>20,190</b>

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

	2013 £'000	2012 £'000
At start of period	61	83
Exchange translation	–	(2)
Utilised	(33)	(49)
Released	(14)	–
Provided	87	29
Transferred to assets held for sale	(30)	–
<b>At end of period</b>	<b>71</b>	<b>61</b>

## 16 Other financial assets and cash and cash equivalents

	2013 £'000	2012 £'000
<b>Other financial assets – bank deposits</b>	<b>4,950</b>	<b>3,000</b>
Cash at bank and in hand	6,557	9,351
Short term deposits	4,250	4,750
<b>Cash and cash equivalents</b>	<b>10,807</b>	<b>14,101</b>

Other financial assets comprise bank deposits with an original maturity in excess of three months but not greater than one year.

## 17 Trade and other payables – current

	2013 £'000	2012 £'000
Trade payables	12,676	12,985
Other tax and social security payable	1,261	573
Other payables	103	196
Accruals	3,957	2,321
	<b>17,997</b>	<b>16,075</b>

Due to their short term nature the fair value of trade payables does not differ from the book value.

## 18 Borrowings

	2013 £'000	2012 £'000
<b>Current borrowings</b>		
Finance lease obligations	–	146
Bank loans	–	1,500
	–	1,646
<b>Non current borrowings</b>		
Bank loans	–	4,777
	–	4,777

All non current borrowings in 2012 were repayable in 2-5 years.

The fair value of borrowings did not differ from the book value due to the relatively short term nature of the borrowings. The non current borrowings were drawn on a line of credit.

£1,500,000 of the current borrowings outstanding at the end of 2012 was secured on the SPS long leasehold property in Blackpool. This borrowing was repaid at maturity on 31 December 2012.

Borrowings were held in the following currencies and interest was payable at the following effective interest rates:

	2013 £'000	2012 £'000
Sterling (2013: nil; 2012: 3.27%)	–	1,500
US dollars (2013: 1.70%; 2012: 1.72%)	–	4,923
	–	6,423

The Group had the following undrawn committed borrowing facilities available at 28 December 2013:

	2013 £'000	Floating rate 2012 £'000
<b>Borrowing facilities</b>		
Expiring within one year	500	–
Expiring in more than one year	7,882	3,270
	8,382	3,270

Facilities comprised a UK overdraft facility of £0.5m which expired on 31 December 2013. The Group's US subsidiary has a US dollar 12.5m line of credit and a US dollar 0.5m revolving credit facility, both repayable on 31 August 2015.

## 19 Deferred tax liability

	Deferred tax	
	2013 £'000	2012 £'000
At start of period	720	375
Reclassified between deferred tax assets and deferred tax liability	(70)	161
Charged/(credited) to the income statement – continuing operations	(99)	269
– discontinued operations	188	(44)
Prior year adjustment – continuing operations	–	4
– discontinued operations	12	(10)
Effect of change in UK tax rate – continuing operations	–	2
– discontinued operations	(44)	(26)
Exchange loss/(gain) in equity	8	(11)
Transfer to liabilities held for sale	(426)	–
<b>At end of period</b>	<b>289</b>	<b>720</b>

	Depreciation/ capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
<b>Deferred tax analysis</b>				
At start of period	1,297	(421)	(156)	720
Reclassified between deferred tax assets and deferred tax liability	(363)	–	293	(70)
Income statement charge – continuing operations	(204)	–	105	(99)
– discontinued operations	(32)	220	–	188
Prior year adjustment – discontinued operations	12	–	–	12
Exchange loss in equity	(1)	2	7	8
Effect of change in UK tax rate – discontinued operations	(61)	17	–	(44)
Transfer to liabilities held for sale (note 10)	(633)	182	25	(426)
<b>At end of period</b>	<b>15</b>	<b>–</b>	<b>274</b>	<b>289</b>

Included in Other in the table above is deferred tax in respect of timing differences.

## 20 Provisions for other liabilities and charges

	Onerous leases	
	2013 £'000	2012 £'000
At start of period	150	417
Charged to the income statement	–	150
Utilised in period	(3)	(417)
<b>At end of period</b>	<b>147</b>	<b>150</b>
<b>Analysis of provisions</b>		
	2013 £'000	2012 £'000
Current	–	–
Non current	147	150
<b>Total</b>	<b>147</b>	<b>150</b>

The onerous lease provisions relate to dilapidation costs of residual leases of property in respect of business disposals, and is expected to be expended in two to five years.

## 21 Financial risk management

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

### Currency risk

The Group operates internationally and is exposed to various currency movements, predominantly the US dollar and Canadian dollar. Risk arises predominantly from the remittance of overseas earnings, the translation of profits of overseas subsidiaries and the net assets of overseas 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 uses derivative financial instruments to partly hedge foreign currency cash flows arising from sales and purchases of goods, as well as remittances from its overseas subsidiaries. Contracts outstanding at the period end had no material impact on the financial statements. The Group does not hedge the currency exposure of profits and assets of its overseas subsidiaries or other financial transactions.

At 28 December 2013 the Group had the following forward currency contracts: the purchase of 0.9m US dollars with Sterling up to July 2014. The fair value of the derivatives was not material when measured at 28 December 2013 and consequently no entries have been reflected in the financial statements.

The movement in the exchange rates compared to prior year increased profit of the US business by £0.2m and reduced net assets by £0.3m. Closing rate was US\$1.65 (2012: US\$1.62) and the average rate used to translate profits was US\$1.56 (2012: US\$1.58).

A weakening in the US dollar exchange rate by ten cents (the approximate range of movement from average to closing exchange rate) would reduce profit in the period by £0.9m (2012: £0.6m) and net assets at period end by £0.5m (2012: £0.5m).

### Credit risk

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

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.

## 21 Financial risk management continued

Cash was held with the following banks at the period end:

	2013 Rating	2013 Deposit £'000	2012 Rating	2012 Deposit £'000
Lloyds Bank	A2	10,921	A2	12,897
JPMorgan Chase Bank, N.A.	Aa3	4,832	Aa3	1,098
Wells Fargo Bank	Aa3	2	Aa3	3,099
Other		2		7
		<b>15,757</b>		<b>17,101</b>

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

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

### Liquidity risk

Group borrowing requirements are managed centrally and borrowing arrangements are currently with the Group's principal US bank and terms are agreed which are considered appropriate for the funding requirement of the Group at that time.

Operating working capital is managed within each business to levels agreed with the Group and cash forecasts are reviewed regularly by Group and local management.

At 28 December 2013 the net cash position (note 25) of the Group was £15,757,000 (2012: £10,678,000).

The maturity profile of the Group's borrowings is shown in note 18.

### Capital risk management

The Group's objective for managing debt and equity capital is to safeguard the Group's and Company's ability to continue as a going concern, in order to provide returns for Shareholders and benefits for other stakeholders.

In 2013 the Company has provided returns to Shareholders in the form of dividends, details of which are included in note 9. Shares were issued only to satisfy options exercised and shares were purchased for an employee benefit trust.

The Group monitors its levels of cash and indebtedness. The Group does not actively monitor a gearing ratio, but seeks to maintain an appropriate level of financial flexibility. Details of borrowing facilities are given in note 18.



## 22 Share capital

	2013 £'000	2012 £'000
<b>Authorised</b>		
39,000,000 (2012: 39,000,000) ordinary shares of 38 <sup>6</sup> / <sub>13</sub> p each	<b>15,000</b>	15,000
<b>Issued and fully paid</b>		
26,744,947 (2012: 26,576,666) ordinary shares of 38 <sup>6</sup> / <sub>13</sub> p each	<b>10,286</b>	10,222

The Company issued 168,281 ordinary shares in the period for consideration of £202,000 to satisfy options exercised under the Group's SAYE schemes (2012: 736,114 shares issued).

At 28 December 2013 the following options have been granted and were outstanding under the Company's share option schemes:

Scheme	Date of grant	Number of ordinary shares 2013	Number of option holders 2013	Number of ordinary shares 2012	Subscription price	Date exercisable From to	
Performance Share Plan	27/04/11	<b>1,400,000</b>	<b>5</b>	1,400,000	Nil	Apr 2014	Apr 2021
	05/04/13	<b>140,000</b>	<b>7</b>	–	Nil	Apr 2016	Apr 2023
SAYE	07/10/09	–	–	118,902	87.0p	Jan 2013	Jun 2013
	05/10/10	<b>16,910</b>	<b>11</b>	17,343	166.0p	Jan 2014	Jun 2014
	31/10/12	<b>67,104</b>	<b>52</b>	72,514	266.0p	Jan 2016	Jun 2016
US Sharesave	05/10/10	–	–	50,566	\$3.14	Dec 2012	Jan 2013
	31/10/12	<b>167,031</b>	<b>225</b>	175,540	\$4.76	Jan 2015	Jan 2015
<b>Total</b>		<b>1,791,045</b>	<b>300</b>	1,834,865			

The weighted average exercise price for options outstanding at 28 December 2013 was 38.45p (2012: 51.26p).

On 27 April 2011, 1,400,000 share options were granted to five members of the Group's senior management to acquire ordinary shares at nil cost. The performance conditions are that one third of the options vest if the Company share price attains and remains at, or above, for thirty consecutive days each of: 300p; 350p; and 400p in the three year period commencing 27 April 2011. The options that vest will be exercisable between 27 April 2014 and 27 April 2021. 466,667 options vested in February 2013, 466,667 options vested in April 2013 (466,666 options vested in September 2012). In addition, 140,000 share options were granted to seven senior managers on 5 April 2013. Conditions are as above but target share prices are 500p; 550p; and 600p. These options vested in July, October and November 2013 and are exercisable between 5 April 2016 and 5 April 2023.

### 23 Share-based payments

Share options may be granted to senior management and in addition a SAYE scheme was available to all UK and US employees. The exercise price 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 is determined using the Black-Scholes model for SAYE and Sharesave schemes and the Monte Carlo model for the Performance Share Plan and is spread over the vesting period of the options. The significant inputs into the model are an expected life of between 2.04 and 3 years for the SAYE and Sharesave 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 5 years and the risk-free rate is based on zero coupon government bond yields.

	2013 £'000	2012 (restated) £'000
<b>Continuing operations</b>		
Charge resulting from spreading the fair value of options	<b>784</b>	650
Social security costs in respect of share options	<b>810</b>	–
<b>Total</b>	<b>1,594</b>	650

In addition £11,000 was charged in respect of discontinued operations (2012: £35,000).

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

	Performance Share Plan		UK SAYE Schemes		US Sharesave Schemes
	05/04/13	27/04/11	05/10/10	31/10/12	31/10/12
Grant date	05/04/13	27/04/11	05/10/10	31/10/12	31/10/12
Share price at grant date	438p	260p	232.5p	349p	349p
Exercise price	Nil	Nil	166p	266p	\$4.76
Number of employees	7	5	11	52	225
Shares under option	140,000	1,400,000	16,910	67,104	167,031
Vesting period (years)	3	3	3	3	2.04
Expected volatility	35%	40%	45%	38%	38%
Option life (years)	10	10	3.5	3.5	2.08
Expected life (years)	3.5	3.5	3	3	2.04
Risk free rate	0.26%	1.7%	1.3%	0.5%	0.3%
Expected dividends expressed as a dividend yield	3.5%	5.5%	5.5%	4.5%	4.5%
Possibility of ceasing employment before vesting	0%	0%	10%	10%	10%
Expectations of meeting performance criteria	n/a	n/a	100%	100%	100%
Fair value per option	197p-272p	106p-164p	75.1p	97.2p	79.8p

A reconciliation of option movements over the period to 28 December 2013 is shown below:

	2013		2012	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at start of period	<b>1,834,865</b>	<b>51.26p</b>	2,388,052	42.64p
Granted	<b>140,000</b>	–	248,054	77.76p
Forfeited/cancelled	<b>(14,251)</b>	<b>202.36p</b>	(65,127)	110.54p
Exercised	<b>(168,281)</b>	<b>121.01p</b>	(736,114)	95.75p
Expired	<b>(1,288)</b>	<b>127.10p</b>	–	–
<b>Outstanding at end of period</b>	<b>1,791,045</b>	<b>38.45p</b>	1,834,865	51.26p
<b>Exercisable at end of period</b>	–	–	50,566	194.37p

# Notes to the financial statements continued

## 23 Share-based payments continued

Range of exercise prices	2013				2012			
	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	–	1,540,000	0.5	7.5	–	1,400,000	1.82	8.32
£0.01 – 1.00	–	–	–	–	87.00p	118,902	–	0.5
£1.01 – 2.00	166.00p	16,910	–	0.5	166.00p	17,343	1.00	1.5
£2.01 – 3.00	282.00p	234,135	1.3	1.4	270.71p	298,620	1.90	2.07

## 24 Other reserves

	Capital redemption reserve £'000	Cumulative translation differences £'000	Total £'000
Balance at 31 December 2011	208	231	439
Exchange differences on translation of foreign subsidiaries	–	(316)	(316)
Recycled translation differences of businesses sold	–	(35)	(35)
Balance at 29 December 2012	208	(120)	88
Exchange differences on translation of foreign subsidiaries	–	(423)	(423)
<b>Balance at 28 December 2013</b>	<b>208</b>	<b>(543)</b>	<b>(335)</b>

## 25 Cash generated from operations

	2013 £'000	2012 (restated) £'000
Operating profit – continuing operations	10,137	7,474
– discontinued operations (note 10)	920	801
<i>Adjustments for:</i>		
Depreciation charge	1,364	1,266
Amortisation of intangibles	400	460
Exceptional non cash items	76	10
Decrease in exceptional accrual/provisions	(16)	(475)
Share option charges – continuing	784	650
– discontinued	11	35
Defined benefit pension administration charge	478	438
Contributions to defined benefit pension scheme	(3,175)	(12,366)
<i>Changes in working capital:</i>		
Increase in inventories	(811)	(920)
Increase in trade and other receivables	(3,428)	(279)
Increase/(decrease) in trade and other payables	4,711	(3,086)
<b>Cash generated from/(used in) operations</b>	<b>11,451</b>	<b>(5,992)</b>

## 25 Cash generated from operations continued

	Note	2013 £'000	2012 £'000
<b>Analysis of net cash</b>			
Cash at bank and in hand	16	<b>6,557</b>	9,351
Short term deposits	16	<b>4,250</b>	4,750
<b>Cash and cash equivalents</b>		<b>10,807</b>	14,101
Other financial assets – bank deposits	16	<b>4,950</b>	3,000
Current finance lease creditor	18	–	(146)
Current bank loans	18	–	(1,500)
		<b>15,757</b>	15,455
Non current bank loans	18	–	(4,777)
<b>Net cash</b>		<b>15,757</b>	10,678

## 26 Financial commitments

At 28 December 2013, the Group was committed to make payments in respect of non-cancellable operating leases in the following periods:

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year	<b>795</b>	<b>205</b>	736	213
In two to five years	<b>2,710</b>	<b>325</b>	2,785	516
In more than five years	<b>164</b>	–	820	3
	<b>3,669</b>	<b>530</b>	4,341	732

Included in 2013 above is £234,000 of commitments in respect of the discontinued operation.

## 27 Contingent liabilities

The Group has no known contingent liabilities (2012: none).

## 28 Capital commitments

The Group had capital commitments contracted for but not provided for in the financial statements of £229,000 for property, plant and equipment (2012: £28,000) of which £229,000 was in respect of discontinued operations (2012: £28,000).

## 29 Related party transactions

The Group did not participate in any related party transactions.

Key management compensation is disclosed in note 3.

## 30 Post balance sheet event

On 10 February 2014, the Group completed the sale of SPS to the SPS senior management, backed by Maven Capital Partners. The consideration was £7.25m (subject to post completion adjustments relating to the levels of working capital, debt and cash at completion).

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

## Report on the Company financial statements

### Our opinion

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 December 2013 and of its cash flows for the 52 week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say below.

### What we have audited

The Company financial statements, which are prepared by 4imprint Group plc, comprise:

- the Company balance sheet as at 28 December 2013;
- the statement of changes in Company Shareholders' equity and cash flow statement for the 52 week period then ended; and
- the notes to the Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and the Accounts (the "Annual Report") rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial

information in the Annual Report to identify material inconsistencies with the audited Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinions on matters prescribed by the Companies Act 2006

### In our opinion:

- The information given in the Strategic report and the Directors' report for the financial year for which the Company financial statements are prepared is consistent with the Company financial statements; and
- The part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

### Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors responsibilities set out on page 35, the Directors are responsible for the preparation of the Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### Other matter

We have reported separately on the Group financial statements of 4imprint Group plc for the 52 week period ended 28 December 2013.

**Nicholas Boden** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

5 March 2014

# Company balance sheet

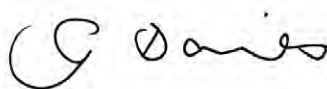
at 28 December 2013

	Notes	2013 £'000	2012 £'000
<b>Non current assets</b>			
Property, plant and equipment	B	101	137
Investments	C	104,182	104,182
Deferred tax assets	D	3,312	5,985
Other receivables	E	59,762	63,903
		<b>167,357</b>	174,207
<b>Current assets</b>			
Other receivables	E	12,000	18,657
Other financial assets – bank deposits		4,950	3,000
Cash and cash equivalents		5,636	9,547
		<b>22,586</b>	31,204
<b>Current liabilities</b>			
Other payables	F	(1,812)	(1,242)
<b>Net current assets</b>		<b>20,774</b>	29,962
<b>Non current liabilities</b>			
Retirement benefit obligations	H	(16,611)	(22,894)
Provisions for other liabilities and charges	G	(147)	(150)
Amounts due to subsidiary companies	J	(70,287)	(87,758)
		<b>(87,045)</b>	(110,802)
<b>Net assets</b>		<b>101,086</b>	93,367
<b>Shareholders' equity</b>			
Share capital	L	10,286	10,222
Share premium reserve		38,575	38,437
Capital redemption reserve		208	208
Retained earnings		52,017	44,500
<b>Total equity</b>		<b>101,086</b>	93,367

The financial statements on pages 76 to 84 were approved by the Board of Directors on 5 March 2014 and were signed on its behalf by:



**John Poulter**  
Chairman



**Gillian Davies**  
Group Finance Director



# Statement of changes in Company Shareholders' equity

for the 52 weeks ended 28 December 2013

				Retained earnings		
	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Own shares £'000	Profit and loss £'000	Total equity £'000
Balance at 31 December 2011	9,939	38,016	208	(124)	58,769	106,808
Loss for the period (restated) <sup>†</sup>					(876)	(876)
<i>Other comprehensive income/(expense)</i>						
Remeasurement losses on post employment obligations (restated) <sup>†</sup>					(10,124)	(10,124)
Deferred tax on remeasurement losses (restated) <sup>†</sup>					1,265	1,265
Effect of change in UK tax rate					(589)	(589)
Total comprehensive expense					(10,324)	(10,324)
Shares issued	283	421				704
Own shares purchased				(605)		(605)
Own shares utilised				3	(3)	–
Share-based payment charge					685	685
Dividends					(3,901)	(3,901)
Balance at 29 December 2012	10,222	38,437	208	(726)	45,226	93,367
Profit for the period					9,172	9,172
<i>Other comprehensive income/(expense)</i>						
Remeasurement gains on post employment obligations					4,586	4,586
Deferred tax on remeasurement gains					(2,239)	(2,239)
Effect of change in UK tax rate					(483)	(483)
Total comprehensive income					11,036	11,036
Shares issued	64	138				202
Own shares purchased				(130)		(130)
Own shares utilised				5	(5)	–
Share-based payment charge					795	795
Dividends					(4,184)	(4,184)
<b>Balance at 28 December 2013</b>	<b>10,286</b>	<b>38,575</b>	<b>208</b>	<b>(851)</b>	<b>52,868</b>	<b>101,086</b>

<sup>†</sup> 2012 has been restated for amendments to IAS 19.

# Company cash flow statement

for the 52 weeks ended 28 December 2013

	Note	2013 £'000	2012 £'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	K	(18,509)	5,032
Finance income		5,375	5,327
Finance costs		(3,071)	(1,119)
Net cash generated from operating activities		(16,205)	9,240
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1)	–
Net cash used in investing activities		(1)	–
<b>Cash flows from financing activities</b>			
Amounts placed on deposit		(1,950)	(3,000)
Repayment of borrowings		–	(2,464)
Proceeds from issue of shares		202	704
Own shares purchased		(130)	(605)
Dividends received		18,357	–
Dividends paid to Shareholders		(4,184)	(3,901)
Net cash generated from/(used in) financing activities		12,295	(9,266)
<b>Net movement in cash and cash equivalents</b>		<b>(3,911)</b>	<b>(26)</b>
Cash and cash equivalents at beginning of the period		9,547	9,573
<b>Cash and cash equivalents at end of the period</b>		<b>5,636</b>	<b>9,547</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank and in hand		1,386	4,797
Short term deposits		4,250	4,750
		5,636	9,547

# Notes to the Company's financial statements

## General Information

4imprint Group plc, registered number 177991, is a public limited company incorporated and domiciled in the UK and listed on the London Stock Exchange. Its registered office is 7/8 Market Place, London W1W 8AG.

## Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are the same as those adopted in the consolidated financial statements on pages 45 to 48 except for the investments policy noted below. These policies have been consistently applied to all the periods presented, except as noted below.

The Company has adopted IAS 19 (revised) in the period and prior periods have been restated (see page 44). Other new and revised standards effective during the period have not impacted on the Company's financial statements.

## Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with IFRS as adopted by the EU, IFRS IC interpretations and those parts of the Companies Act 2006 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 2014).

After making enquiries, the Directors have reasonable expectations that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

## Use of assumptions and estimates

The preparation of the 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. Management consider the following to be the only critical accounting policy of the Company.

## Pensions

As disclosed in note 4 on pages 53 to 55, the Company sponsors 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, 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.

## Investments

Investments in subsidiaries are stated at cost. Impairment reviews are carried out if there is some indication that the carrying value of the investments may have been impaired. 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'.

# Notes to the Company's financial statements continued

## Company's income statement

Under Section 408 of the Companies Act 2006 an income statement for the Company is not presented. Profit after tax and before external dividends payable for the period of £9,172,000 (2012 loss: £876,000) is included in the financial statements of the Company.

## Distributable reserves

Of the £52,868,000 profit and loss reserve in the Company, £17,665,000 (2012: £21,760,000), in respect of dividends from subsidiary undertakings declared in prior years, is currently considered not distributable as no qualifying consideration has yet been received and the debt is not expected to be settled within a reasonable period of time.

## A. Employees

	2013 £'000	2012 £'000
Wages and salaries	1,148	993
Social security costs	144	112
Pension costs		
– Defined contribution plans	39	41
Share option charges	764	676
Social security charges in respect of share options	760	–
	<b>2,855</b>	<b>1,822</b>

The average number of people, including Executive Directors, employed by the Company during the year was 8 (2012: 8).

## B. Property, plant and equipment

	Fixtures & fittings £'000
Cost:	
At 31 December 2011	272
Additions	–
At 29 December 2012	272
Additions	1
<b>At 28 December 2013</b>	<b>273</b>
Depreciation:	
At 31 December 2011	92
Charge for the period	43
At 29 December 2012	135
Charge for the period	37
<b>At 28 December 2013</b>	<b>172</b>
<b>Net book value at 28 December 2013</b>	<b>101</b>
Net book value at 29 December 2012	137

## C. Investments

Shares in  
subsidiary  
undertakings  
**£'000**

Cost:

At 29 December 2012 and 28 December 2013

**104,182**

### Subsidiary undertakings

The principal operating subsidiaries at 28 December 2013, are set out below. All of these subsidiaries are wholly owned and have ordinary share capital only.

Company	Country of incorporation and operation	Business
4imprint Inc.	USA	Promotional products
4imprint Direct Limited	England	Promotional products
SPS (EU) Limited*	England	Promotional products

\* Sold on 10 February 2014.

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

## D. Deferred tax assets

	<b>2013 £'000</b>	2012 £'000
At start of period	<b>5,985</b>	5,862
Income statement credit/(charge)	<b>49</b>	(690)
Deferred tax credited to other comprehensive income	<b>(2,722)</b>	813
<b>At end of period</b>	<b>3,312</b>	5,985

The Company's deferred tax relates to the defined benefit pension scheme and accelerated capital allowances.

The deferred income tax credited to other comprehensive income is as follows:

	<b>2013 £'000</b>	2012 £'000
Remeasurement gains on post employment obligations	<b>(1,502)</b>	1,402
Prior year adjustment	<b>(737)</b>	–
Effect of change in UK tax rate	<b>(483)</b>	(589)
	<b>(2,722)</b>	813

## E. Other receivables

	2013 £'000	2012 £'000
Amounts due from subsidiary companies	71,678	82,210
Other receivables	5	285
Prepayments and accrued income	79	65
	71,762	82,560
Less non current portion: Amounts due from subsidiary companies	(59,762)	(63,903)
	12,000	18,657

Current amounts due from subsidiary companies include £5,000,000 (2012: £5,000,000) which is interest bearing at market rates of interest. The balance is repayable on demand.

Non current amounts due from subsidiary companies include £23,385,000 due within two to five years and £36,377,000 due after five years. All amounts are interest bearing at market rates of interest.

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

	2013 £'000	2012 £'000
Sterling	35,385	45,420
US dollars	36,377	37,140
	71,762	82,560

## F. Other payables – current

	2013 £'000	2012 £'000
Other payables	38	181
Other tax and social security	760	–
Amounts due to subsidiary companies	490	688
Accruals	524	373
	1,812	1,242

The amounts due to subsidiary companies are not interest bearing and all are repayable on demand.

## G. Provisions for other liabilities and charges

	2013 £'000	2012 £'000
At start of period	150	291
Utilised	(3)	(291)
Charged to the income statement	–	150
<b>At end of period</b>	<b>147</b>	<b>150</b>

### Analysis of provisions

	2013 £'000	2012 £'000
Current	–	–
Non current	147	150
<b>Total</b>	<b>147</b>	<b>150</b>

The onerous lease provisions relate to dilapidation costs of residual property in respect of business disposals, and is expected to be expended within two to five years.

## H. Retirement benefit obligations

The amount recognised in the balance sheet represents the net liability in respect of the closed defined benefit scheme. Full details are contained in note 4 on pages 53 to 55.

## J. Amounts due to subsidiary companies – non current

The amounts due to subsidiary companies, totalling £70,287,000, comprises £33,910,000 (2012: £18,147,000) due in two to five years and £36,377,000 (2012: £69,611,000) due after five years. Of the loans due after five years, £36,377,000 (2012: £37,140,000) are interest bearing at market rates of interest. All other loans are interest free.

## K. Cash generated from operations

	2013 £'000	2012 (restated) £'000
Operating loss	(10,596)	(3,436)
<i>Adjustments for:</i>		
Depreciation charge	37	43
Exceptional non cash items re intercompany loan impairments	6,880	–
Decrease in exceptional accrual	(74)	(29)
Share option charges	795	685
Defined benefit pension admin charge	478	438
Contributions to defined benefit pension scheme	(3,175)	(12,366)
Exchange losses on intercompany loans	–	(15)
<i>Changes in working capital:</i>		
Decrease/(increase) in trade and other receivables	83	(75)
Increase in trade and other payables	245	74
(Decrease)/increase in payables to subsidiary undertakings	(13,182)	19,713
<b>Cash (used in)/generated from operations</b>	<b>(18,509)</b>	<b>5,032</b>
<b>Reconciliation of net cash</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Cash at bank and in hand	1,386	4,797
Short term deposits	4,250	4,750
<b>Cash and cash equivalents</b>	<b>5,636</b>	<b>9,547</b>
Other financial assets – bank deposits	4,950	3,000
<b>Net cash</b>	<b>10,586</b>	<b>12,547</b>



# Notes to the Company's financial statements continued

## L. Share capital

	2013 £'000	2012 £'000
<b>Authorised</b>		
39,000,000 (2012: 39,000,000) ordinary shares of 38 <sup>6</sup> / <sub>13</sub> p each	15,000	15,000
<b>Allotted and fully paid</b>		
26,744,947 (2012: 26,576,666) ordinary shares of 38 <sup>6</sup> / <sub>13</sub> p each	10,286	10,222

During the period 168,281 ordinary shares were issued (2012: 736,114) for a consideration of £202,000 to satisfy option exercises under SAYE and Sharesave schemes.

The options that have been granted and were outstanding under the Company's share option schemes are shown in note 22 on page 70. Full details of the share option schemes are given in note 23 on page 71.

Employees of the Company had interests in 18,064 SAYE options under the 31 October 2012 grant (2012: 18,064); nil SAYE options under the 7 October 2009 grant (2012: 41,724); and 900,000 options under the Performance Share Plan (2012: 900,000).

## M. Financial commitments

The Company had financial commitments for land and buildings of £249,000 at 28 December 2013 (2012: £302,000). These are payable as follows: within 1 year £163,000 (2012: £129,000); in two to five years £86,000 (2012: £173,000).

## N. Contingent liabilities

Guarantees have been given by the Company for letters of credit of subsidiary companies totalling £nil at 28 December 2013 (2012: £120,000).

## O. Related party transactions

During the period the Company has been party to a number of transactions with fellow subsidiary companies:

	2013 £'000	2012 £'000
<b>Income statement</b>		
Finance income due from subsidiary companies	5,302	5,417
Finance costs due to subsidiary companies	3,068	1,317
<b>Balance sheet</b>		
Interest bearing loans due from subsidiary companies at end of period	64,762	68,903
Interest bearing loans due to subsidiary companies at end of period	36,377	37,140

Key management compensation, comprising remuneration of the Directors based in the UK, charged to the Company's income statement was:

	2013 £'000	2012 £'000
Salaries, fees and short-term employee benefits	786	672
Social security costs	87	97
Pension contributions	27	31
Share option charges	405	404
Social security in respect of share options	760	–
	2,065	1,204

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

# Five year financial record

The SPS business was classified as a discontinued operation in 2013 and the 2012 comparatives have been restated. In addition, 2012 has also been restated for amendments to IAS 19 and to include income from delivery receipts and other activities in revenue. The Brand Addition business was classified as a discontinued operation in 2011 and the 2010 comparatives have been restated. Prior periods have not been restated.

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009** £'000
<b>Income statement</b>					
<b>Revenue</b>	<b>212,861</b>	183,513	158,824	143,723	169,088
Underlying operating profit	<b>12,463</b>	9,154	8,486	6,221	5,716
Defined benefit pension – current service charge	–	–	–	–	(28)
– administration	<b>(478)</b>	(438)	–	–	–
Share option charges	<b>(1,594)</b>	(650)	(517)	(183)	(537)
Goodwill impairment	–	–	(4,743)	–	–
Exceptional items	<b>(254)</b>	(592)	(1,935)	(1,125)	(771)
<b>Operating profit</b>	<b>10,137</b>	7,474	1,291	4,913	4,380
Finance income	<b>56</b>	199	–	10	28
Finance costs	<b>(17)</b>	(157)	(352)	(519)	(343)
Net pension finance (charge)/income	<b>(924)</b>	(1,151)	(581)	(531)	(1,240)
<b>Profit before tax</b>	<b>9,252</b>	6,365	358	3,873	2,825
Taxation	<b>(2,466)</b>	(2,053)	(1,950)	(906)	(424)
<b>Profit/(loss) from continuing operations</b>	<b>6,786</b>	4,312	(1,592)	2,967	2,401
(Loss)/profit from discontinued operations	<b>(2,886)</b>	9,337	3,777	3,895	–
<b>Profit for the period</b>	<b>3,900</b>	13,649	2,185	6,862	2,401
Basic earnings per ordinary share	<b>25.64p</b>	16.41p	8.48p	26.65p	9.39p
Dividend per share – paid and proposed	<b>17.00p</b>	15.45p	14.60p	13.70p	12.75p
	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009† £'000
<b>Balance sheet</b>					
Non current assets (excluding deferred tax)	<b>6,155</b>	13,292	12,904	23,330	23,887
Deferred tax assets	<b>3,834</b>	6,281	6,115	6,348	7,558
Net current assets	<b>18,098</b>	22,758	13,138	18,151	8,106
Net assets held for sale	<b>5,735</b>	–	7,916	–	–
Pension liability	<b>(16,611)</b>	(22,894)	(23,547)	(21,905)	(22,450)
Other liabilities	<b>(436)</b>	(5,647)	(3,469)	(8,713)	(2,543)
<b>Shareholders' equity</b>	<b>16,775</b>	13,790	13,057	17,211	14,558
<b>Net cash/(debt)</b>	<b>15,757</b>	10,678	5,463	(239)	(3,126)

\* 2009 is a 53 week period, other periods are 52 weeks.

† Restated for amendments to IAS 38 re marketing costs.

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