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00177991 England

4imprint Group plc
Annual Report & Accounts 2008

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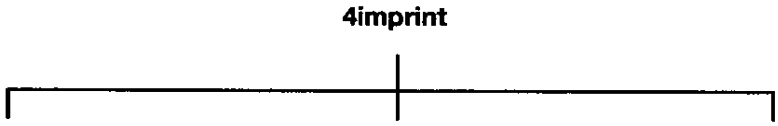
4imprint is a leading international supplier of promotional products



End User Division

The End User Division distributes promotional items principally to large corporate clients, through its three operations of Brand Addition in Manchester, Product Plus International in London and Kreyer Promotion Service in Hagen, Germany. These businesses provide their clients with product design, sourcing and delivery services, primarily via a contractual relationship.

Direct Marketing Division

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

Trade Division

The Trade Division based in Blackpool comprises the Supreme business, acquired in 2006, and the Product Source and MT Golf businesses relocated from Manchester during 2007. It is one of the largest trade supply companies in the UK within the promotional, marketing, advertising and business gift market, utilising its specialist manufacturing and print processes combined with its experience in worldwide sourcing of unique product ranges to supply UK, European and other overseas markets.

Highlights

- Group revenue increased to £168.09m, a 14% increase on 2007
- Operating profit before exceptional items and share grant was £9.34m, compared to £10.16m in 2007
- Operating profit was £5.79m, compared to £3.75m in 2007
- Profit before tax was £5.07m, an increase of 54% over 2007
- Basic earnings per share before exceptional items and share grant was 23.91p (2007: 26.40p)
- Basic earnings per share was 14.06p (2007: 8.93p), an increase of 57%
- Final dividend of 8.0p per share is proposed
- Group net debt was £4.19m, a reduction of £2.89m

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Executive Chairman's Statement

Ken Minton
Executive Chairman

At the interim statement I said that the Board expected to make further progress in the second half of the year. The Group did indeed see second half sales continue the 14% growth established in the first half.

However, market conditions weakened considerably in the fourth quarter, affecting particularly sales volumes in the Trade Division and gross margin and yield on catalogue investment in the North American Direct Marketing business.

Group revenue, at £168.09m was 14% ahead of 2007, Group operating profit before exceptional costs at £9.34m was 8% down on 2007 reflecting the weaker market conditions in November and December mentioned earlier.

Exceptional charges were £3.55m and were mainly due to:-

a) The completion of the restructuring of the Trade Division including write down of inventory and trade receivables, and costs associated with the major productivity improvements achieved. Manning levels were reduced from 353 at the start of 2008 to 245 currently.

b) Costs associated with de-manning and organisation improvements in the End User Division.

Operating profit after these exceptional charges was £5.79m. Net finance costs were £0.72m producing profit before tax of £5.07m. Taxation charged at an effective rate of 30% produced post tax profit of £3.55m.

Basic earnings per share before exceptional costs was 23.91p. (2007: 26.40p). Basic earnings per share was 14.06p (2007: 8.93p).

Cash flow was rigorously controlled and as a result, net debt was reduced from £7.08m at the start of 2008 to £4.19m at the end of the year.

Looking now at the performance of the three divisions which comprise the Group, the picture in 2008 was as follows:-

a) **Direct Marketing Division**
In North America, the Division maintained its strong growth, with revenue of US$170.57m, a 17% increase on 2007. After a modest start to the year where the yield on the catalogue prospecting investment was lower than expected, growth accelerated and continued until November, when the market weakness intensified and catalogue yields fell sharply. Operating profit in November and December was correspondingly affected and operating profit for the year was marginally lower than 2007. In the UK, the Direct Marketing business grew strongly with revenue at £5.18m, 25% ahead of last year.

b) **End User Division**
The End User Division delivered an excellent performance with revenue at £54.97m, 8% ahead of 2007, and divisional operating profit before exceptional items at £4.72m, 64% ahead of 2007. All three businesses in the division performed well.

c) **Trade Division**
The financial performance of this division was disappointing. While the quality and customer service issues which badly affected the second half of 2007 have been totally resolved, the recovery of sales has occurred more slowly than expected, in a UK market which was considerably weaker in the second half of the year. To combat these conditions, substantial reductions in costs have been achieved with manning reduced by 30% over the year and total annualised fixed costs are more than £2m lower than at the start of the year.

Furthermore, the management team has been completely restructured. The principal focus is now centred on expanding sales in the UK and export markets.

External and inter division revenue in 2008 was £19.76m and the division made a small loss before exceptional items of £0.04m.

Dividend

A final dividend of 8.0p per share will be proposed for Shareholders' approval at the Annual General Meeting to the held on 23 April 2009.

People

The impact of the crisis in the financial world and its recessionary consequences for trade is inevitably putting strains on all employees in the Group. The Board recognises this and appreciates the co-operation of everyone as we adjust to these new conditions, and take the necessary actions to ensure that the Group continues the progress that everyone has made possible in recent years.

Outlook

The markets served by 4imprint remain uncertain and the Group has entered 2009 with a modest level of debt and all three divisions prepared for a challenging year. Costs and cash flow remain under tight control.

Ken Minton
Executive Chairman
25 February 2009

Finance Director's Report

Gillian Davies
Group Finance Director

Group results

	2008 £m	2007 £m	Change
Group revenue	**168.09**	146.82	**+14%**
Group operating profit before exceptional items and share grant	**9.34**	10.16	**-8%**
Group profit before tax	**5.07**	3.30	**+54%**
Net debt	**(4.19)**	(7.08)	**+£2.89m**

Revenue in the Direct Marketing Division was 26% ahead of prior year in Sterling, End User Division revenue was 8% ahead and Trade Division revenue was 15% down on prior year.

Operating profit before exceptional items and share grant was 5% ahead in the Direct Marketing Division, 64% ahead in the End User Division and the Trade Division made a loss of £0.04m.

Head office costs were £1.59m compared to £1.33m in 2007. The increase was principally represented by increased employment costs, addition of strategic resource and the cost of relocation of the head office in the year.

Share option charge

The Group charged £0.37m (2007: £0.60m) to operating profit in accordance with IFRS2 "Share-based payments". The reduction is due to employee cancellation of SAYE schemes which are underwater and expiry of Group senior management and Executive schemes which have vested.

Pensions

The Group sponsors a defined benefit scheme, closed to new members, with 4 active members, 954 pensioners and 1,368 deferred members at the date of the last scheme accounts. There is a credit of £0.15m to profit in the period and cash contributions to the scheme were £2.26m.

The pension fund deficit has increased to £16.94m, as a result of a reduction in assets of £14.76m, principally due to actuarial losses; offset by a £8.37m reduction in liabilities, principally due to an increase in the discount rate from 6.0% to 6.5%.

KPI's

The Board monitors progress on the Group's strategy by reference to the following KPI's:

- Revenue by division
- Operating profit by division
- Operating cash flow by division
- Group profit before tax
- Group cash flow
- Headcount

These are discussed in the divisional operating reviews and in this report.

Exceptional items

The exceptional charge of £3.55m, comprised the following items:-

i) £2.79m finalisation of the major rationalisation and restructuring of the Trade Division. This included £0.41m relating to headcount reduction; £1.72m cost of inventory write down and £0.66m write down of trade receivables.

ii) Costs of £0.58m of reorganisation in the UK End User Division and closure of a small, unprofitable overseas office.

iii) Costs of £0.18m for onerous leases retained in the Group on the disposal of businesses in 2000. These costs relate to excess costs which have been incurred by the Group in 2008 and provision for net costs up to the date of exit from the final lease in 2011.

£2.43m of this exceptional charge represented non cash items.

Taxation

The tax charge was £1.52m, an effective rate of 30% (2007: 32%). Cash paid in the period was £0.96m (2007: £2.73m), principally in overseas territories. The current tax charge of £0.57m related to overseas tax and the deferred tax charge of £0.95m related principally to the utilisation of deferred tax assets for pension, share options and other timing differences offset by the recognition of deferred tax assets in subsidiaries for trading losses carried forward.

Earnings per share

Basic earnings per share for the year was 14.06p (2007: 8.93p). Basic earnings per share pre exceptional items and share grant was 23.91p (2007: 26.40p).

Finance Director's Report

continued

Dividends

The Board proposes a final dividend of 8.0p which together with the interim dividend of 4.25p gives 12.25p for the period, an increase of 2% over prior year.

Cash flow

The Group's net debt at 27 December 2008 was £4.19m, of which £1.90m represents a new borrowing facility entered into in 2008 to fund the construction of a new distribution centre in US Direct Marketing.

The principal components of the cash inflow in the period were:

	£m
Cash generated from operations before exceptional items	11.54
Defined benefit contributions	(2.26)
Cash cost of exceptional items	(1.41)
Operating working capital	4.69
Tax, dividends and interest	(4.77)
Capital investment	(3.41)
Deferred consideration on the acquisition of Supreme Holdings Ltd in 2006	(1.09)
Other, including exchange	(0.40)
Movement in net debt	2.89

- Capital investment included £1.81m relating to the freehold land and building for the US Distribution Centre (at US dollar average rate).

Balance sheet and Shareholders' funds

Equity Shareholders' funds decreased by £(3.16)m. Profit, net of dividends paid, in the period is £0.46m; exchange gains are £2.84m; net of tax actuarial losses are £(6.34)m and other movements are £(0.12)m.

Exchange and cash management

The average exchange rates during the period used to translate the income statements of principal overseas subsidiaries were US dollars: $1.86 (2007: $2.00) and Euros: €1.26 (2007: €1.46) to Sterling. The movement compared to prior year in US dollar exchange rate increased profit of the US business by £0.44m.

The exchange rates at the balance sheet date used to translate assets and liabilities were US dollars: $1.47 (2007: $1.99) and Euros: €1.05 (2007: €1.36). This resulted in an increase in US dollar denominated overseas subsidiaries assets of £1.70m and an increase in Euro denominated overseas subsidiary assets of £0.83m.

Critical accounting policies

Critical accounting policies are those that require significant judgements or estimates and potentially result in materially different results under different assumptions or conditions. It is considered that the Group's critical accounting policies are pensions, deferred taxation, share-based payments, inventory provisions, trade receivables provisions and exceptional items. Further details are given in the accounting policies note on pages 32 and 33.

Treasury policy

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

Gillian Davies
Group Finance Director
25 February 2009

Operating Review

Direct Marketing Division

	2008 £'000	2007 £'000
Revenue	**96,663**	76,738
Operating profit	**6,466**	6,167

The Direct Marketing Division is comprised of two main operating units:

- The North American business, based in Oshkosh, Wisconsin, which services the promotional product requirements of customers throughout the USA and Canada primarily through a catalogue/internet-based direct marketing model. This is a well-established business which has a demonstrated track record of strong growth and cash generation characteristics.
- The Manchester based UK direct marketing operation, which in 2008 completed its first full year operating as a standalone business unit, after previously operating as part of the End User Division of the Group.

In North America, total revenue in US dollars at $170.57m was 17% ahead of prior year, the result of continued expansion of catalogue mailings, internet presence and existing customer marketing programmes. Performance in Canada was particularly impressive, with revenue increasing by more than 50% over 2007. Across the business, over 95,000 new customers were acquired in 2008, an increase of 20% over the 79,000 acquired in 2007 and importantly, existing customer revenue continued to grow in line with expectations.

However, the yield on our prospect marketing investment to acquire new customers decreased in the US, in particular in the fourth quarter, as economic turbulence coincided directly with a significant increase in prospect marketing activity, the bulk of which had been committed to in the third quarter. In addition, volatility in the US/Canadian dollar exchange rate in quarter four produced a significant adverse exchange movement. These factors combined to leave operating profit in US dollars 5% below prior year, although this result was mitigated in the Division's overall results by the favourable movement in the US dollar/Sterling exchange rate in 2008 compared to 2007.

In the UK, the Manchester based direct marketing business made excellent progress in its first year of independent operation. Revenue increased by 25% over 2007. Closer interaction with the expertise in the US business was complemented by a talented and increasingly confident local management team. For the first time, the business did make a very modest operating profit in the year, despite still being in the 'investment phase' of its development. Planning continues for potential future organic expansion into the wider European market.

With no customer making up more than 1% of revenue, and more customers using the internet and catalogues to order promotional products, the Direct Marketing Division is well positioned for the future. Although net margins are temporarily affected as prospecting yield is under pressure due to the challenging economic situation on both sides of the Atlantic, the business continues to produce attractive growth. The Division's working capital requirements are modest, and consequently it remains highly cash-generative.

Operating Review

continued

End User Division

	2008 £'000	2007 £'000
External and inter division revenue	**54,968**	50,846
External revenue	**54,647**	50,383
Operating profit before exceptional items	**4,721**	2,880
Operating profit	**4,138**	1,099

The End User Division distributes promotional items principally to large corporate clients, through its three operations of Brand Addition in Manchester, Product Plus International in London and Kreyer Promotion Service in Hagen, Germany. These businesses provide their clients with product design, sourcing and delivery services, primarily via a contractual relationship.

Following the transfer and integration of the Product Source business into the Trade Division and the transfer of the UK Direct Marketing business to the Direct Marketing Division, 2008 was the first full year of trading as a division dedicated to serving clients who require specialist support for their corporate and consumer promotions. The sharpness of this focus has been reflected in the excellent progress made.

Total divisional revenue increased by 8% and operating profit before exceptional items, increased by 64% over 2007.

Taking each of the businesses in turn:

Brand Addition (Manchester)

This business is the largest of the three operations, representing 50% of the revenue within the End User Division and successfully rebranded itself as "Brand Addition" in early 2008.

The business has increased its revenue by 5% over 2007. This revenue increase was achieved in conjunction with lower overheads established in the second half of 2007. As a result, operating profit before exceptional items more than doubled against prior year.

Product Plus International (London)

Our specialist Premiums business represents 25% of the total revenue in the division. Revenue in the year was broadly in line with 2007.

This business continues to evolve by focussing on market sectors where value can be added to our product offering through design and logistics solutions. This has led to an increase in operating profit before exceptional items of 21% over 2007.

Kreyer (Hagen, Germany)

The services provided by this business are similar to those of Brand Addition, offering value added out-sourced promotional product marketing programmes to our clients and working in partnership with the Manchester business where appropriate. This business continued its development in the year and has now become a substantial part of the division's revenue and operating profit. In Sterling, revenue increased by 31% over 2007 and operating profit before exceptional items increased by 20% as investment has been made to support revenue growth.

Across the division cash generation was strong. Cash generated from operations was almost double operating profit before exceptional items, with a significant reduction in working capital levels compared to 2007.

The exceptional charge in the year relates to the reorganisation of UK operations and the closure of a small, unprofitable overseas office.

Trade Division

	2008 £'000	2007 £'000
External and inter division revenue	**19,764**	23,727
External revenue	**16,775**	19,702
Operating (loss)/profit before exceptional items	**(38)**	3,334
Operating loss	**(2,831)**	(158)

The Trade Division is based in Blackpool. It is one of the largest promotional products trade supply companies in the UK; utilising its specialist manufacturing and print facilities and worldwide sourcing of other product ranges.

Total external and inter division revenue was 17% down on 2007. This poor performance arose from:

a) Weaker demand in the first half as customers waited for evidence that the delivery and quality problems of the second half of 2007 had been resolved.

b) In the second half, the impact of the credit turmoil on the UK promotional products market gradually intensified, with quarter four being particularly weak.

However, during the year, great progress was made in dealing with the consequences of the weaker revenue position:

Firstly, the delivery and quality performance rose substantially and customer feedback in the second half confirmed that in most areas we had returned to the high "pre integration" standards.

Secondly, operating costs which had increased significantly over planned levels during the integration process were steadily reduced and are now below the levels predicted prior to integration. Manning levels at the start of 2009 were 30% below those at the start of 2008.

The division overhead base and customer service performances are now fully competitive.

During 2008, a new experienced executive management team was installed and is fully operational. Product design, procurement, sales and marketing resources have all been strengthened. A renewed focus on export markets where there are substantial opportunities was implemented in the fourth quarter.

The exceptional charge related to the finalisation of the major rationalisation and restructuring in the division. This included £0.41m relating to headcount reduction; £1.72m cost of inventory write down and £0.66m write down of trade receivables.

Board of Directors

K.J. Minton CBE, 72

Chairman

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

A.J. Scull, 52

Corporate Services Director and Legal Counsel

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

G. Davies, 41

Group Finance Director

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

I. Brindle, 65

Senior Independent Non-Executive Director

Ian Brindle was appointed a Non-Executive Director in 2003. He was Chairman of PricewaterhouseCoopers UK and on retiring in 2001 he became Deputy Chairman of the Financial Reporting Review Panel where he served until 2007. He is a Non-Executive director of Elementis plc and Spirent Communications plc.

N. Temple, 61

Independent Non-Executive Director

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

He currently serves as the Chairman of Capula Ltd and Fox IT Ltd and as a Non-Executive Director of DataCash plc, Datatec Pty (SA), Hotelscene Ltd and Oceans Connect (UK) Ltd.

Audit Committee

Ian Brindle (Chairman)
Nicholas Temple

Remuneration Committee

Nicholas Temple (Chairman)
Ian Brindle

Nominations Committee

Nicholas Temple (Chairman)
Ian Brindle

Directors' Report

The Directors present their report and the audited financial statements for the period ended 27 December 2008. The Company's statement on Corporate Governance is included in the Corporate Governance Report on pages 14 to 19 of these financial statements.

4imprint Group plc 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.

Principal activities and Business Review

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

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

The results of the Group for the period are set out in detail on page 28.

Dividends

An interim dividend of 4.25p per ordinary share was paid on 16 September 2008 and the Directors recommend a final dividend of 8.0p per share. The proposed final dividend, if approved, will be paid on 28 April 2009 in respect of shares registered at the close of business on 27 March 2009.

The total distribution paid and recommended for 2008 on the ordinary shares is £3.09m or 12.25p per share (2007: £3.03m or 12.00p per share).

Charitable and political donations

The Group contributed the following sums:

	2008 £'000	2007 £'000
Charitable purposes	**83**	60

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

Charitable donations are made principally by the US Direct Marketing Division under its "one by one"® charitable programme. For every business day, the division awards at least a $500 in-kind grant to eligible organisations across the United States and Canada. Eligible organisations include those with IRS-approved 501(c)3 status, Canadian registered charities, religious organisations and accredited schools.

Disabled persons

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

Employee involvement

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

Risks

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

Directors' Report

continued

Risks *continued*

Outlined below are a number of risks which may affect the 4imprint businesses but the list is not exhaustive and other factors may adversely affect the Group.

1. Macroeconomic conditions

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

- Currency fluctuations which are relevant to all the divisions;
- Variations in commodity prices, labour costs and prices of raw materials, energy and bought in goods which are particularly relevant to the Trade Division and to the Direct Marketing Division which also has significant advance costs in printing and despatching catalogues;
- Credit risk in the current economic environment, which is relevant to all the divisions;
- Changes in interest and tax rates which are relevant to all the divisions; and
- Technology risks associated with, for example, use of the internet which is particularly relevant to the Direct Marketing Division.

2. Market competitors and new products

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

3. Operational risks

Operational risks are present in the Group's business. These risks include the risk of inadequate or failed internal and external processes and systems, departure of key management personnel, human error and external events such as changes in credit terms offered by suppliers, major disruption to delivery services or to the product supply chain.

4. Purchase of materials and services

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

5. Potential litigation and complaints

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

6. Change in law or regulation

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

7. Changes in accounting standards

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

Directors

The names of the present Directors and their interests in the share capital of the Company are shown on page 24. The biographical details of the Directors, committee memberships, independence status and identification of the Senior Independent Director are given on page 8.

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

Environment

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

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

Social and Ethical

The Board recognises its corporate social responsibilities and has developed, approved and issued a social and ethical policy, the purpose of which is to ensure, as far as reasonably practicable, that when undertaking their operations, all businesses operate in accordance with best practice. The policy addresses issues such as working hours, discrimination, collective bargaining and child labour. The policy is regularly reviewed and was re-considered by the Board at its meeting on 10 December 2008.

Health & Safety

During 2008, the Group continued to pursue improvements to the management of health and safety issues in each of the divisions. Regular monthly reports on health and safety matters are received by the Executive Committee and during the year, a number of senior managers in the Trade Division, together with the Corporate Services Director undertook IOSH training courses.

Share Capital

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

Rights and Obligations attaching to shares

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

Restrictions on Voting

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

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

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

Directors' Report

continued

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.

Qualifying Third Party Indemnity Provisions

During 2008, Qualifying Third Party Indemnity Agreements were signed by the Company in respect of each of the Directors.

Shares held in Trust for Employees Share Schemes

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

Significant Agreements

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review on pages 5 to 7. The financial position of the Group, its cash flows, and net debt position are described in the Finance Director's report on pages 3 to 4. In addition note 20 to the financial statements includes the Group's policies for managing its financial risk and its exposures to credit risk and liquidity risk.

The Group borrowings and facilities are set out in note 19. 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 accounts.

Directors' interests in the share capital of the Company

Details of share and option holdings are set out in the Remuneration Report on pages 24 and 25. Currently the Company has no policy regarding minimum shareholdings by Directors but the issue is considered annually.

Remuneration Report

Details of the procedures and guidelines used by the Committee in determining remuneration are outlined in its report on pages 21 to 26.

Purchase of own shares

To satisfy future employee share option requirements 265,325 shares were purchased during the period. These shares are held in Trust.

Following the approval, at the 2008 Annual General Meeting, of Resolution 11, the Company is authorised, generally and without conditions to make market purchases, as defined in the Companies Acts, of its ordinary shares of 38$^{6}/_{13}$ pence subject to the provisions set out in such Resolution. This authority applies from 23 April 2008 until the earlier of the end of the 2009 Annual General Meeting and 22 October 2009 unless previously cancelled or varied by the Company in general meeting. No such cancellation or variation has taken place.

No shares were cancelled during the period.

Substantial interests

At 24 February 2009 the Company had been notified of the following interests in the issued ordinary share capital of the Company:

	Number of shares	%
Aberforth Partners	5,270,000	20.59
SVG Investment Managers	5,116,753	19.99
Artemis Investment Management	3,319,817	12.97
Hermes Pensions Management	1,789,074	6.99
4imprint Directors	1,731,348	6.76
Aviva Investors	1,539,736	6.01
Gartmore Investment Management	897,141	3.50

Waiver of dividends

The dividend income from and the voting rights in respect of the 290,325 shares (2007: 355,000 shares) held in the 4imprint Group plc Employee Share Trust have been waived.

Payment Policy

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

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.

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 1985) of which the Company's auditors is unaware; and
- Each of the Directors has taken all of the steps that he ought to have taken as a Director to make himself 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
Secretary

25 February 2009

Statement on Corporate Governance

The disclosures required by Company laws in relation to the Takeover Directive are incorporated in the Directors' report.

During 2008 the Group has complied with the provisions of the Combined Code (2006), except for the following matter:-

There is no Group Chief Executive but the role of Executive Chairman has been undertaken by Mr K. J. Minton during the year. (Principle A.2.1).

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

The three Divisional Chief Executives, Mr C. Lee – End User Division, Mr K. Lyons-Tarr – Direct Marketing Division and Mr R. W. G. MacLeod – Trade Division; the Divisional Finance Director of the US Direct Marketing Division, Mr D. J. E. Seekings and the Chairman of the Trade Division, Mr P. R. Vaughan are members of the Executive Committee, together with the Executive Chairman, the Group Finance Director and the Corporate Services Director. The Executive Committee meets usually once each month to review financial performance and to address significant issues affecting the divisions and the Group. In advance of these scheduled meetings, the Executive Committee receives minutes of the previous meetings and detailed financial information on the performance of the divisions' businesses as well as any other items for discussion.

Additionally, monthly business reviews are undertaken with each of the divisions at which the Divisional Chief Executive and other senior divisional management present to the Executive Chairman and the other Executive Directors 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.

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

The Board

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

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

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

The Board has a formal schedule of matters reserved for its decision and the schedule was re-considered and approved by the Board at its meeting on 10 December 2008. The schedule includes, for example, the approval of interim and final financial statements, the acquisition and disposal of businesses, changes to the capital structure of the Company, the appointment or removal of Directors and the financing of the Group's businesses. Otherwise, the Board delegates day-to-day management of the Group to the Executive Directors.

In any circumstances where a Director has a concern, which cannot be resolved, about the running of the Company or a proposed action, any such concern is recorded in the minutes of Board meetings.

Specific responsibilities have been delegated to Board Committees which have access to independent expert advice at the Group's expense. The details of the Board Committees and their activities are set out in pages 15 to 19.

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

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

The Board consists of an Executive Chairman, a Group Finance Director, a Corporate Services Director and two independent Non-Executive Directors. The role of the Non-Executive Directors includes assisting in the development of strategy, scrutinizing the performance of management, monitoring the integrity of financial information and systems of risk management as well as determining the appointment, removal and remuneration of Executive Directors. During 2008 the Board has considered whether it is appropriate to have additional Non-Executive Directors. Given the size of the Company and the level of experience and knowledge of the current Non-Executive Directors, the Board believes that, at this stage of the Group's development, the appointment of any additional Non-Executive Directors is unnecessary. However, the matter will be kept under review, at least annually. The current Non-Executive Directors have letters of appointment for three years from 5 September 2006 in the case of Mr Nicholas Temple and from 10 October 2006 in the case of Mr Ian Brindle.

The letters of appointment of Mr Brindle and Mr Temple are available for inspection by any person at the Company's registered office during normal business hours and also at the Annual General Meeting.

The Corporate Services Director, who is a lawyer of twenty eight years qualification, also acts as the Company Secretary. This situation has been re-considered by the Board at its meeting on 10 December 2008 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 business and items for discussion. This enables the Directors to make informed decisions on the corporate and business issues under consideration. Additionally, the Company Secretary provides resources as appropriate, to enable Directors to update their skills and knowledge. Independent professional advice is available to the Directors as required, at the Company's expense.

During 2008, the Board undertook an evaluation of its performance and the performance of its committees. The evaluation process was conducted by the Executive Chairman, assisted by the Company Secretary, using a comprehensive questionnaire, the responses to which were discussed in detail by the Board. The Non-Executive Directors, led by the Senior Independent Non-Executive Director undertook an evaluation of the performance of the Executive Chairman, taking into account the views of the Executive Directors. The Board (not including the Chairman) is satisfied that the Executive Chairman's performance is effective and that he demonstrates significant continued commitment to the role.

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

The Company provides the necessary resources for developing and updating the knowledge and capabilities of the Directors. During 2008, the Board held meetings at the offices of the Trade Division and the End User Division in the UK and at the offices of the Direct Marketing Division in the United States. This enables the Non-Executive Directors, in particular, to increase their knowledge and familiarity with those businesses and their management. A table setting out the number of Board and Committee Meetings 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	–
Mr K. J. Minton	7	2	1	–
Mr I. Brindle	7	2	1	–
Ms G. Davies	7	2	–	–
Mr A. J. Scull	7	2	–	–
Mr N. Temple	7	2	1	–

Board Committees

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

Statement on Corporate Governance

continued

Nominations Committee

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

The Nomination Committee was chaired throughout 2008 and at the date of this report by Mr Nicholas Temple, an Independent Non-Executive Director. The other member of the Committee during 2008 was Mr Ian Brindle, the Senior Independent Non-Executive Director. Mr K. J. Minton, the Chairman of the Company, who is an Executive Director is usually invited to attend formal meetings of the Committee. The Company Secretary attends meetings of the Nomination Committee, in his capacity as Secretary.

The Nomination Committee has Terms of Reference which were re-considered and approved by the Board of the Company at its Board Meeting on 10 December 2008. These Terms of Reference are available for inspection at the Company's registered office during normal business hours.

The Nomination Committee meets as frequently as is required to fulfil its duties. When there are not specific decisions or recommendations to be made, the Chairman of the Committee consults the other member of the Committee as necessary. During 2008, the Nomination Committee held no formal meetings.

Remuneration Committee

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

The Remuneration Committee was chaired throughout 2008 and at the date of this report by Mr Nicholas Temple, an Independent Non-Executive Director. The other member of the Committee was Mr Ian Brindle, the Senior Independent Non-Executive Director. The Company Secretary attends meetings of the Remuneration Committee, in his capacity as Secretary.

The Remuneration Committee has Terms of Reference which were re-considered and approved by the Board at its meeting on 10 December 2008. These Terms of Reference are available for inspection at the Company's registered office during normal business hours.

The Remuneration Committee met once during 2008. The Chairman of the Company, Mr K. J. Minton who is an Executive Director was invited to attend that meeting and did so, except in circumstances where his own remuneration was being considered. Where there are no specific decisions or recommendations to be made, the Chairman of the Committee consults with the other member of the Committee and with external Shareholders as necessary.

Audit Committee

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

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

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

The Audit Committee was chaired throughout 2008 and at the date of this report by Mr Ian Brindle, the Senior Independent Non-Executive Director who was Chairman of PricewaterhouseCoopers UK and on retiring, in 2001, became Deputy Chairman of the Financial Reporting Review Panel where he served until 2007. He has extensive recent and relevant financial knowledge and experience. The other member of the Committee is Mr Nicholas Temple, an Independent Non-Executive Director. The Executive 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 Secretary. The Audit Committee met twice during 2008.

The Audit Committee has Terms of Reference which were re-considered and approved by the Board at its meeting on 10 December 2008. These Terms of Reference are available for inspection at the Company's registered office during normal business hours. The Board expects Audit Committee members to have an understanding of the following areas:

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

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

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

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

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

Statement on Corporate Governance

continued

Audit Committee *continued*

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

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

During 2008, the Group's auditors provided non-audit advice in a number of areas, including tax advisory work, and pension advice. In each case, before any non-audit work is commissioned, the nature and extent of such work is considered, initially by the Group Finance Director and the Corporate Services Director, to determine if such work would put at risk auditor objectivity and independence. This process includes discussion with the Audit partner at PricewaterhouseCoopers LLP. If there is any concern that auditors' objectivity and independence would be put at risk, the matter will be referred to the Audit Committee, prior to commissioning. No such references were made during 2008.

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

The Board has specifically reviewed the nature and extent of non-audit work carried out by the auditors in 2008 and concluded that there are no cases where auditor objectivity and independence has been put at risk.

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

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

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

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

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

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter for the forthcoming year;
- the external auditors' overall work plan for the forthcoming year;
- the external auditors' fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the levels of errors identified during the audit; and
- recommendations made by the external auditors in their management letters and the adequacy of management's response.

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

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

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

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

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

Relations with Shareholders

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

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

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

The Board consults with Shareholders in connection with specific issues where it considers it appropriate.

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

Internal control

The control system of the Group is intended to manage rather than eliminate the risk of failure to meet the Group's objectives and any such system can only provide reasonable and not absolute assurances against material misstatement or loss. The 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 Corporate Governance section of the Directors' Report on page 14, the Group operates a continuous process of identifying, evaluating and managing the significant risks faced by each division and the Group as a whole. This process, which has been in place throughout 2008 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 though clear authorisation levels;
- identification of operational risks and the development of mitigation plans by the senior divisional management;
- regular reviews of both forward looking business plans and historic performance; and
- regular reports to the Board from the Executive Directors.

The internal control process will continue to be monitored and reviewed by the Board which will, where necessary, ensure improvements are implemented. The Board has undertaken a review of the effectiveness of internal controls and has highlighted the additional measures now being taken in respect of the Trade Division operations in Blackpool.

Statement of Directors' Responsibilities

in respect of the Annual Report, the Directors' Remuneration Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Parent 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.

Each of the Directors, whose names and functions are listed on page 8 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 Operating Review and Directors' Report include 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
25 February 2009

Remuneration Report

except as indicated, this report is unaudited

Composition

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

The members of the Committee are Mr I. Brindle and Mr N. Temple who, throughout 2008 and at the date of this Report chaired the Committee. The Committee meets at least once a year and may invite other attendees as it sees fit.

Compliance

The Committee considers that during 2008 the Company has complied with the Best Practice Provision for Directors' Remuneration as required by the Financial Services Authority's Listing Rules.

Service agreements

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

Mr K. J. Minton was appointed for a one year period from 5 April 2008, after which his contract is renewable by mutual agreement subject to the provisions in respect of re-appointment contained in the Company's Articles of Association. The letter of appointment indicates that the appointment will terminate, forthwith, without any entitlement to compensation if, at any time,

a) he is not reappointed as a Director of the Company upon retirement by rotation pursuant to the Company's Articles of Association; or

b) he is removed as a Director of the Company by resolution passed at the General Meeting of the Company; or

c) he ceases to be a director of the Company by reason of his vacating office pursuant to any provision of the Company's Articles of Association.

Name	Contract Details	Unexpired term at 27 December 2008	Notice period (i) from Company (ii) from Director	Contractual Termination payment
K. J. Minton	5 April 2008	3 months and one week	n/a	nil
G. Davies	6 December 2004	n/a	(i) Twelve months (ii) Six months	Twelve months contractual benefits n/a
A. J. Scull	8 November 2004	n/a	(i) Twelve months (ii) Six months	Twelve months contractual benefits n/a

Non-Executive Directors

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

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

The Non-Executive Directors do not have service agreements with the Company. They are appointed for a two or three year period and offer themselves for re-election at the relevant Annual General Meeting. The current Non-Executive Directors have letters of appointments for three years from 5 September 2006 in the case of Mr N. Temple and from 10 October 2006 in the case of Mr I. Brindle.

Remuneration Report

continued

Executive Directors – Policy

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

- competitive when compared with those in organisations of similar size, complexity and type;
- structured so that remuneration is linked to the long term growth in profitability and Shareholder value of the Company; and
- clear, easy to understand and motivating.

Methodology

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

Objectives

The Committee's objectives are:-

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

Elements of remuneration

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

Basic salary

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

Annual performance related bonus

Each Executive Director, except Mr K. J. Minton, is entitled to participate in a discretionary bonus scheme, which provides rewards according to growth in financial parameters established by the Committee. The level of bonus and the financial parameters are decided by the Committee each year and may vary from time to time. All bonus payments are capped and do not form part of pensionable remuneration. Other than in exceptional circumstances, the cap is 30% of salary for Executive Directors.

If the maximum bonus is achieved, the composition of each Executive Director's remuneration (excluding shares and share options) will be as follows:

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

Pensions

Each Executive Director, except Mr. K. J. Minton, is entitled to receive post retirement benefits through the Group's defined contribution pension scheme. The amounts paid by the Company in respect of Ms G. Davies and Mr A. J. Scull during the period ending 27 December 2008 are set out in Note (a) on page 24 of the Remuneration Report.

Share options

Executive Directors may be granted share options or nil cost shares under the Company's share option schemes which, in certain cases, have been approved by the H M Revenue and Customs and which, in other cases, are not so approved. Such grants are subject to performance targets, which are determined by the Committee taking independent advice as required.

No option grants were made during the period ended 27 December 2008.

Other benefits

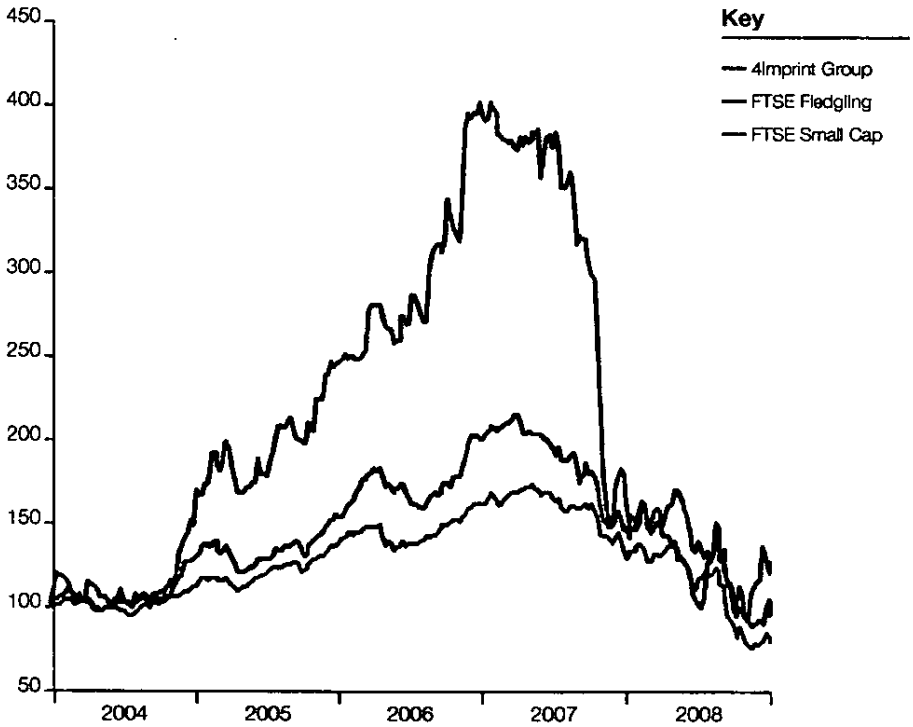
The Remuneration Committee has agreed the provision of other benefits to Executive Directors, excluding Mr K. J. Minton, including a car (or car allowance) and membership for each Executive Director, spouse and children up to age 18, of a private healthcare scheme.

Details of Directors' basic salaries or fees, annual performance related bonuses and other benefits (including all interests in shares and share options held by Directors) are set out on pages 24 and 25.

The Board believes that the Company can benefit from Executive Directors accepting appointments as Non-Executives and, as a consequence, allows them to hold outside appointments as Non-Executive Directors, subject to the approval of the Board. Any remuneration for an outside appointment is retained by the Executive Director. During the period and up to the date of this Report, neither Ms G. Davies nor Mr A. J. Scull had any appointments as a Non-Executive Director.

Performance graph

Total shareholder return



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

Audited information

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

Remuneration Report

continued

Directors' emoluments

	2008 £'000	2007 £'000
Emoluments of the Directors of 4imprint Group plc are as follows:		
Fees and contractual salary payments	**430**	394
Performance related bonus	**–**	94
Aggregate emoluments of the highest paid Director	**166**	195

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

	Note	Basic salary/fee £'000	Benefits £'000	Annual bonus £'000	Total emoluments 2008 £'000	Total emoluments 2007 £'000
Executive						
K. J. Minton	(b)	30	–	–	**30**	30
G. Davies	(a)	150	14	–	**164**	193
A. J. Scull	(a)	150	16	–	**166**	195
Non-Executive	(b)					
I. Brindle		35	–	–	**35**	35
N. Temple		35	–	–	**35**	35
Total 2008		**400**	**30**	**–**	**430**	
Total 2007		370	24	94		488

Notes:

a) The Group made defined contributions to the pension plans of Ms G. Davies and Mr A. J. Scull, amounting to £22,125 (2007: £20,250) and £22,125 (2007: £20,250) respectively.

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

c) Benefits include a company car allowance and medical insurance.

Interest in share capital and share options

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

Directors' interests in the share capital of the Company

	Holding at 27 December 2008	Holding at 29 December 2007
K. J. Minton	**1,718,010**	809,110
G. Davies	**5,000**	5,000
A. J. Scull	**5,000**	5,000
I. Brindle*	**3,337**	3,337
N. Temple*	**–**	–

* Non-Executive Director

There has been no change in the Directors' interests in the share capital of the Company since 27 December 2008.

Directors' options over the share capital of the Company

	Holding at 29 Dec 2007 and 27 Dec 2008	Date of Grant	Exercise price	Exercisable From	Exercisable To	No of shares vested	Vesting date
K. J. Minton							
– 2007 SAYE	**2,774**	1 Oct 2007	346p	Jan 2011	June 2011	–	–
	2,774						
G. Davies							9 Mar 05, 27 Sept 05 and
– 2004 Executive scheme	**120,000**	20 Dec 2004	Nil	6 Dec 2007	20 Dec 2014	120,000	10 Feb 06
– 2005 SAYE	**4,495**	06 Oct 2005	208p	1 Jan 2009	30 June 2009	–	–
– 2004 Executive scheme	**50,000**	14 Mar 2006	Nil	14 Mar 2009	30 June 2009	50,000	20 Oct 2006
	174,495					170,000	
A. J. Scull							9 Mar 05, 27 Sept 05 and
– 2004 Executive scheme	**120,000**	20 Dec 2004	Nil	6 Dec 2007	20 Dec 2014	120,000	10 Feb 06
– 2005 SAYE	**4,495**	06 Oct 2005	208p	1 Jan 2009	30 Jun 2009	–	–
– 2004 Executive scheme	**50,000**	14 Mar 2006	Nil	14 Mar 2009	30 June 2009	50,000	20 Oct 2006
	174,495					170,000	

Gain on the exercise of options in the period was £nil (2007: £918,000).

During 2008 the middle market value of the share price ranged from 96.5p to 228.50p and was 128.0p at the close of business on 27 December 2008.

Details of share options granted by 4imprint Group plc as at 27 December 2008 are given in note 23. None of the terms and conditions of the share options were varied during the period. The performance criteria for all the Director's 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.

Other than the grants made in September 2007, the performance criteria for vesting of nil cost options occurred as the share price passed through a series of award triggers, namely £2, £2.50, £3 and £3.50. These nil-cost options have vested and are exercisable in accordance with the Rules of the Scheme.

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

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

Remuneration Report

continued

Directors' options over the share capital of the Company *continued*

On 7 September 2007, grants were made to two other Executive Directors, Ms G. Davies and Mr A. J. Scull, three Persons Discharging Managerial Responsibilities, Mr C. Lee, Mr K. Lyons-Tarr and Mr D. J. E. Seekings and seven other senior managers under the terms of the 4imprint Long Term Incentive Plan which was approved by Shareholders at the 2007 AGM. There are performance targets attached to the grants which are based on the increase in total shareholder return above the cost of equity, measured over a three year period commencing on 23 October 2006 and at a share price of 350p. An amount not exceeding 10% of the increase in total shareholder return above the cost of equity for the period will be calculated and made available for allocation to participants. Participants will be awarded such number of shares as represents a proportion of that 10%. At the date of grant and at the date of this report, no Executive Director, Person Discharging Managerial Responsibility or other senior manager is entitled to a proportion exceeding 15.25% of that 10%.

Due to the nature of these grants, it is not possible to provide a sufficiently reliable estimate of the number of shares under option and consequently a fair value per option.

On behalf of the Board

Nick Temple
Chairman of the Remuneration Committee
25 February 2009

Independent Auditors' Report

to the members of 4imprint Group plc

We have audited the Group and Parent Company financial statements (the "financial statements") of 4imprint Group plc for the period ended 27 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Finance Director's Report and the Operating Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Parent Company and the Group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Parent Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

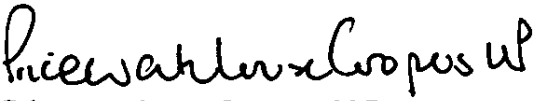
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and that part of the Directors' Remuneration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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 27 December 2008 and of its profit and cash flows for the period then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 27 December 2008 and of its cash flows for the period then ended;
- the financial statements and that part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
25 February 2009

Group Income Statement

for the period ended 27 December 2008

	Note	2008 £'000	2007 £'000
Revenue	1	**168,085**	146,823
Operating expenses	2	**(162,296)**	(143,076)
Operating profit	1	**5,789**	3,747
Operating profit before exceptional items and share grant		**9,342**	10,160
Exceptional items	5	**(3,553)**	(5,273)
Share grant	2	**–**	(1,140)
Operating profit	1	**5,789**	3,747
Finance income	6	**37**	13
Finance costs	6	**(756)**	(458)
Profit before tax		**5,070**	3,302
Taxation	7	**(1,520)**	(1,072)
Profit attributable to equity Shareholders		**3,550**	2,230
Earnings per share			
Basic	9	**14.06p**	8.93p
Diluted	9	**13.67p**	8.65p

The notes on pages 32 to 65 are an integral part of the consolidated financial statements.

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

Statements of Recognised Income and Expense

for the period ended 27 December 2008

	Note	Group 2008 £'000	Group 2007 £'000
Profit for the period		**3,550**	2,230
Exchange gains offset in reserves net of tax		**2,841**	59
Actuarial (losses)/gains taken to reserves net of tax	22	**(6,336)**	3,886
Net (losses)/gains not recognised in income statement		**(3,495)**	3,945
Total recognised income for the period		**55**	6,175

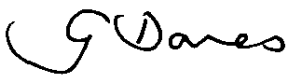
	Note	Company 2008 £'000	Company 2007 £'000
Profit/(loss) for the period		**24,704**	(2,418)
Actuarial (losses)/gains taken to reserves net of tax	22	**(6,336)**	3,886
Net (losses)/gains not recognised in income statement		**(6,336)**	3,886
Total recognised income for the period		**18,368**	1,468

Balance Sheets

at 27 December 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Non current assets					
Property, plant and equipment	10	**12,548**	10,240	**192**	–
Goodwill	11	**9,084**	9,084	**–**	–
Intangible assets	12	**1,630**	1,459	**–**	–
Investments	13	**11**	8	**104,187**	104,187
Deferred tax assets	14	**5,861**	4,334	**5,254**	3,529
Trade and other receivables	16	**–**	–	**20,066**	–
		29,134	25,125	**129,699**	107,716
Current assets					
Inventories	15	**8,449**	9,335	**–**	–
Trade and other receivables	16	**28,854**	31,156	**43,478**	32,387
Cash and cash equivalents	17	**4,411**	2,744	**660**	2,124
		41,714	43,235	**44,138**	34,511
Current liabilities					
Trade and other payables	18	**(23,601)**	(22,950)	**(8,775)**	(878)
Current tax		**(151)**	(322)	**–**	–
Borrowings	19	**–**	(3,821)	**(335)**	(4,547)
		(23,752)	(27,093)	**(9,110)**	(5,425)
Net current assets		**17,962**	16,142	**35,028**	29,086
Non current liabilities					
Retirement benefit obligations	4	**(16,937)**	(10,549)	**(16,937)**	(10,549)
Borrowings	19	**(8,600)**	(6,000)	**(6,000)**	(6,000)
Amounts due to subsidiary companies	29	**–**	–	**(74,797)**	(68,476)
		(25,537)	(16,549)	**(97,734)**	(85,025)
Net assets		**21,559**	24,718	**66,993**	51,777
Shareholders' equity					
Share capital	21	**9,846**	9,823	**9,846**	9,823
Share premium reserve	22	**38,016**	37,943	**38,016**	37,943
Capital redemption reserve	22	**208**	208	**208**	208
Cumulative translation differences	22	**1,151**	(1,690)	**–**	–
Retained earnings	22	**(27,662)**	(21,566)	**18,923**	3,803
Total equity		**21,559**	24,718	**66,993**	51,777

The financial statements on pages 28 to 65 were approved by the Board of Directors on 25 February 2009 and were signed on its behalf by:



Ken Minton
Executive Chairman

Gillian Davies
Group Finance Director

Cash Flow Statements

for the period ended 27 December 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Cash flows from operating activities					
Cash generated from/(used in) operations	24	**12,563**	782	**3,463**	(2,651)
Tax paid		**(960)**	(2,734)	**(50)**	–
Finance income		**37**	82	**14**	77
Finance costs		**(761)**	(406)	**(482)**	(359)
Net cash generated from/(used in) operating activities		**10,879**	(2,276)	**2,945**	(2,933)
Cash flows from investing activities					
Acquisition of subsidiary	18	**(1,090)**	(266)	**–**	–
Purchases of property, plant and equipment		**(2,809)**	(1,220)	**(200)**	–
Purchases of intangible assets		**(623)**	(672)	**–**	–
Proceeds from the sale of property, plant and equipment		**24**	–	**–**	–
Dividends received		**–**	–	**3,649**	–
Net cash (used in)/generated from investing activities		**(4,498)**	(2,158)	**3,449**	–
Cash flows from financing activities					
Proceeds from borrowings		**2,600**	6,000	**–**	6,000
Proceeds from issue of ordinary shares		**96**	243	**96**	243
Purchase of own shares		**(652)**	–	**(652)**	–
Dividends paid to Shareholders	8	**(3,090)**	(2,557)	**(3,090)**	(2,557)
Net cash (used in)/generated from financing activities		**(1,046)**	3,686	**(3,646)**	3,686
Net movement in cash, cash equivalents and bank overdrafts		**5,335**	(748)	**2,748**	753
Cash, cash equivalents and bank overdrafts at beginning of the period		**(1,077)**	(249)	**(2,423)**	(3,221)
Exchange gains/(losses) on cash and bank overdrafts		**153**	(80)	**–**	45
Cash, cash equivalents and bank overdrafts at end of the period		**4,411**	(1,077)	**325**	(2,423)
Analysis of cash, cash equivalents and bank overdrafts					
Cash at bank and in hand	17	**4,411**	2,744	**660**	2,124
Bank overdraft	19	**–**	(3,821)	**(335)**	(4,547)
	24	**4,411**	(1,077)	**325**	(2,423)

Notes to the Financial Statements

Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with IFRS, IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (February 2009). The principal Group accounting policies are set out below.

Basis of consolidation

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

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

Use of assumptions and estimates

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

Critical accounting policies

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

Pensions

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

Deferred taxation

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

Share-based payments

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

Inventory provisions

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

Trade receivables provisions

A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the receivables.

Exceptional items

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

Segment reporting

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

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

The primary reporting format is by Division with central items reported separately, as these cannot reliably be allocated across segments.

Revenue

Revenue is represented by the invoiced value of goods to customers outside the Group excluding value added taxes and other similar revenue based taxes less estimated rebates. Revenues are recognised upon delivery of goods to customers.

Leases

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

Finance leases

Assets acquired through finance leases are capitalised as fixed assets, at the lower of the fair value of the leased asset and the present value of the minimum lease payments, and depreciated over the lease term or the estimated useful life, whichever is shorter. The resulting lease obligations are included in liabilities net of finance charges. Interest costs on finance leases are charged directly to the income statement.

Operating leases

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement on a straight line basis over the period of the lease.

Share-based payments

All share options are valued using option-pricing models (primarily Binomial or Monte Carlo). The fair value is charged to the income statement over the vesting period of the share option schemes. The value of the charge is adjusted to reflect the expected number of options that will become exercisable.

Exceptional items

Income or costs which are both material and non-recurring, whose significance is sufficient to warrant separate disclosure in the financial statements, are referred to as exceptional items.

Taxation

The charge for taxation is based on profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments. Provision is made for the tax effects of these differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is determined using tax rates (and laws) that have been enacted (or substantively 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.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 presentational currency of the Company is Sterling and the consolidated 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 retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement.

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

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

Investments

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any impairment losses. No depreciation is provided on land and assets in the course of construction. For all other tangible fixed assets, depreciation is calculated to write-off their cost less residual value by equal annual instalments over the period of their estimated useful lives, which are reviewed and revised on a regular basis. Leasehold assets are depreciated over the shorter of the term of the lease or their estimated useful lives.

The principal useful lives currently fall within the following ranges:

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

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

Intangible assets

Goodwill

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

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

Software

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

Other intangibles

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

Impairment of assets

All tangible and intangible assets with the exception of goodwill 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. Goodwill is tested for impairment annually. Where an impairment review is required, the carrying value of the assets is measured against their value in use based on future estimated cash flows resulting from the use of those assets. 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.

Inventories

Inventories are valued at the lower of cost and net realisable value. 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.

Cash and cash equivalents

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

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

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 operated a defined benefit scheme, which is now closed to new members.

The Group accounts for the defined benefit scheme in accordance with IAS19 "Employee benefits". The deficit of the defined benefit scheme is recognised in full on the balance sheet and represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. A full actuarial valuation is carried out at least every three years and the defined benefit obligation is updated on an annual basis, by independent actuaries, using the projected unit credit method.

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

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

Financial instruments

Borrowings are measured at amortised cost. Capitalised arrangement fees are amortised over the life of the loan. Trade and other receivables are measured at amortised cost less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material.

Provisions

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

Own shares held by ESOP Trust

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

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

IFRS standards effective in 2008

The IASB and IFRIC have issued additional standards, amendments and interpretations which are effective for this or future accounting periods as follows:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. This standard has not had any impact on the Group accounts.

New IFRS standards and interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting 1 January 2009 unless otherwise stated, some of which continue to be subject to endorsement by the EU.

The following standards and interpretations have yet to be adopted by the Group:

- IAS 1 (revised), 'Presentation of financial statements'. The standard is still subject to endorsement by the EU. In applying this standard it is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IFRS 2 (amendment), 'Share-based payment'. The amendment to the standard is still subject to endorsement by the EU. The standard clarifies that cancellations are not considered to be vesting conditions. This will impact on the Group's accounting for SAYE schemes. The required restatement is not expected to have a material impact on the Group or Company's financial statements.
- IAS 38 (amendment), 'Intangible assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for mail order catalogues when the Group has access to the catalogues and not when the catalogues are distributed to customers as is the Group's current accounting policy. The Group is assessing the impact of this standard.

The following standards and interpretations are not expected to have an impact on the Group accounts:

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.
- IFRS 8 'Operating Segments'.
- IAS 23 (amendment), 'Borrowing costs'.
- IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'.
- IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements'.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009).
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009).
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations', (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).

1 Segmental reporting

Primary reporting format – business segments

At 27 December 2008, the Group is reported in three primary business segments:

	Gross segment revenue		Inter-segment revenue		External revenue	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Trade Division	**19,764**	23,727	**(2,989)**	(4,025)	**16,775**	19,702
End User Division	**54,968**	50,846	**(321)**	(463)	**54,647**	50,383
Direct Marketing Division	**96,663**	76,738	**–**	–	**96,663**	76,738
Total	**171,395**	151,311	**(3,310)**	(4,488)	**168,085**	146,823

Inter-segment revenues are on an arms-length basis.

	Operating profit/(loss) before exceptional items and share grant		Exceptional items and share grant		Operating profit/(loss)	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Trade Division	**(38)**	3,334	**(2,793)**	(3,492)	**(2,831)**	(158)
End User Division	**4,721**	2,880	**(583)**	(1,781)	**4,138**	1,099
Direct Marketing Division	**6,466**	6,167	**–**	–	**6,466**	6,167
Head Office	**(1,587)**	(1,331)	**(177)**	(1,140)	**(1,764)**	(2,471)
Operating profit before defined benefit pension and share option charges	**9,562**	11,050	**(3,553)**	(6,413)	**6,009**	4,637
Defined benefit pension charges	**150**	(295)	**–**	–	**150**	(295)
Share option charges	**(370)**	(595)	**–**	–	**(370)**	(595)
Total	**9,342**	10,160	**(3,553)**	(6,413)	**5,789**	3,747

Net finance cost totalling £719,000 (2007: £445,000) and taxation charge of £1,520,000 (2007: £1,072,000) cannot be separately allocated to individual segments.

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

Other segmental information

	Assets		Liabilities		Capital expenditure		Depreciation		Amortisation	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Trade Division	**19,230**	22,936	**(2,478)**	(3,132)	**318**	881	**(718)**	(665)	**(53)**	(61)
End User Division	**23,214**	25,887	**(11,649)**	(9,835)	**495**	365	**(209)**	(248)	**(324)**	(310)
Direct Marketing Division	**18,563**	12,170	**(10,356)**	(7,865)	**2,503**	587	**(353)**	(274)	**(339)**	(317)
Unallocated assets/ (liabilities) & costs	**5,430**	4,623	**(16,206)**	(12,989)	**188**	–	**(18)**	(19)	**–**	–
Cash/(net debt)	**4,411**	2,744	**(8,600)**	(9,821)						
Total	**70,848**	68,360	**(49,289)**	(43,642)	**3,504**	1,833	**(1,298)**	(1,206)	**(716)**	(688)

The impairment of trade receivables charged to the income statement totalled £970,000 (2007: £570,000). This was incurred in the divisions as follows: Trade Division £703,000 (2007: £290,000); End User Division £45,000 (2007: £207,000); and Direct Marketing Division £222,000 (2007: £73,000).

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

Secondary reporting format – geographical segments

	Sales		Assets		Capital expenditure	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Europe	**76,597**	74,238	**48,956**	54,202	**1,110**	1,246
North America	**91,488**	72,585	**17,481**	11,414	**2,394**	587
Unallocated assets – cash			**4,411**	2,744		
Total	**168,085**	146,823	**70,848**	68,360	**3,504**	1,833

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

2 Operating expenses

	Note	2008 £'000	2007 £'000
The following items have been included in arriving at operating profit:			
Inventories:			
– Purchase of raw materials and consumables		**104,005**	90,509
– Changes in inventories		**(267)**	(839)
Staff costs	3	**25,326**	23,457
Depreciation of property, plant and equipment		**1,298**	1,206
Amortisation of intangibles		**661**	688
Loss on disposal of fixed assets		**19**	–
Other operating lease rentals payable:			
– Plant and machinery		**347**	313
– Property		**1,188**	1,060
Exceptional costs	5	**3,553**	5,273
Share grant		**–**	1,140
Net exchange gains		**(629)**	(55)
Other operating expenses		**26,795**	20,324
		162,296	143,076

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

In 2008, £55,000 of amortisation of intangibles was charged to exceptional costs.

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

	2008 £'000	2007 £'000
Audit services:		
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	**69**	68
Fees payable to the Company's auditor and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**68**	75
– other services relating to taxation:		
– compliance	**6**	25
– advice	**42**	219
– valuation and actuarial services:		
– pensions advice	**95**	–
– all other services	**13**	45
	293	432

In addition the 4imprint Pension Scheme has paid the auditors £6,000 (2007: £5,000) for audit services.

3 Employees

Staff costs

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Wages and salaries		**22,545**	20,241	**715**	636
Social security costs		**2,101**	1,930	**121**	77
Pension costs	4	**310**	691	**(99)**	340
Share-based payment charges		**370**	595	**370**	595
		25,326	23,457	**1,107**	1,648

The Group termination benefits totalling £526,000 have been charged to exceptional items (2007: £1,573,000). There were no termination benefits in the Company

Average number of people (including Executive Directors) employed

	2008 No.	2007 No.
End User Division	**230**	261
Direct Marketing Division	**446**	370
Trade Division	**308**	310
Head Office	**7**	7
	991	948

Key management compensation

	Note	2008 £'000	2007 £'000
Salaries, fees and short-term employee benefits		**1,063**	1,195
Social security costs		**96**	106
Pension contributions		**83**	88
Share-based payment charges		**153**	400
Share grant	2	**–**	1,140
		1,395	2,929

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

Directors' remuneration

	2008 £'000	2007 £'000
Aggregate emoluments	**430**	488
Company contributions to money purchase pension schemes	**44**	41
Aggregated gains made on the exercise of share options	**–**	918

4 Employee pension schemes

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

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

Net pension costs

	2008 £'000	2007 £'000
Defined contribution plans	**460**	396
Defined benefit scheme:		
– Current service cost	**68**	91
– Net interest (income)/cost	**(218)**	204
	310	691

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

Defined benefit scheme

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

	2008	2007
Rate of increase in pensionable salaries	**3.8%**	4.3%
Rate of increase in pensions in payment and deferred pensions	**2.8%**	3.3%
Discount rate	**6.5%**	6.0%
Inflation assumption	**2.8%**	3.3%
Expected return on scheme assets	**6.3%**	7.0%

The mortality assumptions adopted at 27 December 2008 imply the following life expectancies at age 65:

	2008	2007
Male currently age 40	**21.4 yrs**	21.4 yrs
Female currently age 40	**24.2 yrs**	24.2 yrs
Male currently age 65	**20.3 yrs**	20.2 yrs
Female currently age 65	**23.1 yrs**	23.0 yrs

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

	2008 £'000	2007 £'000
Present value of funded obligations	**(83,170)**	(91,544)
Fair value of scheme assets	**66,233**	80,995
Net liability recognised in the balance sheet	**(16,937)**	(10,549)

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

	2008	2007
Equities	**33%**	42%
Bonds	**38%**	32%
Property	**20%**	22%
Cash	**9%**	4%

The amounts recognised in the income statement are as follows:

	2008 £'000	2007 £'000
Current service cost	**68**	91
Interest cost	**5,366**	5,200
Expected return on scheme assets	**(5,584)**	(4,996)
Total included in staff costs	**(150)**	295

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

	2008 £'000	2007 £'000
Defined benefit obligation at start of period	**91,544**	100,347
Current service cost	**68**	91
Interest cost	**5,366**	5,200
Contributions by scheme participants	**3**	3
Actuarial gains	**(9,510)**	(9,524)
Benefits paid	**(4,301)**	(4,573)
Defined benefit obligation at end of period	**83,170**	91,544

4 Employee pension schemes *continued*

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

	2008 £'000	2007 £'000
Fair value of assets at start of period	**80,995**	81,911
Expected return on assets	**5,584**	4,996
Actuarial losses	**(18,309)**	(3,242)
Contributions by employer	**2,261**	1,900
Contributions by scheme participants	**3**	3
Benefits paid	**(4,301)**	(4,573)
Fair value of assets at end of period	**66,233**	80,995

Based on the current schedule of contributions, contributions by the employer for 2009 would be broadly in line with the 2008 contributions.

Analysis of the movement in the balance sheet liability:

	2008 £'000	2007 £'000
At start of period	**10,549**	18,436
Total (income)/expense as above	**(150)**	295
Contributions paid	**(2,261)**	(1,900)
Actuarial losses/(gains) taken directly to equity	**8,799**	(6,282)
At end of period	**16,937**	10,549

The actual return on scheme assets was a loss of £(11,920,000) (2007: gain £1,754,000).

History of experience gains and losses

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Experience adjustment on scheme liabilities	**(406)**	2,240	(25)	(75)	2,396
Percentage of the present value of scheme liabilities	**<1%**	2%	<1%	<1%	28%
Experience adjustment on scheme assets	**(18,309)**	(3,242)	2,251	7,013	656
Percentage of scheme assets	**28%**	4%	3%	9%	1%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**9,916**	7,284	(907)	(10,541)	(4,139)
Percentage of the present value of scheme liabilities	**12%**	8%	1%	11%	5%

5 Exceptional items

	2008 £'000	2007 £'000
Trade Division reorganisation and integration costs	**(2,793)**	(3,492)
End User Division reorganisation costs	**(583)**	(980)
Contract exit costs	**–**	(801)
Onerous leases	**(177)**	–
	(3,553)	(5,273)

Following the integration of the Product Source business into the Trade Division in Blackpool in July 2007, the division has gone through a significant period of restructuring and rationalisation. The Trade Division exceptional costs in 2008 represented the finalisation of this major reorganisation. These costs principally comprised £409,000 relating to headcount reduction; £1,719,000 inventory write down and £665,000 provision for irrecoverable trade receivables.

The End User Division reorganisation costs in 2008 related to the restructuring of the UK operations across the London and Manchester businesses and the closure of a small, unprofitable overseas office.

The onerous lease costs related to leases which were retained by the Group following the disposal of businesses in 2000. Since the disposal, the properties have not been used by the Group and are sublet if possible. These charges related to excess costs incurred in 2008 and the net costs which will be incurred by the Group for the remainder of the lease periods. The final lease expires in 2011.

Trade Division integration costs and End User Division reorganisation costs in 2007 represented the costs attributable to the relocation of the Manchester based Product Source business to the Supreme trade business in Blackpool, together with the resultant reorganisation of the business and related infrastructure in Manchester.

Contract exit costs in 2007 represented the costs of exiting an onerous customer contract in the End User Division, including a £500,000 inventory write down.

Cash expenditure on exceptional items in 2008 was £1,411,000 including £962,000 in respect of 2007 exceptional items. Non cash items were £2,432,000 and £705,000 of cash items are included in accruals at 27 December 2008.

6 Finance income and costs

	2008 £'000	2007 £'000
Finance income		
Bank interest	**37**	13
Finance costs		
Interest payable on bank borrowings	**(726)**	(398)
Interest payable on deferred consideration	**(30)**	(60)
	(756)	(458)

7 Taxation

	2008 £'000	2007 £'000
Analysis of charge in the period:		
UK tax – current	–	(341)
Overseas tax – current	568	2,534
Total current tax	568	2,193
Deferred tax	525	(1,146)
Adjustment in respect of prior years' deferred tax	427	–
Impact of change in UK tax rate on deferred tax	–	25
Total deferred tax	952	(1,121)
Taxation	1,520	1,072

The tax for the year is different to the standard rate of corporation tax in the UK (28.5%). The differences are explained below:

	2008 £'000	2007 £'000
Profit before tax	5,070	3,302
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28.5% (2007: 30%)	1,445	991
Effects of:		
Adjustments in respect of foreign tax rates	83	360
Expenses not deductible for tax purposes and non taxable income	(58)	88
Timing differences and other differences	(377)	(367)
Adjustments in respect of previous years	427	–
Taxation	1,520	1,072

Factors which may affect future tax charges

No provision has been made for deferred tax assets relating to trading losses carried forward of £2.34m (2007: £2.80m). These losses may be available for offset against future trading profits.

No provision has been made for deferred tax assets relating to capital losses carried forward of £9.85m (2007: £9.85m). These amounts will be utilised should the UK Group have any chargeable gains in the future. No material gains were anticipated as at 27 December 2008.

During the prior year, as a result of the change in UK Corporation Tax rates which was effective from 1 April 2008, deferred tax balances were remeasured.

The future tax rate will be affected by the proportion of profits earned in overseas jurisdictions as these profits are currently taxed at rates in excess of 28%.

8 Dividends

Equity dividends – ordinary shares

	2008 £'000	2007 £'000
Interim paid: 4.25p (2007: 4.00p)	**1,070**	1,008
Final paid: 8.0p (2007: 6.25p)	**2,020**	1,549
	3,090	2,557

In addition, the Directors are proposing a final dividend in respect of the period ended 27 December 2008, of 8.0p per share, which will absorb an estimated £2.02m of Shareholders' funds. It will be paid on 28 April 2009 to Shareholders who are on the register of members on 27 March 2009. These financial statements do not reflect this proposed dividend.

9 Earnings per share

Basic and diluted

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

	2008 £'000	2007 £'000
Profit for the financial period	**3,550**	2,230
Add back:		
Exceptional items	**3,553**	5,273
Share grant	**–**	1,140
Tax effect of the above items	**(1,066)**	(2,052)
Adjusted profit for the financial period	**6,037**	6,591
	Number 000's	Number 000's
Basic weighted average number of shares	**25,251**	24,969
Dilutive potential ordinary shares – employee share options	**715**	802
Diluted weighted average number of shares	**25,966**	25,771
Basic earnings per share	**14.06p**	8.93p
Adjusted basic earnings per share	**23.91p**	26.40p
Diluted earnings per share	**13.67p**	8.65p

The basic weighted average number of shares excludes shares held in the 4imprint Group plc Employee Share Trust. The effect of this is to reduce the average by 343,000 (2007: 501,000).

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 at the balance sheet date.

The adjusted basic earnings per share is calculated before the after tax effect of exceptional items and share grant and is included because the Directors' consider this gives a measure of the underlying performance of the business.

10 Property, plant and equipment

Group	Freehold land and building* £'000	Long leasehold buildings £'000	Short leasehold buildings £'000	Plant, machinery, fixtures & fittings £'000	Computer hardware £'000	**Total £'000**
Cost:						
At 30 December 2007	–	2,767	136	9,548	1,437	13,888
Additions	1,806	–	–	812	263	2,881
Disposals	–	–	–	(226)	(98)	(324)
Exchange translation	484	–	30	592	276	1,382
At 27 December 2008	2,290	2,767	166	10,726	1,878	**17,827**
Depreciation:						
At 30 December 2007	–	66	88	2,493	1,001	3,648
Charge for the period	–	62	16	897	323	1,298
Disposals	–	–	–	(183)	(98)	(281)
Exchange translation	–	0	13	397	204	614
At 27 December 2008	–	128	117	3,604	1,430	**5,279**
Net book value at 27 December 2008	**2,290**	**2,639**	**49**	**7,122**	**448**	**12,548**

* The freehold building with a cost of £1,966,000 is still in the course of construction at 27 December 2008. Freehold land with a cost of £324,000 has not been depreciated.

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

Company	Fixtures & fittings £'000
Cost:	
Additions	200
At 27 December 2008	200
Depreciation:	
Charge for the period	8
At 27 December 2008	8
Net book value at 27 December 2008	**192**

No property, plant and equipment was held by the Company in the prior year.

11 Goodwill

Group	£'000
Cost:	
At 29 December 2007 and 27 December 2008	**9,084**

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

	2008 £'000	2007 £'000
End User Division	**4,341**	4,341
Trade Division	**4,743**	4,743
	9,084	9,084

The recoverable amount of a segment is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a two year period. Subsequent cash flows have been increased in line with past performance and management view of market developments using growth rates noted below. These growth rates do not exceed the long term average growth rates for the countries in which the divisions operate.

The key assumptions used in the value in use calculations for goodwill held at 27 December 2008 and 29 December 2007 were:

	2008 £'000	2007 £'000
Discount rate pre tax	**12.65%**	10%
Operating profit margin	**8%**	11%
Long term growth rate	**2%**	2.25%

There is no goodwill in the Company.

12 Intangible assets

Group	Computer Software £'000
Cost:	
At 30 December 2007	4,403
Additions	623
Disposals	(428)
Exchange translation	580
At 27 December 2008	**5,178**
Amortisation:	
At 30 December 2007	2,944
Charge for the period	716
Disposals	(427)
Exchange translation	315
At 27 December 2008	**3,548**
Net book value at 27 December 2008	**1,630**

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

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

13 Investments

Group	2008 £'000	2007 £'000
Investment in German trade organisation	**11**	8

The investment represents an equity investment in a German promotional products trade group of which the German subsidiary is a member. The movement in cost is entirely due to exchange.

Company	Shares in subsidiary undertakings £'000
Cost:	
At 29 December 2007 and 27 December 2008	**104,187**

Subsidiary undertakings
The principal operating subsidiaries at 27 December 2008, included in the consolidation are set out below. All of these subsidiaries are wholly owned. All subsidiaries have ordinary share capital only.

Company	Country of incorporation and operation	Business
Broadway Incentives Limited	England	Promotional products
Kreyer Promotion Service GmbH	Germany	Promotional products
Product Plus International Limited	England	Promotional products
4imprint Inc.	USA	Promotional products
4imprint Direct Limited	England	Promotional products
SPS (EU) Limited	England	Promotional products

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

14 Deferred tax

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
At start of period	**4,334**	6,149	**3,529**	6,005
Income statement (charge)/credit	**(952)**	1,121	**(679)**	189
Deferred tax credited/(debited) to reserves	**2,342**	(2,936)	**2,404**	(2,665)
Exchange gain	**137**	–	**–**	–
At end of period	**5,861**	4,334	**5,254**	3,529

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

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

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.

14 Deferred tax *continued*

Deferred tax analysis

Group	Depreciation/ capital allowances £'000	Tax losses £'000	Pension £'000	Other £'000	**Total £'000**
At 30 December 2007	(492)	260	2,952	1,614	**4,334**
Income statement (charge)/credit	(384)	672	(675)	(565)	**(952)**
Exchange differences (debited)/credited to reserves	(83)	–	–	220	**137**
Deferred tax credited/(debited) to reserves	–	–	2,463	(121)	**2,342**
At 27 December 2008	(959)	932	4,740	1,148	**5,861**

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

Total unrecognised deferred tax assets on trading losses were £655,000 (2007: £800,000).

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

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

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Exchange differences	**137**	–	**–**	–
Share options	**(121)**	(540)	**(59)**	(269)
Actuarial gains	**2,463**	(2,396)	**2,463**	(2,396)
	2,479	(2,936)	**2,404**	(2,665)

15 Inventories

Group	**2008 £'000**	2007 £'000
Raw materials and consumables	**647**	1,089
Work in progress	**365**	375
Finished goods and goods for resale	**7,437**	7,871
	8,449	9,335

During both the current and previous year, inventory was carried at cost less appropriate provisions as this did not exceed the fair value less cost to sell. Provisions held against inventory totalled £2,081,000 (2007: £1,221,000). In 2008, £1,719,000 of inventory provisions have been charged to exceptional costs in relation to the Trade Division as disclosed in note 5.

An inventory provision of £500,000 was recorded in 2007 relating to the contract exit costs as disclosed in note 5. This was fully utilised in 2008.

The Company held no inventory at 27 December 2008 or 29 December 2007.

16 Trade and other receivables

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Trade receivables	**23,566**	26,446	**–**	–
Less: Provision for impairment of receivables	**(987)**	(603)	**–**	–
Trade receivables – net	**22,579**	25,843	**–**	–
Amounts due from subsidiary companies	**–**	–	**63,187**	32,154
Corporation tax debtor	**250**	–	**50**	–
Other receivables	**3,228**	2,351	**251**	–
Prepayments and accrued income	**2,797**	2,962	**56**	233
	28,854	31,156	**63,544**	32,387
Less non-current portion: Amounts due from subsidiary companies	**–**	–	**(20,066)**	–
	28,854	31,156	**43,478**	32,387

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

There is no impairment of any receivables other than trade receivables.

Amounts due from subsidiary companies includes current assets of £41,740,000 (2007: £31,722,000) and amounts due within two to five years of £20,066,000 (2007: £nil) which are interest bearing at market rates of interest.

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

	Group	
Time past due date	**2008 £'000**	2007 £'000
Up to 3 months	**5,122**	7,434
3 to 6 months	**605**	983
Over 6 months	**110**	630
	5,837	9,047

The ageing of impaired trade receivables is as follows:

	Group	
Time past due date	**2008 £'000**	2007 £'000
Up to 3 months	**104**	–
3 to 6 months	**196**	233
Over 6 months	**687**	370
	987	603

There were no receivables from related parties.

16 Trade and other receivables *continued*

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

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Sterling	**10,938**	14,237	**62,599**	30,590
US Dollars	**14,045**	11,937	**–**	431
Euros	**2,905**	4,275	**945**	1,366
Canadian Dollars	**811**	483	**–**	–
Other currencies	**155**	224	**–**	–
	28,854	31,156	**63,544**	32,387

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

	Group	
	2008 £'000	2007 £'000
At start of period	**603**	137
Exchange translation	**20**	2
Utilised	**(515)**	(106)
Provided	**975**	570
Released	**(96)**	–
At end of period	**987**	603

17 Cash and cash equivalents

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Cash at bank and in hand	**4,411**	2,744	**660**	2,124

18 Trade and other payables – current

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Trade payables	**17,200**	15,485	**–**	–
Other tax and social security payable	**1,228**	1,251	**–**	–
Other payables	**98**	1,173	**11**	113
Amounts due to subsidiary companies	**–**	–	**8,389**	–
Accruals	**5,075**	5,041	**375**	765
	23,601	22,950	**8,775**	878

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

Other payables in the Group in 2007 includes £1,060,000 deferred consideration and interest accrued relating to the purchase of Supreme Holdings Limited in 2006. A further £30,000 of interest was charged during 2008, and the total of £1,090,000 was paid in the period.

19 Financial liabilities – Borrowings

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Current bank overdrafts due within one year or on demand	**–**	3,821	**335**	4,547
Non current bank loans	**8,600**	6,000	**6,000**	6,000
	8,600	9,821	**6,335**	10,547

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

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Non current bank loans				
Repayable in 1-2 years	**6,705**	6,000	**6,000**	6,000
Repayable in 2-5 years	**1,895**	–	**–**	–
	8,600	6,000	**6,000**	6,000

The loans repayable in 1-2 years are unsecured.

The loan repayable in 2-5 years is secured on land and building in the USA.

19 Financial liabilities – Borrowings *continued*

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

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Euros (2008: 5.23%, 2007: 4.75%)	**–**	–	**–**	747
Sterling (2008: 2.8%; 2007: 6.65%)	**6,000**	9,821	**6,335**	9,800
US Dollars (2008: 5.82%; 2007: n/a)	**2,600**	–	**–**	–
	8,600	9,821	**6,335**	10,547

The Group had the following undrawn committed borrowing facilities available at 27 December 2008:

	Floating rate	
Borrowing facilities	**2008 £'000**	2007 £'000
Expiring within one year	**4,956**	2,458
Expiring in more than one year	**4,294**	813
	9,250	3,271

20 Financial risk management

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

Currency risk

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

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

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

The movement in the exchange rates compared to prior year increased profit of the US business by £0.44m and increased net assets by £1.70m. Closing rate was US$1.47 (2007: US$1.99) and the average rate used to translate profits was US$1.86 (2007: US$2.00).

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.

Cash deposits at 27 December 2008 are as follows:

	2008 Rating	2008 Deposit £'000	2007 Rating	2007 Deposit £'000
Lloyds TSB	**Aa3**	**2,269**	Aaa	–
HSBC	**Aa1**	**35**	Aa1	1,514
Associated	**A1**	**444**	A	157
Fortis	**A1**	**885**	Aa2	400
Bank of Montreal	**Aa1**	**339**	Aa1	298
JP Morgan Chase	**Aa1**	**268**	Aa1	140
Other		**171**		235
		4,411		2,744

Cash deposits of £660,000 (2007: £2,124,000) were held by the Company at 27 December 2008.

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

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

Liquidity risk

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

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

At 27 December 2008 the net debt position of the Group was £4,189,000 (2007: £7,077,000).

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

The Group has no derivative financial instruments.

Interest rate risk

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

If interest rates had been 0.1% higher, interest charges would have been £11,000 (2007: £6,000) higher in the year.

21 Called up share capital

	2008 £'000	2007 £'000
Authorised:		
39,000,000 (2007: 39,000,000) ordinary shares of 38$^{6}/_{13}$p each	**15,000**	15,000
Allotted and fully paid:		
25,600,552 (2007: 25,539,301) ordinary shares of 38$^{6}/_{13}$p each	**9,846**	9,823

61,251 ordinary shares were issued in the period (2007: 148,221) for consideration of £96,612 (2007: £242,377) to satisfy the exercise of share options under UK SAYE and US Sharesave schemes.

At 27 December 2008 the following options have been granted and were outstanding under the Company's share option schemes:

Scheme	Date of grant	Number of ordinary shares 2008	Number of option holders 2008	Number of ordinary shares 2007	Subscription price	Date exercisable From	Date exercisable to
1988 Executive scheme USA	14.04.98	–	–	12,000	450.33p	Apr 2003	Apr 2008
Executive scheme	16.04.99	**8,000**	**2**	8,000	350.0p	Apr 2004	Apr 2009
Executive scheme	20.12.04	**240,000**	**2**	240,000	nil	Dec 2007	Dec 2014
	24.03.05	–	–	258,890	nil	Mar 2008	Jun 2008
	18.04.05	–	–	51,110	nil	Apr 2008	Jun 2008
	14.03.06	**100,000**	**2**	100,000	nil	Mar 2009	Jun 2009
	10.04.06	**100,000**	**6**	120,000	nil	Mar 2009	Jun 2009
SAYE	20.10.04	–	–	24,050	104.0p	Dec 2007	May 2008
	06.10.05	**41,079**	**15**	69,393	208.0p	Jan 2009	Jun 2009
	03.10.06	**13,988**	**28**	47,227	266.0p	Jan 2010	Jun 2010
	01.10.07	**18,671**	**47**	41,948	346.0p	Jan 2011	Jun 2011
	07.10.08	**254,272**	**91**	–	130.0p	Jan 2012	Jun 2012
US Sharesave	06.10.05	–	–	72,799	$3.80	Jan 2008	Feb 2008
	03.10.06	**2,121**	**4**	52,674	$6.17	Dec 2008	Jan 2009
	01.10.07	**1,491**	**5**	69,300	$6.95	Dec 2009	Jan 2010
	07.10.08	**308,487**	**180**	–	$2.32	Dec 2010	Jan 2011
Total		**1,088,109**	**382**	1,167,391			

The weighted average exercise price for options outstanding at 27 December 2008 was 96.35p (2007: 91.29p).

In addition there are the 4imprint Long Term Incentive Plan and grants under an Option Deed to the Executive Chairman. For both schemes it is not possible to estimate reliably the number of shares under option. These option schemes are fully described in note 23.

22 Statements of changes in Shareholders' equity

Group	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Cumulative translation differences £'000	Retained earnings: Own shares £'000	Retained earnings: Profit and loss £'000	Total equity £'000
Balance at 31 December 2006	9,766	37,757	208	(1,750)	(1,398)	(24,507)	**20,076**
Profit for the period						2,230	**2,230**
Exchange adjustments net of tax				60			**60**
Shares issued	57	186					**243**
Own shares utilised					830	(830)	**–**
Own shares purchased					(183)		**(183)**
Employee share options taken to reserves						595	**595**
Share grant taken to reserves						908	**908**
Deferred tax on employee share options taken to reserves						(540)	**(540)**
Actuarial gains taken to reserves						6,282	**6,282**
Deferred tax on pensions taken to reserves						(2,396)	**(2,396)**
Dividends						(2,557)	**(2,557)**
Balance at 29 December 2007	9,823	37,943	208	(1,690)	(751)	(20,815)	**24,718**
Balance at 30 December 2007	9,823	37,943	208	(1,690)	(751)	(20,815)	**24,718**
Profit for the period						3,550	**3,550**
Exchange adjustments net of tax				2,841			**2,841**
Shares issued	23	73					**96**
Own shares utilised					701	(701)	**–**
Own shares purchased					(469)		**(469)**
Employee share options taken to reserves						370	**370**
Deferred tax on employee share options taken to reserves						(121)	**(121)**
Actuarial losses taken to reserves						(8,799)	**(8,799)**
Deferred tax on pensions taken to reserves						2,463	**2,463**
Dividends						(3,090)	**(3,090)**
Balance at 27 December 2008	9,846	38,016	208	1,151	(519)	(27,143)	**21,559**

The cumulative goodwill written off to the reserves in respect of subsidiary companies currently held amounts to £15,297,000 (2007: £15,297,000).

Own shares held comprises 290,325 ordinary shares held in the 4imprint Group plc Employee Share Trust (2007: 355,000).

22 Statements of changes in Shareholders' equity *continued*

Company	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Retained earnings: Own shares £'000	Retained earnings: Profit and loss £'000	**Total equity £'000**
Balance at 31 December 2006	9,766	37,757	208	(1,398)	5,590	**51,923**
Loss for the period					(2,418)	**(2,418)**
Shares issued	57	186				**243**
Own shares utilised				830	(830)	**–**
Own shares purchased				(183)		**(183)**
Employee share options taken to reserves					244	**244**
Share grant taken to reserves					908	**908**
Deferred tax on employee share options taken to reserves					(269)	**(269)**
Actuarial gains taken to reserves					6,282	**6,282**
Deferred tax on pensions taken to reserves					(2,396)	**(2,396)**
Dividends					(2,557)	**(2,557)**
Balance at 29 December 2007	9,823	37,943	208	(751)	4,554	**51,777**
Balance at 30 December 2007	9,823	37,943	208	(751)	4,554	**51,777**
Profit for the period					24,704	**24,704**
Shares issued	23	73				**96**
Own shares utilised				701	(701)	**–**
Own shares purchased				(469)		**(469)**
Employee share options taken to reserves					370	**370**
Deferred tax on employee share options taken to reserves					(59)	**(59)**
Actuarial losses taken to reserves					(8,799)	**(8,799)**
Deferred tax on pensions taken to reserves					2,463	**2,463**
Dividends					(3,090)	**(3,090)**
Balance at 27 December 2008	9,846	38,016	208	(519)	19,442	**66,993**

Company's income statement

Under Section 230 of the Companies Act 1985 an income statement for the Company is not presented. Profit after tax and before external dividends payable for the period of £24,704,000 (2007: loss of £2,418,000) is included in the financial statements of the Company.

23 Share-based payments

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

The fair value of the options (granted after 7 November 2002, which had not been exercised by 30 December 2007), is determined using either the Monte Carlo valuation model or the Binomial model as appropriate and is spread over the vesting period of the options. The significant inputs into the model are an expected life of between 1.35 and 5 years for all options, the volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last 3 years and the risk-free rate is based on a 36 month UK LIBOR.

	2008 £'000	2007 £'000
Charge resulting from spreading the fair value of options granted after 7 November 2002, which had not been exercised by 30 December 2007 over the expected vesting period of the options	**370**	595

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

	UK SAYE Schemes			US Sharesave Schemes	
Grant date	06/10/05	03/10/06	01/10/07	03/10/06	01/10/07
Share price at grant date	260.0p	388.5p	432.5p	388.5p	432.5p
Exercise price	208p	266p	346p	$6.17	$6.95
Number of employees	15	28	47	4	5
Shares under option	41,079	13,988	18,671	2,121	1,491
Vesting period (years)	3	3	3	2.17	2.17
Expected volatility	32%	29%	18%	29%	18%
Option life (years)	3.5	3.5	3.5	2.25	2.25
Expected life (years)	3	3	3	2.17	2.17
Risk free rate	4.2%	4.9%	5.2%	4.9%	5.1%
Expected dividends expressed as a dividend yield	2.1%	2.8%	2.3%	2.1%	2.3%
Possibility of ceasing employment before vesting	10%	10%	10%	10%	10%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%
Fair value per option	77p	148p	95p	141p	83p

The awards granted in October 2008 start their term after 27 December 2008 and consequently no charge has been incurred in the current financial period.

23 Share-based payments *continued*

	Executive Share Schemes			Executive and Senior Management Share Schemes	
Grant date	20/12/04	14/03/06	07/09/07	10/04/06	07/09/07
Share price at grant date	173.5p	312.5p	426p	339p	426p
Exercise price	nil	nil	nil	nil	nil
Number of employees	2	2	1	6	12
Shares under option	240,000	100,000	n/a	100,000	n/a
Vesting period (years)	3	3	10	3	2.13
Expected volatility	45%	26%	10%	25%	10%
Option life (years)	10	10	10	10	10
Expected life (years)	3	3	3	3	3
Risk free rate	4.4%	4.5%	5.2%	4.5%	5.2%
Expected dividends expressed as a dividend yield	2.1%	2.1%	2.3%	2.8%	2.3%
Possibility of ceasing employment before vesting	0%	0%	0%	6%	6%
Expectations of meeting performance criteria	100%	100%	0%	100%	0%
Fair value per option	133p, 108p & 103p	254p	n/a	294p	n/a

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

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

On 7 September 2007, grants were made to two other Executive Directors, Ms G. Davies and Mr A. J. Scull, three Persons Discharging Managerial Responsibilities, Mr C. Lee, Mr K. Lyons-Tarr and Mr D. J. E. Seekings and seven other senior managers under the terms of the 4imprint Long Term Incentive Plan which was approved by Shareholders at the 2007 AGM. There are performance targets attached to the grants which are based on the increase in total shareholder return above the cost of equity, measured over a three year period commencing on 23 October 2006 and at a share price of 350p. An amount not exceeding 10% of the increase in total shareholder return above the cost of equity for the period will be calculated and made available for allocation to participants. Participants will be awarded such number of shares as represents a proportion of that 10%. At the date of grant and at the date of this report, no Executive Director, Person Discharging Managerial Responsibility or other senior manager is entitled to a proportion exceeding 15.25% of that 10%.

Due to the nature of these grants, it is not possible to provide a sufficiently reliable estimate of the number of shares under option and consequently a fair value per option.

A reconciliation of option movements over the period to 27 December 2008 is shown below:

	2008		2007	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at start of period	**1,167,391**	**91.29p**	1,460,466	73.90p
Granted	**562,759**	**145.21p**	111,802	347.70p
Forfeited	**(213,237)**	**380.00p**	(56,656)	238.55p
Exercised	**(391,251)**	**30.71p**	(348,221)	69.18p
Expired	**(37,553)**	**258.36p**	–	–
Outstanding at end of period	**1,088,109**	**96.35p**	1,167,391	91.29p
Exercisable at end of period	**250,121**	**14.75p**	284,050	37.69p

	2008				2007			
	Weighted average exercise price		**Weighted average remaining life (years)**		Weighted average exercise price		Weighted average remaining life (years)	
Range of exercise prices		**Number of shares**	**Expected**	**Contractual**		Number of shares	Expected	Contractual
Nil	**Nil**	**440,000**	**–**	**–**	Nil	770,000	0.60	0.52
£1.01 – £2	**145p**	**562,759**	**2.45**	**2.45**	169p	96,849	–	–
£2.01 – £3	**223p**	**55,067**	**1.25**	**1.25**	231p	116,620	1.40	1.40
£3.01 – £4	**347p**	**26,671**	**1.50**	**1.50**	336p	171,922	1.79	1.79
£4.01 – £5	**441p**	**3,612**	**0.41**	**0.41**	450p	12,000	–	–

The total charge for the period relating to share based payment plans was £370,000 (2007: £595,000). After tax the charge was £249,000 (2007: £500,000).

24 Cash generated from operations

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Operating profit/(loss)	5,789	3,747	(5,189)	(1,776)
Adjustments for:				
Depreciation charge	1,298	1,206	8	–
Amortisation of intangibles	661	688	–	–
Loss on disposal of property, plant and equipment	19	–	–	–
Exceptional non cash items	2,432	1,253	107	–
(Decrease)/increase in exceptional accrual	(290)	995	70	–
Share option charge	370	595	370	244
Share grant	–	1,140	–	1,140
IAS 19 pension (credit)/charge for defined benefit scheme	(150)	295	(150)	295
Contributions to defined benefit pension scheme	(2,261)	(1,900)	(2,261)	(1,900)
Exchange losses/(gains) on inter-company loans	–	–	4,186	(302)
Changes in working capital:				
Increase in inventories	(267)	(1,426)	–	–
Decrease/(increase) in trade and other receivables	5,614	(8,532)	(144)	(277)
(Decrease)/increase in trade and other payables	(652)	2,721	(404)	413
Increase/(decrease) in payables to subsidiary undertakings	–	–	6,870	(488)
Cash generated from/(used in) operations	12,563	782	3,463	(2,651)

Reconciliation of net debt

		Group		Company	
	Note	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash at bank and in hand	17	4,411	2,744	660	2,124
Current bank overdrafts	19	–	(3,821)	(335)	(4,547)
		4,411	(1,077)	325	(2,423)
Non current bank loans	19	(8,600)	(6,000)	(6,000)	(6,000)
Net debt		(4,189)	(7,077)	(5,675)	(8,423)

25 Financial commitments

At 27 December 2008, the Group was committed to make payments in respect of non-cancellable operating leases expiring in the following periods:

	2008		2007	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
In one year	**1,125**	**206**	1,235	311
In two to five years	**3,154**	**499**	3,405	290
In more than five years	**234**	**–**	471	–
	4,513	**705**	5,111	601

The Company had financial commitments for land and buildings of £215,000 on leases expiring in two to five years at 27 December 2008 (2007: £nil).

26 Contingent liabilities

Guarantees have been given by the Company for the Group bank borrowings that, at 27 December 2008, amounted to £705,000 (2007: £9,821,000).

Guarantees have been given by the Company for letters of credit of £771,000 at 27 December 2008 (2007: £418,000).

27 Capital commitments

The Group had capital commitments contracted but not provided for in the financial statements of £467,000 (2007: £nil). The Company had no capital commitments in either period.

28 Related party transactions

The Group did not participate in any related party transactions that require disclosure.

During the year the Company has been party to a number of transactions with fellow subsidiary companies.

	2008 £'000	2007 £'000
Income statement:		
Finance income due from Group companies	**2,528**	1,280
Finance costs due to Group companies	**2,365**	2,038
Balance sheet:		
Interest bearing loans due from Group companies at end of period	**61,806**	31,722
Interest bearing loans due to Group companies at end of period	**43,657**	37,492

Key management compensation comprising the Directors' remuneration, which is disclosed in the Remuneration report on page 24, was charged to the Income Statement.

The Share Purchase Agreement dated 6 September 2006, for the acquisition of the shares in Supreme Holdings Limited, required the payment of deferred consideration of £1,090,000 to be made to Blue 11 Limited, a company in which Mr P. R. Vaughan, a member of the Executive Committee of 4imprint Group plc, may have an interest.

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

29 Amounts due to subsidiary companies – non current

The amounts due to subsidiary companies comprises £624,000 (2007: £468,000) due in one to two years, £43,657,000 (2007: £37,492,000) due in two to five years and £30,516,000 (2007: £30,516,000) due after five years. The loans due in two to five years are interest bearing at market rates of interest. The other loans are interest free.

Five Year Financial Record

Income statement	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Continuing operations					
Revenue	**168,085**	146,823	119,519	96,481	88,965
Operating profit	**5,789**	3,747	7,164	5,388	2,625
Operating profit before exceptional items and share grant	**9,342**	10,160	7,541	5,703	3,150
Exceptional items	**(3,553)**	(5,273)	(377)	(315)	(525)
Share grant	**–**	(1,140)	–	–	–
Operating profit	**5,789**	3,747	7,164	5,388	2,625
Finance income	**37**	13	218	300	325
Finance costs	**(756)**	(458)	(44)	(47)	(140)
Profit before tax	**5,070**	3,302	7,338	5,641	2,810
Taxation	**(1,520)**	(1,072)	(2,348)	(1,691)	492
Profit from continuing operations	**3,550**	2,230	4,990	3,950	3,302
Profit from discontinued operations	**–**	–	–	4,012	3,270
Profit attributable to equity Shareholders	**3,550**	2,230	4,990	7,962	6,572
Basic earnings per ordinary share	**14.06p**	8.93p	20.29p	30.94p	22.97p
Dividend per share – paid and proposed	**12.25p**	12.00p	9.50p	7.00p	5.25p

Balance sheet	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Non current assets	**23,273**	20,791	21,022	9,275	8,748
Deferred tax asset	**5,861**	4,334	6,149	8,921	8,407
Net current assets	**17,962**	16,142	12,341	18,694	22,698
Pension liability	**(16,937)**	(10,549)	(18,436)	(20,930)	(17,989)
Other liabilities	**(8,600)**	(6,000)	(1,000)	–	–
Shareholders' funds	**21,559**	24,718	20,076	15,960	21,864
(Net debt)/cash	**(4,189)**	(7,077)	(249)	9,012	12,745

Registered Office and Company Advisers

4imprint Group plc
7/8 Market Place
London
W1W 8AG
Tel: +44 (0)207 299 7201
Fax: +44 (0)207 299 7209
E-mail: hq@4imprint.co.uk

Registered Number
177991 England

Auditors
PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Stockbrokers
Panmure Gordon (UK) Limited
Moorgate Hall
155 Moorgate
London EC2M 6XB

Registrar and Transfer Office
Capita Registrars
PO Box 25
Beckenham
Kent BR3 4TU

Bankers
Lloyds TSB Bank plc,
Associated Bank

4imprint Group plc

Group office

7/8 Market Place
London W1W 8AG
Tel: +44 (0)207 299 7201
Fax: +44 (0)207 299 7209
E-mail: hq@4imprint.co.uk

Direct Marketing Division

UK

4imprint

Broadway
Trafford Wharf Road
Manchester M17 1DD
Tel: +44 (0)845 054 4405
Fax: +44 (0)845 054 4406
E-mail: sales@4imprint.co.uk

USA

4imprint

101 Commerce Street
Oshkosh
WI 54901
USA
Tel: +1 920 236 7272
Fax: +1 920 236 7282
E-mail: sales@4imprint.com

End User Division

UK

Brand Addition

Broadway
Trafford Wharf Road
Manchester M17 1DD
Tel: +44 (0)870 240 6626
Fax: +44 (0)870 241 3440
E-mail: sales@brandaddition.co.uk

Germany

Kreyer Promotion Service

Heydastraße 13
D-58093
Hagen
Germany
Tel: +49 (0)2331 95970
Fax: +49 (0)2331 959749
E-mail: 4imprint@kreyer-promotion.de

UK

Product Plus International

Unit 9
South Bank Business Centre
Ponton Road
London SW8 5BL
Tel: +44 (0)207 393 0033
Fax: +44 (0)207 393 0080
E-mail: sales@product-plus.co.uk

Hong Kong

Product Plus Far East

Suites 914-915, 9th Floor
Wharf T & T Centre
Harbour City
7 Canton Road
Tsimshatshui
Kowloon
Hong Kong
Tel: + 852 2301 3082
Fax: + 852 2724 5128
E-mail: ppfe@4imprinthk.com

Trade Division

UK

SPS (EU) Limited

Neptune House
Sycamore Trading Estate
Squires Gate Lane
Blackpool
Lancashire FY4 3RL
Tel: +44 (0)1253 340 400
Fax: +44 (0)1253 340 401
E-mail: sales@spseu.com