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4imprint Group plc Annual Report and Accounts 2009

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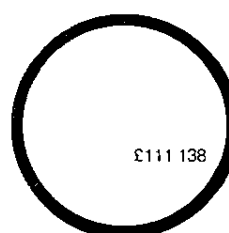
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4imprint is a leading international supplier of promotional products

Direct Marketing Division

The Direct Marketing Division, "4imprint", is headquartered in Oshkosh, Wisconsin and services the promotional product requirements of customers in USA and Canada primarily through a catalogue, internet and email based direct marketing model. European customers are serviced through its office in Manchester, England.

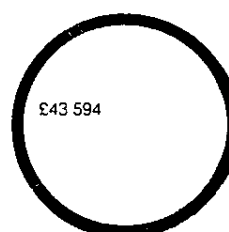
Divisional split
by revenue £ 000



End User Division

The End User Division, "Brand Addition", supplies promotional products and services to large and medium sized companies, principally through contracted or preferred supplier relationships. The Division has three principal bases – Manchester, London and Hagen as well as operations in Hong Kong and China.

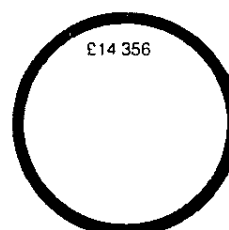
Divisional split
by revenue £ 000



Trade Division

The Trade Division, "SPS", is based in Blackpool and supplies promotional products to distributors in UK and Europe. It has specialist manufacturing as well as sourcing capability for a wide range of products as well as an extensive range of printing and branding facilities.

Divisional split
by revenue £ 000



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Highlights

- Despite the recession, Group revenue was maintained at £169.1m (2008: £168.1m)
- Underlying operating profit* £5.5m (2008: £9.6m)
- Operating profit £3.0m (2008: £5.8m)
- Tax charge £0.4m (rate of 15%) (2008: £1.5m), no net payment in year
- Underlying basic EPS was 17.1p (2008: 24.5p), basic EPS was 8.9p (2008: 14.1p)
- Final dividend proposed of 8.5p (2008: 8.0p)
- Strong operating cash flow of £7.6m, reduction in net debt by 25% to £3.1m
- Efficiency measures implemented, including 9% reduction in average headcount
- Competitive position in all markets has improved in 2009
- Improving conditions in USA in quarter four 2009. Board confident that steps taken in 2009 will lead to efficiency benefits in our operationally geared businesses

* Underlying operating profit is operating profit before defined benefit pension charge, share option charge and exceptional items

Executive Chairman's Statement

Ken Minton
Executive Chairman

The worldwide recession which became apparent in the fourth quarter of 2008, deepened and continued throughout 2009. The markets in which we operate, particularly in North America and Europe, are estimated to be down on the previous year by at least 20%.

Despite this reduction in market activity, we have maintained sales, improved our market position and have sought to offset the effect of weaker markets by a range of decisive cost cutting initiatives, including a 9% reduction in our average headcount, coupled with actions to develop new sources of sales.

Market conditions in the second half of the year improved over the first half, particularly in the USA, reflecting the trend of market recovery.

Group revenue in 2009 was £169.1m (2008: £168.1m). Operating profit before defined benefit pension charges, share option charges and exceptional items at £5.5m was below the £9.6m achieved in 2008. The exceptional charges, at £0.8m, were due to cost cutting actions.

Revenue in the UK based divisions was well down on 2008. The effect on operating profit of weak market conditions was partly offset by a range of cost cutting initiatives which reduced average manpower from 991 to 907. Revenue in the Direct Marketing Division, at constant currency, was only 3% below prior year. However, operating profit was reduced because of lower yields from our sustained investment in prospecting, but the substantial increase in the customer file achieved through this investment will benefit 2010 and beyond.

After exceptional charges, profit before finance costs was £3.0m compared with £5.8m in 2008. Finance costs at £0.3m were well down on the £0.7m of last year, leaving pre tax profits of £2.7m, compared with £5.1m in 2008.

The tax charge was £0.4m compared with £1.5m in 2008, producing profit after tax of £2.3m compared with £3.6m in 2008.

Underlying basic earnings per share were 17.1p (2008: 24.5p) and basic earnings per share were 8.9p compared with 14.1p in 2008.

Strong cash flow control throughout the year allowed net debt to be reduced to £3.1m at year end (2008: £4.2m).

With market statistics demonstrating cautious recovery in our end markets, particularly in the USA, we believe that we are well positioned to benefit from the improving market dynamics over the coming year.

Divisional performance

The three Divisions performed as follows:

(a) Direct Marketing Division – total revenue £111.1m (2008: £96.7m)

Our Direct Marketing Division has been operating in a market which has declined by an estimated 20%. Despite this, revenue has increased by 15% (due to the depreciation of Sterling against the US Dollar). In constant currency, revenue declined by 3% compared with the 20% market decline. We attribute this growth in market share to the maintenance of substantial prospecting investment, strong customer care philosophy and our market leading position, which has further differentiated us from our competitors.

(b) End User Division – total revenue £44.2m (2008: £55.0m)

The End User Division businesses have now rebranded and trade under the single name of Brand Addition. Revenue in this Division, supplying promotional products and services to large and medium sized companies, was hit by reduced spending from clients, in particular Brand Addition's clients in the banking sector, who were most directly and immediately impacted by the downturn. Brand Addition secured several new key contracts in different markets, which are expected to contribute to progress in 2010. Operating cash generation at almost double operating profit was particularly strong during 2009.

Total divisional revenue in 2009, at £44.2m, was 20% below 2008 almost entirely due to the recession. The reduction in overhead costs early in the year enabled the effect of market weakness on profitability to be partly offset. Operating profit before exceptional items was £3.4m (2008: £4.7m).

(c) Trade Division – total revenue £16.8m (2008: £19.8m)

Market conditions for the Trade Division were depressed in the first three quarters of the year but started to show some improvement in the fourth quarter. Total divisional revenue in 2009 was £16.8m, 15% below 2008, while operating profit before exceptional items was just below break even and similar to 2008.

In the light of the Trade Division's historical difficulties, the Division was regularly reviewed by the Board, particularly the operational and strategic objectives. A steady improvement in the Division's performance was achieved and a modest profit was generated in the second half.

Dividend

The Board is recommending a final dividend of 8.5p per share, which would make a total payment of 12.75p per share for the year (2008: 12.25p). This will be paid on 29 April 2010 to Shareholders on the register of members on 26 March 2010.

The Board

Shareholders may be aware that, during 2009, I spent several months recovering from illness. I have now completed my recovery and, with my Board and Executive Committee colleagues, I have set in place the operational and strategic policies to restore the Group to the growth pattern which was temporarily interrupted by last year's recession.

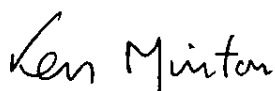
I feel, therefore, that it is appropriate for me to step down from the Chairmanship and from the Board, in due course. The Board is recruiting a new Chairman Designate and is presently completing its search.

People

2009 has been a testing time for all employees of the Group as we endeavour to combat the difficult trading conditions which have prevailed through the year. The Board is conscious of this, and wishes to record its appreciation of their great efforts and commitment to the Group's continued success in these difficult times.

Outlook

There is early evidence that the improvement in market conditions seen in the last quarter of 2009 is continuing into the first quarter of this year. This, coupled with a range of initiatives to increase sales and to improve operational efficiencies, means the Board is confident that the Group is in a strong position to benefit from any sustained improvement in its markets.



Ken Minton
Executive Chairman
25 February 2010

Finance Director's Report

Gillian Davies
Group Finance Director

Group results

	2009 £m	2008 £m	Change
Group revenue	169 09	168 09	+1%
Operating profit before defined benefit pension charge, share option charge and exceptional items	5 45	9 56	-43%
Profit before tax	2 67	5 07	-47%
Profit after tax	2 27	3 55	-36%
Net debt	(3 13)	(4 19)	+£1 06m

Revenue in the Direct Marketing Division was 15% ahead of prior year in sterling, North American Direct Marketing revenue in US dollars was 3% below prior year – 6% below in the first half and 1% below in the second half. Total revenue in the End User Division was 20% below prior year, 23% below in the first half and 16% in the second half. The Trade Division showed a similar trend with total revenue 15% down for the year – 19% in the first half and 10% in the second half.

Profitability in all Divisions was below prior year as a result of reduced sales, however in all cases the second half was stronger than the first half. Head office costs, before exceptional items, were £1 42m compared to £1 59m in 2008.

Share option charge

The Group charged £0 43m (2008 £0 37m) to operating profit in accordance with IFRS2 "Share-based payments". This related to senior management and Chairman LTIP schemes, for which the vesting conditions have not been met, and SAYE schemes.

Pensions

The Group sponsors a defined benefit scheme, closed to new members, with two active members, 982 pensioners and 1,293 deferred members at the date of the last scheme accounts. The charge to the income statement in the period was £1 27m (2008 £0 15m credit) and cash contributions to the scheme were £2 46m (2008 £2 26m).

The pension fund deficit has increased to £22 45m (2008 £16 94m). Assets increased to £74 06m, (2008 £66 23m), however the liability also increased to £96 51m, (2008 £83 17m) primarily due to the decrease in the discount rate from 6 5% to 5 8%. The triennial valuation will take place in 2010.

KPIs

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

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

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

Exceptional items

The exceptional items totalling £0 77m represented charges due to further restructuring undertaken by the Group in the year and related to termination costs and onerous contracts.

Taxation

The tax charge was £0 40m, an effective rate of 15% (2008 30%). The reduction in the rate is due to tax losses generated and utilised in the year in the Group's principal trading territories – UK and USA. The current tax credit at £0 05m relates to overseas taxation payable offset by a tax refund in respect of prior years in UK. The deferred tax charge at £0 45m relates to the utilisation of deferred tax assets recognised in prior years partly offset by the recognition of assets relating to tax losses generated in the year.

A net tax refund in the year of £0 07m related to tax paid (£0 16m) in overseas territories offset by recovery of overpayments of tax instalments made in 2008.

Earnings per share

Underlying basic earnings per share were 17 07p (2008 24 51p).

Basic earnings per share were 8 88p (2008 14 06p).

Dividend

The Board proposes a final dividend of 8 5p, which, together with the interim dividend of 4 25p, gives a dividend paid and proposed for the period of 12 75p, a 4% increase compared to prior year.

Cash flow

The Group's net debt at 2 January 2010 was £3 13m, a reduction of £1 06m in the year. The principal components of the cash flow movement are as follows:

	£m
Cash generated from operating profit before exceptional items	7 50
Operating working capital reduction	3 42
Defined benefit pension contributions	(2.46)
Cash exceptional items	(0 83)
Cash generated from operations	7 63
Capital investment*	(2 32)
Finance lease funded capital investment	(0 68)
Tax, dividends and interest	(3 36)
Exchange	(0 21)
Reduction in net debt	1 06

* Capital investment included spend of £0 84m (at US \$ average rate) related to completion of the US Distribution Centre, financed by a mortgage

Net debt

	2009 £m	2008 £m
Cash and cash equivalents	5 61	4 41
Borrowings due in less than one year	(6 20)	–
Borrowings due after one year	(2 54)	(8 60)
	(3 13)	(4 19)

Included in borrowings less than one year is a £6m loan from Lloyds TSB Bank plc which has now been repaid and replaced by a three year facility drawn down on 29 January 2010 (see below)

Borrowing facilities

At the year end the Group had available headroom on its UK and US facilities of £8 02m, together with cash balances of £5 61m, in total, available funding of £13 63m

On 29 January 2010, the Group drew down on its new £10m facility with Lloyds TSB Bank plc. This replaced the existing £10m facility (£6m loan and £4m overdraft) with a new facility – a £6m loan facility repayable on 31 December 2012, a £2m secured loan facility repayable £0 25m on 30 December 2010 and 2011 and £1 50m on 31 December 2012 and a £2m overdraft facility renewable annually on 31 December. The interest rate on the £6m facility is LIBOR plus 3%, on the £2m facility LIBOR plus 2 75% and on the overdraft facility is base rate plus 2 75%. There is a total arrangement fee of 1 5%.

In the USA there is a US\$3 55m mortgage facility, repayable in February 2014 and a working capital facility of US\$6 5m which is renewable in September 2010.

Balance Sheet and Shareholders' funds

Equity shareholders' funds decreased by £6 51m in the period. Profit, net of dividends paid was £(0 85)m,

actuarial losses net of tax were £(4 83)m, exchange losses were £(1 17)m and other movements were £0 34m

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 56 (2008 \$1 86) and Euros €1 12 (2008 €1 26)

The movement in exchange rate compared to prior year increased operating profit of the US business by £0 59m and had negligible impact on the German business

The exchange rates at the balance sheet date used to translate assets and liabilities were US dollars \$1 61 (2008 \$1 47) and Euros €1 13 (2008 €1 05). This resulted in a decrease in US dollar denominated overseas subsidiaries' assets of £0 79m and a decrease in Euro denominated overseas subsidiary's assets of £0 20m

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, inventory provisions and trade receivables provisions

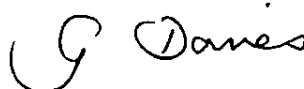
New accounting standards

In its 2010 accounts, the Group will adopt new accounting standards, which came in to effect after 28 December 2008. The only significant change is in respect of the amendments to IAS 38 'Intangible assets'

The Group will now be required to recognise an expense for mail order catalogues and other related marketing expenses when the businesses have access to the catalogues and not when catalogues are distributed to customers as is the Group's current policy. The Group will restate its 2009 accounts in 2010 for the impact of this policy. If this standard had been adopted in the accounts for the period ended 2 January 2010, at the half year Group profit would have been £0 92m lower. However, this is a timing difference within the year and at the year end Group profit would have been £0 26m higher (following a corresponding adjustment to the 2008 opening position). There is no impact on the Group's cash position.

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 2010

Operating Review

Direct Marketing Division – “4imprint”

	2009 £'000	2008 £'000
Revenue	111,138	96,663
Operating profit	3,557	6,466

The Direct Marketing Division is headquartered at its principal office in Oshkosh, Wisconsin, USA. The promotional product needs of customers throughout the USA and Canada are served from this central location. European activities are managed from our office in Manchester, England.

Divisional sales increased over 2008 by 15%. This increase was driven by currency movements, however, at constant currency total divisional sales were down 3%. In North America sales in US Dollars were \$165.37m, compared to \$170.57m in the previous year. Sales in the UK and Ireland ended slightly ahead of 2008 at £5.35m. Operating profit for the year in US dollars was 52% below prior year and the UK business made a small loss.

In North America, difficult economic conditions resulted in a tough trading environment, particularly in the first half of the year. Sources and surveys across the US promotional products industry indicate that the overall market may have declined by 20% in the year.

The most direct effect of the economic downturn on our business was a decrease in the yield on our prospecting activities, which consist primarily of catalogue and internet marketing techniques. Although we acquired a similar number of new customers in the year as in 2008, more than 90,000, the average order value (AOV) was 8% lower as customers ordered fewer units per order and sought value-priced items. This decrease in the AOV combined with a lower response rate (number of orders received per catalogue despatched), meant that our overall return in the year on prospecting activities was down substantially compared to prior years. This was the principal factor influencing the Division's decline in profitability in 2009.

In contrast, existing customer business was strong. More than 60% of our annual sales come from existing customers – defined as customers who have placed a previous order. As their acquisition cost has already been absorbed, business from existing customers produces a strong contribution. Despite the recessionary environment, the retention metrics for 2009 remained consistent and although the AOV on existing customers was down 7%, the order intake overall was up 11% over prior year.

Taken together, our prospecting and retention activities in 2009 have allowed us to gain market share in the USA and Canada and leave the business well positioned with a healthy customer file. As the year progressed and the economic environment stabilised, the result of this

strategy began to emerge. In the fourth quarter orders received were up 16% over the same period in 2008, and operating profit in underlying currency was up 13% over the same timeframe.

A new 100,000 sq. ft. distribution/fulfilment centre in Oshkosh was completed in February 2009. This multi-functional facility represents further significant investment in the Direct Marketing Division. It provides capacity to support many of the activities and initiatives, such as our in-house embroidery operation and Blue Box™ customer mailings, which will underpin the future direction and growth of the business.

The European Direct Marketing business operates primarily in the UK market. The first Euro-based website, serving Ireland, was launched in July 2009. Recessionary pressures were also clearly felt in these markets, however prospecting investment was maintained and significant strides were made in customer retention, helping to build a platform for future European expansion.

Clearly 2009 was a challenging year for the Division in terms of operating profit performance, driven principally by lower average order values and decreased yield on prospecting activities. Our strategy to grow market share and invest in our customer file in a difficult economic environment puts the business in the best position to benefit from improving market conditions. Working capital requirements are minimal and consequently cash generation remains strong.

End User Division – “Brand Addition”

	2009 £'000	2008 £'000
External and inter division revenue	44,219	54,968
External revenue	43,594	54,647
Operating profit before exceptional items	3,370	4,721
Operating profit	3,183	4,138

The End User Division supplies products to support consumer promotions and corporate marketing activity. The Division provides product design, logistics, technology and other value added services to a target market of medium to large corporate enterprises, principally through contracted or preferred supplier relationships.

The Division has three principal businesses, based in Manchester, London and Hagen (Germany) plus operations in Hong Kong and China. Since 1 January 2010 these businesses have traded under a single name – Brand Addition.

Total revenue in the year at £44.22m was £10.75m below prior year as many customers reduced their promotional marketing activities. The Division's strategy in this difficult trading environment was to reduce costs in line with decreased sales, whilst maintaining customer service levels and continuing the drive to develop new business. As a result, the cost saving initiatives partly mitigated the impact of the reduced sales and operating profit before exceptional items at £3.37m was £1.35m below prior year.

Divisional operating cash inflow was almost double operating profit and all three businesses had cash inflows significantly in excess of their operating profit.

Taking each business in turn

Manchester

Total revenue in the year was 18% below prior year, recovering from 31% below in the first half to 6% below in

the second half. The improvement in the second half was a result of revenue from new contracts and an increase in revenue from existing customers.

In the first quarter of the year, the business reduced its costs to reflect reduced revenue, resulting in operating profit before exceptional items for the year at 15% below prior year.

London

Total revenue in the year was 17% below prior year as new business generated was offset by lower revenue following the completion of two major projects during the year.

The costs in the business reduced in the year due to savings from the closure of an overseas subsidiary in 2008, whilst the business maintained its investment in people to drive future growth. Operating profit before exceptional items was 35% below prior year.

Hagen

In Sterling, revenue in the year was 23% below prior year as a result of lower volumes across all major customers. Operating profit before exceptional items was 53% below prior year due to a combination of lower revenue and pressure on margins. This was partly mitigated by cost reduction executed in the first quarter.

Exceptional costs of £0.19m related to the completion of the business restructuring which commenced in 2008.

Operating Review

Trade Division – “SPS”

	2009 £'000	2008 £'000
External and inter division revenue	16,847	19,764
External revenue	14,356	16,775
Operating loss before exceptional items	(56)	(38)
Operating loss	(56)	(2,831)

The Trade Division based in Blackpool, and trading as SPS, is one of the largest UK promotional products trade supply companies. It has specialist manufacturing and an extensive and growing range of printing and branding facilities as well as capabilities for worldwide sourcing of other promotional products.

Total revenue was down 15% on 2008 reflecting the impact of recession, although the percentage decrease in UK revenue was less than the percentage market decline. Sales to targeted European areas increased and this market continues to be a growth opportunity. The substantial cost reduction initiatives undertaken in 2008 resulted in a reduction in overheads of £1.7m compared to 2008. This has offset the gross margin reduction due to lower sales. Total revenue in the second half of the year was 10% below prior year (compared to 19% below in the first half) and the Division generated a small profit in the second half.

During the year, ongoing improvements in quality, performance and customer service ensured that SPS regained its position as one of the leading UK suppliers. The executive management team roles were realigned to bring increased focus to logistics and inventories, branding technology and full utilisation of in-house manufacturing facilities. The introduction of an online quoting website in the last quarter of 2009, which enables instant quotes on the entire SPS product range, was well received by our customers and will help to support the drive for sales growth going forward.

Working capital and capital expenditure were tightly managed and the Division generated a modest operating cash inflow.

Manufacturing, printing and branding facilities at the Blackpool site

Board of Directors

K J Minton CBE, 73

Executive 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.

I Brindle, 66

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 and Chairman of Sherborne Investors (Guernsey) A Limited.

G Davies, 42

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.

N Temple, 62

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.

A J Scull, 53

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.

Audit Committee

Ian Brindle (Chairman)
Nicholas Temple

Remuneration Committee

Nicholas Temple (Chairman)
Ian Brindle

Nomination Committee

Nicholas Temple (Chairman)
Ian Brindle

Directors' Report

The Directors present their report and the audited financial statements for the period ended 2 January 2010. The Company's statement on Corporate Governance is included in the Corporate Governance Report on pages 14 to 18 of these financial statements.

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

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 Executive Chairman's Statement and Business Review, comprising 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 26.

Dividends

An interim dividend of 4.25p per ordinary share was paid on 15 September 2009 and the Directors recommend a final dividend of 8.5p per share. The proposed final dividend, if approved, will be paid on 29 April 2010 in respect of shares registered at the close of business on 26 March 2010.

The total distribution paid and recommended for 2009 on the ordinary shares is £3.29m or 12.75p per share (2008: £3.09m or 12.25p per share).

Charitable and political donations

The Group contributed the following sums:

	2009 £'000	2008 £'000
Charitable purposes	79	83

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

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

1 Macroeconomic conditions

The revenues, profits and cash flows of the Group may vary from period to period as a result of a variety of factors including general economic conditions, seasonal trends, disruption in specific industries, customers defaulting on payments, delays in obtaining 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 23. The biographical details of the Directors, committee memberships, independence status and identification of the Senior Independent Director are given on page 9

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 Sections 197, 198, 200, 201 and 203 of the Companies Act 2006

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 of 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 2009

Health and safety

During 2009, 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, two senior managers in the End User Division 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 Act 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

Directors' Report continued

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.

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 and these remained in effect during 2009.

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:

- (i) a £6,000,000 business loan agreement dated 28 January 2010 between the Company and Lloyds TSB Bank plc (the "Bank")
- (ii) a £2,000,000 business loan agreement dated 28 January 2010 between SPS (EU) Limited ("SPS") and the Bank

a change in control of the Company, in case (i) and (subject to certain exceptions involving bona-fide inter group re-constructions or amalgamations) SPS in case (ii), 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 to SPS respectively and may also make the loans (or either of them) become repayable on demand. If the loans, or either of them, is repayable on demand, the Company, or SPS, or both, (as the case may be) must, when requested, repay the loans (or either of them), to the Bank together with all interest which has accrued on the

loans (or either of them) and any other amounts owing under the business loan agreements, or either of them.

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 6 to 8. The financial position of the Group, its cash flows, and net debt position are described in the Finance Director's report on pages 4 to 5. 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 20 and 24. 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 20 to 24.

Purchase of own shares

Following the approval, at the 2009 Annual General Meeting, of Resolution 9, 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 2009 until the earlier of the end of the 2010 Annual General Meeting and 22 October 2010 unless previously cancelled or varied by the Company in general meeting. No such cancellation or variation has taken place.

240,000 shares were issued at par and purchased by the Employee Share Trust during the period to satisfy option vesting requirements. No shares were cancelled during the period.

Substantial interests

At 8 February 2010 the Company had been notified of the following interests in the issued ordinary share capital of the Company

	Number of shares	%
Aberforth Partners	5,145,000	19.9
SVG Investment Managers	5,116,753	19.8
4imprint Directors	1,942,404	7.5
Artemis Investment Management	1,836,566	7.1
Hermes Pensions Management	1,789,074	6.9
Aviva Investors	1,731,442	6.7
Sherborne Investors	1,455,000	5.6
Gartmore Investment Management	1,007,279	3.9

Waiver of dividends

The dividend income from and the voting rights in respect of the 90,325 shares (2008: 290,325 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 (2008: £nil)

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 2006) 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 2010

Statement on Corporate Governance

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

During 2009 the Group has complied with the provisions of the Combined Code (2008), 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, and the Divisional Finance Director of the Direct Marketing Division, Mr D J E Seekings, 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 2009. The schedule includes, for example, the approval

of interim and final financial statements, the acquisition and disposal of businesses, changes to the capital structure of the Company, the appointment or removal of Directors and the financing of the Group's businesses. Otherwise, the Board delegates day-to-day management of the Group to the Executive Directors.

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

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

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

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

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

During 2009 the Board has considered whether it is appropriate to have additional Non-Executive Directors. On 24 September 2009 a meeting of the Nomination Committee of the Board took place, at which the Executive Chairman, the Group Finance Director and the Corporate Services Director were invited to attend. A search, undertaken without the use of an external search consultancy or open advertising, commenced with a view to the appointment of an additional Non-Executive Director during 2010. Subsequently, in the light of the Executive Chairman's decision to stand down from the Chairmanship and the Board in due course, the search has been modified with a view to such appointee becoming Chairman Designate.

The current Non-Executive Directors have letters of appointment for three years from 5 September 2009 in the case of Mr Nicholas Temple and from 10 October 2009 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 also acts as the Company Secretary. This situation has been re-considered by the Board at its meeting on 10 December 2009 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.

The Board has undertaken 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 2009, the Board held meetings at the offices of the Trade Division and the End User Division in the UK. This enables the Non-Executive Directors, in particular, to increase their knowledge and familiarity with those businesses and their management. Additionally, during 2009 and in the temporary absence of the Executive Chairman on ill-health grounds, the Senior Independent Non-Executive Director attended meetings of the Executive Committee and the monthly Divisional Business Reviews. 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	8	2	1	1
Mr K J Minton	5	1	–	1
Mr I Brindle	8	2	1	1
Ms G Davies	8	2	–	1
Mr A J Scull	8	2	–	1
Mr N Temple	8	2	1	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.

Nomination Committee

The responsibilities of the Nomination Committee include (i) reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any adjustments that are necessary, (ii) identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise, (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 2009 and at the date of this report by Mr Nicholas Temple, an Independent Non-Executive Director. The other member of the Committee during 2009 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 2009. 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 2009, the Nomination Committee held one formal meeting.

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)

Statement on Corporate Governance continued

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, and (ix) determining the terms of reference for any remuneration consultants who may advise the Committee

The Remuneration Committee was chaired throughout 2009 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 2009. These Terms of Reference are available for inspection at the Company's registered office during normal business hours.

The Remuneration Committee met once during 2009. 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 2009 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 has Terms of Reference which were re-considered and approved by the Board at its meeting on 10 December 2009. 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. The Audit Committee met twice during 2009.

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

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

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

The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment and the Group's compliance with the Combined Code (2008). 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 2009, 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 2009.

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 auditors, 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 2009 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.

Audit independence

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

Accordingly, it has not considered it necessary to date to require the firm to tender for the Audit.

The external auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every 5 years. The current audit partner was first appointed in respect of the financial year ended December 2005 and will cease to be partner in charge of the Company audit following the conclusion of the December 2009 audit, after five years, in line with the Listing Rules.

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

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.

Statement on Corporate Governance continued

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 2009 and up to the date of the approval of this Annual Report complies with the Turnbull guidance and includes the following

- a defined organisational structure with appropriate delegation of authority,
- formal authorisation procedures for all investments,
- clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production and review of detailed accurate and timely financial management information,
- the control of financial risks through clear authorisation levels,
- identification of operational risks and the development of mitigation plans by the senior 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

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

Statement of Directors' responsibilities

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors'

Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Board of Directors on page 9 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 Finance and Operating Reviews, and Directors' Report on pages 4 to 13 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 2010

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 pages 15 and 16 of the Annual Report and Accounts.

The members of the Committee are Mr I Brindle and Mr N Temple who, throughout 2009 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 2009 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 3 April 2009, 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 2 January 2010	Notice period (i) from Company (ii) from Director	Contractual Termination payment
K J Minton	3 April 2009	3 months	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 2009 in the case of Mr N Temple and from 10 October 2009 in the case of Mr I Brindle.

Executive Directors – policy

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

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

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 to Ms G Davies and Mr A J Scull during the period ending 2 January 2010 are set out in Note (a) on page 23 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

Option grants were made during the period ended 2 January 2010, in respect of the Sharesave (SAYE) scheme only

Remuneration Report continued

Other benefits

The Remuneration Committee has agreed the provision of other benefits to Executive Directors, including a car (or car allowance) and membership for each Executive Director, other than Mr K J Minton, and their 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 23 and 24

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 Sections 421 and 497 of the Companies Act 2006

Directors' emoluments

	2009 £'000	2008 £'000
Emoluments of the Directors of 4imprint Group plc are as follows		
Fees and contractual salary payments	466	430
Performance related bonus	–	–
Aggregate emoluments of the highest paid Director	166	166

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

		Basic salary/fee £'000	Benefits £'000	Other payments £'000	Total emoluments	
	Note				2009 £'000	2008 £'000
Executive						
K J Minton	(b)	30	25	–	55	30
G Davies	(a)	150	15	–	165	164
A J Scull	(a)	150	16	–	166	166
Non-Executive						
I Brindle	(d)	35	–	10	45	35
N Temple		35	–	–	35	35
Total 2009		400	56	10	466	–
Total 2008		400	30	–	–	430

Notes

(a) The Group made defined contributions to the pension plans of Ms G Davies and Mr A J Scull, amounting to £22,500 (2008 £22,125) each

(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, travel costs and medical insurance

(d) Other payments reflect amounts paid for additional work undertaken during the year

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 2 January 2010	Holding at 27 December 2008
K J Minton	1,718,010	1,718,010
G Davies	104,950	5,000
A J Scull	116,117	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 2 January 2010

Remuneration Report continued

Directors' options over the share capital of the Company

	Holding at 2 Jan 2010	Date of Grant	Exercise price	Exercisable		No of shares exercised	Vesting date
				From	To		
K J Minton							
– 2007 SAYE	2,774	1 Oct 2007	346p	Jan 2011	June 2011	–	–
	2,774					–	
G Davies							9 Mar 2005, 27 Sept 2005 and
– 2004 Executive scheme	Nil	20 Dec 2004	Nil	6 Dec 2007	20 Dec 2014	120,000	10 Feb 2006
– 2004 Executive scheme	Nil	14 Mar 2006	Nil	14 Mar 2009	30 June 2009	50,000	20 Oct 2006
– 2009 SAYE	10,431	07 Oct 2009	87p	1 Jan 2013	30 June 2013	–	–
	10,431					170,000	
A J Scull							9 Mar 2005, 27 Sept 2005 and
– 2004 Executive scheme	Nil	20 Dec 2004	Nil	6 Dec 2007	20 Dec 2014	120,000	10 Feb 2006
– 2004 Executive scheme	Nil	14 Mar 2006	Nil	14 Mar 2009	30 June 2009	50,000	20 Oct 2006
– 2009 SAYE	10,431	07 Oct 2009	87p	1 Jan 2013	30 June 2013	–	–
	10,431					170,000	

Gain on the exercise of options in the period by Ms Davies and Mr Scull were £229,500 each (2008 £nil)

During 2009 the middle market value of the share price ranged from 86 5p to 170 0p and was 125 0p at the close of business on 2 January 2010

Details of share options granted by 4imprint Group plc as at 2 January 2010 are given in note 21. None of the terms and conditions of the share options was varied during the period. The performance criteria for all the Directors' options were consistent with the remuneration policy. Once an award has vested, the exercise of share options is unconditional, subject to the Rules of the option grant.

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 have been exercised 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 primarily 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.

Due to the nature of this grant, 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 2010

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

We have audited the financial statements of 4imprint Group plc for the period ended 2 January 2010 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 2 January 2010 and of the Group's profit and Group's and parent company's cash flows for the period then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in

accordance with the provisions of the Companies Act 2006, and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements, and
- the information given in Corporate Governance statement set out on pages 14 to 18 with respect to internal control and risk management systems and about share capital structure is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a corporate governance statement has not been prepared by the parent company

Under the Listing Rules we are required to review

- the directors' statement, set out on page 12, in relation to going concern, and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review



Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
25 February 2010

Group Income Statement

for the 53 weeks ended 2 January 2010

	Note	2009 53 weeks £'000	2008 52 weeks £'000
Revenue	1	169,088	168,085
Operating expenses	2	(166,101)	(162,296)
Operating profit	1	2,987	5,789
Operating profit before exceptional items	1	3,758	9,342
Exceptional items	5	(771)	(3,553)
Operating profit	1	2,987	5,789
Finance income	6	28	37
Finance costs	6	(343)	(756)
Profit before tax		2,672	5,070
Taxation	7	(401)	(1,520)
Profit attributable to equity Shareholders		2,271	3,550
Earnings per share			
Basic	9	8 88p	14 06p
Diluted	9	8 79p	13 67p

The notes on pages 30 to 59 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 53 weeks ended 2 January 2010

		Group
		2009
		53 weeks
		£'000
	Note	
Profit for the period		2,271
Exchange (losses)/gains offset in reserves net of tax		(1,172)
Actuarial losses taken to reserves net of tax	22	(4,825)
Net losses not recognised in income statement		(5,997)
Total recognised (expense)/income for the period		(3,726)

		Company
		2009
		53 weeks
		£'000
	Note	
Profit for the period		52,529
Actuarial losses taken to reserves net of tax	22	(4,825)
Net losses not recognised in income statement		(4,825)
Total recognised income for the period		47,704

Balance Sheets

at 2 January 2010

		Group		Company	
	Note	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Non current assets					
Property, plant and equipment	10	13,063	12,548	179	192
Goodwill	11	9,084	9,084	–	–
Intangible assets	12	1,730	1,630	–	–
Investments	13	10	11	104,187	104,187
Deferred tax assets	14	7,223	5,861	6,251	5,254
Trade and other receivables	16	–	–	60,000	20,066
		31,110	29,134	170,617	129,699
Current assets					
Inventories	15	7,022	8,449	–	–
Trade and other receivables	16	24,038	28,854	33,028	43,478
Cash and cash equivalents	17	5,613	4,411	1,526	660
		36,673	41,714	34,554	44,138
Current liabilities					
Trade and other payables	18	(21,390)	(23,601)	(3,428)	(8,775)
Current tax		(150)	(151)	–	–
Borrowings	19	(6,196)	–	(6,000)	(335)
		(27,736)	(23,752)	(9,428)	(9,110)
Net current assets		8,937	17,962	25,126	35,028
Non current liabilities					
Retirement benefit obligations	4	(22,450)	(16,937)	(22,450)	(16,937)
Borrowings	19	(2,543)	(8,600)	–	(6,000)
Amounts due to subsidiary companies	29	–	–	(61,375)	(74,797)
		(24,993)	(25,537)	(83,825)	(97,734)
Net assets		15,054	21,559	111,918	66,993
Shareholders' equity					
Share capital	21	9,939	9,846	9,939	9,846
Share premium reserve	22	38,016	38,016	38,016	38,016
Capital redemption reserve	22	208	208	208	208
Cumulative translation differences	22	(21)	1,151	–	–
Retained earnings	22	(33,088)	(27,662)	63,755	18,923
Total equity		15,054	21,559	111,918	66,993

The notes on pages 30 to 59 are an integral part of the consolidated financial statements

The financial statements on pages 26 to 59 were approved by the Board of Directors on 25 February 2010 and were signed on its behalf by


Ken Minton
 Executive Chairman


Gillian Davies
 Group Finance Director

Cash Flow Statements

for the 53 weeks ended 2 January 2010

		Group		Company	
	Note	2009 53 weeks £'000	2008 52 weeks £'000	2009 53 weeks £'000	2008 52 weeks £'000
Cash flows from operating activities					
Cash generated from/(used in) operations	24	7,633	12,563	(5,948)	3,463
Tax recovered/(paid)		73	(960)	47	(50)
Finance income		28	37	7,125	14
Finance costs		(340)	(761)	(4,476)	(482)
Net cash generated from/(used in) operating activities		7,394	10,879	(3,252)	2,945
Cash flows from investing activities					
Acquisition of subsidiary		–	(1,090)	–	–
Purchases of property, plant and equipment		(1,679)	(2,809)	(10)	(200)
Purchases of intangible assets		(633)	(623)	–	–
Proceeds from the sale of property, plant and equipment		–	24	–	–
Dividends received		–	–	7,587	3,649
Net cash (used in)/generated from investing activities		(2,312)	(4,498)	7,577	3,449
Cash flows from financing activities					
Proceeds from borrowings		–	2,600	–	–
Repayment of borrowings		(174)	–	–	–
Capital element of finance lease payments		(126)	–	–	–
Proceeds from issue of ordinary shares		93	96	93	96
Purchase of own shares		(93)	(652)	(93)	(652)
Dividends paid to Shareholders	8	(3,124)	(3,090)	(3,124)	(3,090)
Net cash used in financing activities		(3,424)	(1,046)	(3,124)	(3,646)
Net movement in cash, cash equivalents and bank overdrafts					
		1,658	5,335	1,201	2,748
Cash, cash equivalents and bank overdrafts at beginning of the period		4,411	(1,077)	325	(2,423)
Exchange (losses)/gains on cash, cash equivalents and bank overdrafts		(456)	153	–	–
Cash, cash equivalents and bank overdrafts at end of the period					
		5,613	4,411	1,526	325
Analysis of cash, cash equivalents and bank overdrafts					
Cash at bank and in hand	17	5,613	4,411	1,526	660
Bank overdraft	19	–	–	–	(335)
	24	5,613	4,411	1,526	325

Notes to the Financial Statements

General information

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

Accounting policies

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

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 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (February 2010).

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.

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.

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 primarily recognised upon despatch of goods to customers in the End User and Trade Divisions and on delivery to the customer in the Direct Marketing Division.

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 Black-Scholes, 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.

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.

Notes to the Financial Statements continued

Goodwill is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment.

Intangible Assets

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, discounted by the appropriate cost of capital, resulting from the use of those assets. Assets are grouped at the lowest level for which there is a separately identifiable cash flow (cash generating unit). An impairment loss is recognised for the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Inventories

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

Trade receivables

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

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 under IAS19 "Employee benefits – actuarial gains and losses, group plans and disclosures". The deficit of the defined benefit scheme is recognised in full on the balance sheet and represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. A full actuarial valuation is carried out at least every three years and 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. 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 future annual reports

The IASB and IFRIC have issued additional standards and interpretations which are effective for accounting periods starting 1 January 2009 unless otherwise stated (the Group's 2009 financial accounting period commenced on 28 December 2008)

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

- IAS 1 (revised), 'Presentation of financial statements' 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 standard clarifies that cancellations are not considered to be vesting conditions, this will impact on the Group's accounting for SAYE schemes The impact of this amendment would be to increase the share option charge in 2009 by £0.12m
- 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 impact of this standard would be to increase operating profit in 2009 by £0.26m

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)
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective 1 October 2008 but EU endorsed for 1 July 2009)
- IFRIC 17, 'Distributions of non cash assets to owners' (effective 1 July 2009)
- IFRIC 18, 'Transfer of assets from customers' (effective 1 July 2009 but EU endorsed 31 October 2009)
- IAS 39 (amendment), 'Financial instruments Recognition and measurement', on Eligible hedged items (effective 1 July 2009)

Notes to the Financial Statements continued

1 Segmental reporting

Primary reporting format – business segments

At 2 January 2010, the Group is reported in three primary business segments

Revenue	Total		Inter-segment		External	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Direct Marketing Division	111,138	96,663	–	–	111,138	96,663
End User Division	44,219	54,968	(625)	(321)	43,594	54,647
Trade Division	16,847	19,764	(2,491)	(2,989)	14,356	16,775
Total	172,204	171,395	(3,116)	(3,310)	169,088	168,085

Inter-segment revenues are on an arms-length basis

Operating profit	Operating profit/(loss) before exceptional items		Exceptional items		Operating profit/(loss)	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Direct Marketing Division	3,557	6,466	–	–	3,557	6,466
End User Division	3,370	4,721	(187)	(583)	3,183	4,138
Trade Division	(56)	(38)	–	(2,793)	(56)	(2,831)
Head Office	(1,419)	(1,587)	(584)	(177)	(2,003)	(1,764)
Operating profit before defined benefit pension and share option charges	5,452	9,562	(771)	(3,553)	4,681	6,009
Defined benefit pension (charge)/credit	(1,268)	150	–	–	(1,268)	150
Share option charge	(426)	(370)	–	–	(426)	(370)
Total	3,758	9,342	(771)	(3,553)	2,987	5,789

Net finance cost totalling £315,000 (2008 £719,000) and taxation charge of £401,000 (2008 £1,520,000) cannot be separately allocated to individual segments

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

1 Segmental reporting continued

Other segmental information

	Assets		Liabilities		Capital expenditure		Depreciation		Amortisation	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Direct Marketing Division	17,965	18,563	(9,819)	(10,356)	2,267	2,503	(559)	(353)	(371)	(339)
End User Division	18,482	23,214	(8,695)	(11,649)	439	495	(182)	(209)	(195)	(324)
Trade Division	17,800	19,230	(2,092)	(2,478)	451	318	(684)	(718)	(77)	(53)
Unallocated assets/(liabilities) & costs	7,923	5,430	(23,385)	(16,206)	10	188	(23)	(18)	–	–
Cash/(borrowings)	5,613	4,411	(8,738)	(8,600)						
Total	67,783	70,848	(52,729)	(49,289)	3,167	3,504	(1,448)	(1,298)	(643)	(716)

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

	Revenue		Assets		Capital expenditure	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Europe	63,294	76,597	45,282	48,956	929	1,110
North America	105,794	91,488	16,888	17,481	2,238	2,394
Unallocated assets – cash			5,613	4,411		
Total	169,088	168,085	67,783	70,848	3,167	3,504

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

Notes to the Financial Statements continued

2 Operating expenses

	Note	2009 £'000	2008 £'000
The following items have been included in arriving at operating profit			
<i>Inventories</i>			
– Purchase of raw materials and consumables		104,949	104,005
– Changes in inventories		1,238	(267)
Staff costs	3	27,500	25,326
Depreciation of property, plant and equipment		1,313	1,298
Depreciation of leased assets		135	–
Amortisation of intangibles		643	661
Loss on disposal of fixed assets		26	19
<i>Other operating lease rentals payable</i>			
– Plant and machinery		257	347
– Property		1,359	1,188
Exceptional costs	5	771	3,553
Net exchange gains		(195)	(629)
Other operating expenses		28,105	26,795
		166,101	162,296

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

	2009 £'000	2008 £'000
Audit services		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	66	69
<i>Fees payable to the Company's auditors and its associates for other services</i>		
– the audit of Company's subsidiaries pursuant to legislation	62	68
– other services relating to taxation		
– compliance	–	6
– advice	8	42
– valuation and actuarial services		
– pensions advice	21	95
– structural services	18	–
– all other services	13	13
	188	293

In addition the 4imprint Pension Scheme has paid the auditors £6,175 (2008 £6,000) for audit services

3 Employees

Staff costs	Note	Group		Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
Wages and salaries		23,099	22,545	692	715
Social security costs		2,214	2,101	82	121
Pension costs	4	1,761	310	1,320	(99)
Share-based payment charges		426	370	389	370
		27,500	25,326	2,483	1,107

Termination costs totalling £653,000 have been charged to the Group exceptional items (2008 £526,000). There were no termination costs in the Company.

Average number of people (including Executive Directors) employed

	2009 No	2008 No
Direct Marketing Division	445	446
End User Division	217	230
Trade Division	237	308
Head Office	8	7
	907	991

Key management compensation

	2009 £'000	2008 £'000
Salaries, fees and short-term employee benefits	1,022	1,063
Social security costs	81	96
Pension contributions	91	83
Share-based payment charges	299	153
	1,493	1,395

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

	2009 £'000	2008 £'000
Aggregate emoluments	466	430
Company contributions to money purchase pension schemes	45	44
Aggregated gains made on the exercise of share options	459	–

Notes to the Financial Statements continued

4 Employee pension schemes

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

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Net pension costs				
Defined contribution plans	493	460	52	51
<i>Defined benefit scheme</i>				
– Current service cost	28	68	28	68
– Net interest charge/(credit)	1,240	(218)	1,240	(218)
	1,761	310	1,320	(99)

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

Defined benefit scheme

The financial position of the defined benefit scheme has been updated on an approximate basis at 2 January 2010. The last full actuarial valuation was carried out by a qualified independent actuary as at 5 April 2007.

The principal assumptions made by the actuaries were:

	2009	2008
Rate of increase in pensionable salaries	4.4%	3.8%
Rate of increase in pensions in payment and deferred pensions	3.4%	2.8%
Discount rate	5.8%	6.5%
Inflation assumption	3.4%	2.8%
Expected return on scheme assets	6.8%	6.3%

The mortality assumptions adopted at 2 January 2010 imply the following life expectancies at age 65:

	2009	2008
Male currently age 40	21.5 yrs	21.4 yrs
Female currently age 40	24.2 yrs	24.2 yrs
Male currently age 65	20.3 yrs	20.3 yrs
Female currently age 65	23.2 yrs	23.1 yrs

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

	2009 £'000	2008 £'000
Present value of funded obligations	(96,505)	(83,170)
Fair value of scheme assets	74,055	66,233
Net liability recognised in the balance sheet	(22,450)	(16,937)

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

	2009		2008	
	£'000	%	£'000	%
Equities	28,323	38%	21,266	32%
Bonds	28,970	39%	25,095	38%
Property	12,842	17%	13,886	21%
Cash	3,920	6%	5,986	9%

4 Employee pension schemes continued

The amounts recognised in the income statement are as follows

	2009 £'000	2008 £'000
Current service cost	28	68
Interest cost	5,274	5,366
Expected return on scheme assets	(4,034)	(5,584)
	1,268	(150)

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

	2009 £'000	2008 £'000
Defined benefit obligation at start of period	83,170	91,544
Current service cost	28	68
Interest cost	5,274	5,366
Contributions by scheme participants	–	3
Actuarial losses/(gains)	12,228	(9,510)
Benefits paid	(4,195)	(4,301)
Defined benefit obligation at end of period	96,505	83,170

Changes in the fair value of scheme assets are as follows

	2009 £'000	2008 £'000
Fair value of assets at start of period	66,233	80,995
Expected return on assets	4,034	5,584
Actuarial gains/(losses)	5,527	(18,309)
Contributions by employer	2,456	2,261
Contributions by scheme participants	–	3
Benefits paid	(4,195)	(4,301)
Fair value of assets at end of period	74,055	66,233

Based on the current schedule of cash contributions, contributions by the employer for 2010 would be broadly in line with the 2009 contributions

Analysis of the movement in the balance sheet liability

	2009 £'000	2008 £'000
At start of period	16,937	10,549
Total expense/(income)	1,268	(150)
Contributions paid	(2,456)	(2,261)
Actuarial losses taken directly to equity	6,701	8,799
At end of period	22,450	16,937

The actual return on scheme assets was a gain of £9,367,000 (2008 loss £11,920,000)

Notes to the Financial Statements continued

4 Employee pension schemes continued

History of experience gains and losses

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Experience adjustment on scheme liabilities	(79)	(406)	2,240	(25)	(75)
Percentage of the present value of scheme liabilities	<1%	<1%	2%	<1%	<1%
Experience adjustment on scheme assets	5,527	(18,309)	(3,242)	2,251	7,013
Percentage of scheme assets	7%	28%	4%	3%	9%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(12,149)	9,916	7,284	(907)	(10,541)
Percentage of the present value of scheme liabilities	13%	12%	8%	1%	11%

5 Exceptional items

	2009 £'000	2008 £'000
End User Division reorganisation costs	(187)	(583)
Termination costs and onerous contracts	(584)	(177)
Trade Division reorganisation and integration costs	–	(2,793)
	(771)	(3,553)

The End User Division reorganisation costs in 2009 related to the completion of the restructuring commenced in 2008. 2008 costs related to the restructuring of the UK operations across the London and Manchester businesses and the closure of a small, unprofitable overseas office.

The termination and onerous contract costs in 2009 related to a reduction in the Group overhead costs and in 2008 related to leases which were retained by the Group following the disposal of businesses in 2000.

Following the integration of the Product Source business into the Trade Division in Blackpool in July 2007, the Division went through a significant period of restructuring and rationalisation. The Trade Division exceptional costs in 2008 represented the finalisation of this major reorganisation.

Cash expenditure on exceptional items in 2009 was £829,000 (2008: £1,411,000). Cash items of £728,000 (2008: £705,000) are included in accruals at 2 January 2010.

6 Finance income and costs

	2009 £'000	2008 £'000
Finance income		
Bank and other interest	28	37
Finance costs		
Interest payable on bank borrowings	(308)	(726)
Interest payable on finance leases	(35)	–
Interest payable on deferred consideration	–	(30)
	(343)	(756)

7 Taxation

	2009 £'000	2008 £'000
Analysis of (credit)/charge in the period		
UK tax – current	3	–
Overseas tax – current	95	568
Adjustments in respect of prior years	(144)	–
Total current tax	(46)	568
Deferred tax	501	525
Adjustment in respect of prior years	(54)	427
Total deferred tax (note 14)	447	952
Taxation	401	1,520

The tax for the year is different to the standard rate of corporation tax in the UK (28%). The differences are explained below

	2009 £'000	2008 £'000
Profit before tax	2,672	5,070
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2008 28.5%)	748	1,445
<i>Effects of</i>		
Adjustments in respect of foreign tax rates	(152)	83
Expenses not deductible for tax purposes and non taxable income	(18)	(58)
Timing differences and other differences	21	(377)
Adjustments in respect of previous years	(198)	427
Taxation	401	1,520

8 Dividends

	2009 £'000	2008 £'000
Equity dividends – ordinary shares		
Interim paid 4.25p (2008 4.25p)	1,098	1,070
Final paid 8.0p (2008 8.0p)	2,026	2,020
	3,124	3,090

In addition, the Directors are proposing a final dividend in respect of the period ended 2 January 2010, of 8.5p per share, which will absorb an estimated £2.19m of Shareholders' funds. It will be paid on 29 April 2010 to Shareholders who are on the register of members on 26 March 2010. These financial statements do not reflect this proposed dividend.

Notes to the Financial Statements continued

9 Earnings per share

Basic and diluted

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

	2009 £'000	2008 £'000
Profit for the financial period	2,271	3,550
Add back		
Defined benefit pension charge/(credit)	1,268	(150)
Share option charge	426	370
Exceptional items	771	3,553
Tax relating to above items	(370)	(1,132)
Underlying profit for the financial period	4,366	6,191

	Number 000's	Number 000's
Basic weighted average number of shares	25,574	25,251
Dilutive potential ordinary shares – employee share options	261	715
Diluted weighted average number of shares	25,835	25,966

Basic earnings per share	8 88p	14 06p
Underlying basic earnings per share	17 07p	24 51p
Diluted earnings per share	8 79p	13 67p

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 170,648 (2008: 343,000).

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

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

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.

10 Property, plant and equipment

Group	Freehold land and buildings £'000	Long leasehold buildings £'000	Short leasehold buildings £'000	Plant, machinery, fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost						
At 28 December 2008	2,290	2,767	166	10,726	1,878	17,827
Additions	854	–	–	1,206	274	2,334
Disposals	–	(38)	–	(513)	(237)	(788)
Exchange	(232)	–	(9)	(243)	(82)	(566)
At 2 January 2010	2,912	2,729	157	11,176	1,833	18,807
Depreciation						
At 28 December 2008	–	128	117	3,604	1,430	5,279
Charge for the period	59	68	12	1,005	304	1,448
Disposals	–	(20)	–	(506)	(236)	(762)
Exchange	(2)	–	(4)	(149)	(66)	(221)
At 2 January 2010	57	176	125	3,954	1,432	5,744
Net book value at 2 January 2010	2,855	2,553	32	7,222	401	13,063

Freehold land with a value of £295,000 (2008 £324,000) has not been depreciated

Borrowings of £2,199,000 are secured on the freehold land and buildings

Plant and machinery additions in the period of £683,000 were acquired by means of finance lease

Group	Freehold land and buildings* £'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	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	–	–	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 was still in the course of construction at 27 December 2008

Notes to the Financial Statements continued

10 Property, plant and equipment continued

Company	Fixtures & fittings £'000
Cost	
At 28 December 2008	200
Additions	10
At 2 January 2010	210
Depreciation	
At 28 December 2008	8
Charge for the period	23
At 2 January 2010	31
Net book value at 2 January 2010	179

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

11 Goodwill

Group	£'000
Cost	
At 2 January 2010 and 27 December 2008	9,084

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

	2009 £'000	2008 £'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's 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 Divisions operate. The discounted rate is calculated using the capital asset pricing model.

The key assumptions used in the value in use calculations for goodwill held at 2 January 2010 and 27 December 2008 were

	2009	2008
Discount rate pre tax	13.89%	12.65%
Operating profit margin	7%	8%
Long term growth rate	2%	2%

There is no goodwill in the Company

12 Intangible assets

Group	Computer software £'000
Cost	
At 28 December 2008	5,178
Additions	833
Disposals	(394)
Exchange	(191)
At 2 January 2010	5,426
Amortisation	
At 28 December 2008	3,548
Charge for the period	643
Disposals	(392)
Exchange	(103)
At 2 January 2010	3,696
Net book value at 2 January 2010	1,730

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

The average remaining life of intangible assets is 3 years

Notes to the Financial Statements continued

13 Investments

Group	2009 £'000	2008 £'000
Investment in German trade organisation	10	11

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 foreign exchange.

Company	Shares in subsidiary undertakings £'000
Cost	
At 2 January 2010 and 27 December 2008	104,187

Subsidiary undertakings

The principal operating subsidiaries at 2 January 2010, 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	US	Promotional products
4imprint Direct Limited	England	Promotional products
SPS (EU) Limited	England	Promotional products

* Trading as Brand Addition

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

An impairment test was performed on the carrying value of the investments in subsidiary undertakings. The recoverable amount was determined based on value in use calculations using 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's view of market developments using long term growth rates of 2%. These growth rates do not exceed the long term average growth rates for the countries in which Divisions operate. The discount rate used of 13.89% pre tax is calculated using the capital asset pricing model.

14 Deferred tax

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
At 28 December 2008	5,861	4,334	5,254	3,529
Income statement charge	(447)	(952)	(865)	(679)
Deferred tax credited to reserves	1,862	2,342	1,862	2,404
Exchange (loss)/gain	(53)	137	–	–
At 2 January 2010	7,223	5,861	6,251	5,254

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

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax analysis

Group	Depreciation/ capital allowances £'000	Tax losses £'000	Pension £'000	Other £'000	Total £'000
At 28 December 2008	(959)	932	4,740	1,148	5,861
Income statement credit/(charge)	40	654	(333)	(808)	(447)
Exchange differences credited/(debited) to reserves	26	(31)	–	(48)	(53)
Deferred tax credited/(debited) to reserves	–	–	1,876	(14)	1,862
At 2 January 2010	(893)	1,555	6,283	278	7,223

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

No provision has been made for deferred tax assets relating to trading losses carried forward of £0.7m (2008: £2.34m).

No provision has been made for deferred tax assets relating to losses carried forward in 4imprint Group plc of £8.5m (2008: £10.6m). These losses may be available for offset against future profits in this company.

No provision has been made for deferred tax assets relating to capital losses carried forward of £9.85m (2008: £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 2 January 2010.

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

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

The deferred income tax credited to equity during the year is as follows:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Exchange differences	(53)	137	–	–
Share options	(14)	(121)	(14)	(59)
Actuarial gains	1,876	2,463	1,876	2,463
	1,809	2,479	1,862	2,404

Notes to the Financial Statements continued

15 Inventories

Group	2009 £'000	2008 £'000
Raw materials and consumables	381	647
Work in progress	321	365
Finished goods and goods for resale	6,320	7,437
	7,022	8,449

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 total £1,112,000 (2008 £2,081,000)

During the year a net amount of £36,000 has been credited to the income statement in respect of provisions for slow moving and obsolete stock (2008 £1,719,000 charged to exceptional costs)

The amount of inventory charged to the income statement is shown in note 2

The Company held no inventory at 2 January 2010 or 27 December 2008

16 Trade and other receivables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade receivables	18,145	23,566	–	–
Less Provision for impairment of receivables	(178)	(987)	–	–
Trade receivables – net	17,967	22,579	–	–
Amounts due from subsidiary companies	–	–	92,596	63,187
Corporation tax debtor	208	250	–	50
Other receivables	2,794	3,228	302	251
Prepayments and accrued income	3,069	2,797	130	56
	24,038	28,854	93,028	63,544
Less non-current portion Amounts due from subsidiary companies	–	–	(60,000)	(20,066)
	24,038	28,854	33,028	43,478

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

The impairment of trade receivables credited to the income statement was £45,000 (2008 £970,000 charge). This was incurred in the divisions as follows: Trade Division charge £150,000 (2008 £703,000), Direct Marketing Division charge £75,000 (2008 £222,000), and End User Division credit £270,000 (2008 £45,000 charge). There is no impairment of any receivables other than trade receivables.

Current amounts due from subsidiary companies include £24,464,000 which is interest bearing at market rates of interest. The balance is repayable on demand.

Non current amounts due from subsidiary companies includes amounts due within two to five years of £60,000,000 (2008 £20,066,000), which are interest bearing at market rates of interest.

16 Trade and other receivables continued

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

Time past due date	Group	
	2009 £'000	2008 £'000
Up to 3 months	2,941	5,122
3 to 6 months	186	605
Over 6 months	142	110
	3,269	5,837

The ageing of impaired trade receivables is as follows

Time past due date	Group	
	2009 £'000	2008 £'000
Up to 3 months	15	104
3 to 6 months	58	196
Over 6 months	105	687
	178	987

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Sterling	8,226	10,938	91,124	62,599
US Dollars	12,552	14,045	276	–
Euros	2,669	2,905	1,628	945
Canadian Dollars	524	811	–	–
Other currencies	67	155	–	–
	24,038	28,854	93,028	63,544

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

	Group	
	2009 £'000	2008 £'000
At 28 December 2008	987	603
Exchange	(10)	20
Utilised	(754)	(515)
Provided	355	975
Released	(400)	(96)
At 2 January 2010	178	987

17 Cash and cash equivalents

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash at bank and in hand	5,613	4,411	1,526	660

Notes to the Financial Statements continued

18 Trade and other payables – current

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade payables	16,449	17,200	–	–
Other tax and social security payable	1,008	1,228	–	–
Other payables	111	98	16	11
Amounts due to subsidiary companies	–	–	3,133	8,389
Accruals	3,822	5,075	279	375
	21,390	23,601	3,428	8,775

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

The amounts due to subsidiary companies is repayable on demand

19 Financial liabilities – borrowings

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Current bank overdrafts due within one year or on demand	–	–	–	335
Current finance lease creditor	124	–	–	–
Current bank loan	6,072	–	6,000	–
Non current finance lease creditor	416	–	–	–
Non current bank loans	2,127	8,600	–	6,000
	8,739	8,600	6,000	6,335

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Non current borrowings				
Repayable in 1-2 years	199	6,705	–	6,000
Repayable in 2-5 years	2,344	1,895	–	–
	2,543	8,600	–	6,000

The non current borrowings principally relate to a mortgage for the US distribution centre secured on the land and building

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Sterling (2009 1 30%, 2008 2 80%)	6,000	6,000	6,000	6,335
US Dollars (2009 5 30%, 2008 5 82%)	2,739	2,600	–	–
	8,739	8,600	6,000	6,335

19 Financial liabilities – borrowings continued

The Group had the following undrawn committed floating rate borrowing facilities available at 2 January 2010

Borrowing facilities	2009 £'000	2008 £'000
Expiring within one year	8,025	4,956
Expiring in more than one year	–	4,294
	8,025	9,250

In January 2010 the £6m current bank loan was repaid and new £10m facility agreements commenced with the Group's principal UK bankers, Lloyds TSB Bank plc. These comprise a £6m loan facility repayable on 31 December 2012, a £2m loan facility repayable £0.25m on 30 December 2010 and 2011 and £1.50m repayable on 31 December 2012, together with a £2m overdraft facility renewable annually on 31 December. The interest rate on the £6m facility is LIBOR plus 3%, on the £2m facility is LIBOR plus 2.75% and on the overdraft facility is base rate plus 2.75%. There is a total arrangement fee of 1.5%.

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 the US dollar and the Euro. 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 £0.59m and decreased net assets by £0.79m. Closing rate was US\$1.61 (2008: US\$1.47) and the average rate used to translate profits was US\$1.56 (2008: US\$1.86).

A weakening in the US dollar exchange rate by ten cents would reduce profit by £0.22m and net assets by £0.47m.

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.

Notes to the Financial Statements continued

20 Financial risk management continued

Cash deposits at 2 January 2010 are as follows

	2009 Rating	2009 Deposit £'000	2008 Rating	2008 Deposit £'000
Lloyds TSB	Aa3	2,583	Aa3	2,269
HSBC	Aa2	57	Aa1	35
Associated	A1	1,406	A1	444
Fortis	Aa2	1,201	A1	885
Bank of Montreal	Aa2	–	Aa1	339
JP Morgan Chase	Aa1	350	Aa1	268
Other		16		171
		5,613		4,411

Cash deposits of £1,526,000 (2008 £660,000) were held by the Company at 2 January 2010

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers who are 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 2 January 2010 the net debt position of the Group was £3,126,000 (2008 £4,189,000).

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, LIBOR or appropriate local equivalent for overseas subsidiaries.

If interest rates had been 0.1% higher, interest charges would have been £8,000 (2008 £11,000) higher in the year.

21 Called up share capital

	2009 £'000	2008 £'000
Authorised		
39,000,000 (2008 39,000,000) ordinary shares of 38 6/13p each	15,000	15,000
Allotted and fully paid		
25,840,552 (2008 25,600,552) ordinary shares of 38 6/13p each	9,939	9,846

240,000 ordinary shares were issued in the period (2008 61,251) at par value of £92,308 (2008 £96,612) to satisfy the exercise of share options under UK Executive schemes

At 2 January 2010 the following options have been granted and were outstanding under the Company's share option schemes

Scheme	Date of grant	Number of ordinary shares 2009	Number of option holders 2009	Number of ordinary shares 2008	Subscription price	Date exercisable From	to
Executive scheme	16 04 99	–	–	8,000	350 0p	Apr 2004	Apr 2009
Executive scheme	20 12 04	–	–	240,000	nil	Dec 2007	Dec 2014
	14 03 06	–	–	100,000	nil	Mar 2009	Jun 2009
	10 04 06	–	–	100,000	nil	Mar 2009	Jun 2009
SAYE	06 10 05	–	–	41,079	208 0p	Jan 2009	Jun 2009
	03 10 06	12,284	25	13,988	266 0p	Jan 2010	Jun 2010
	01 10 07	13,547	33	18,671	346 0p	Jan 2011	Jun 2011
	07 10 08	69,541	40	254,272	130 0p	Jan 2012	Jun 2012
	07 10 09	520,040	120	–	87 0p	Jan 2013	Jun 2013
US Sharesave	03 10 06	–	–	2,121	\$6 17	Dec 2008	Jan 2009
	01 10 07	–	–	1,491	\$6 95	Dec 2009	Jan 2010
	07 10 08	12,527	12	308,487	\$2 32	Dec 2010	Jan 2011
	07 10 09	482,305	180	–	\$1 49	Dec 2011	Jan 2012
Total		1,110,244	410	1,088,109			

The weighted average exercise price for options outstanding at 2 January 2010 was 97 76p (2008 96 35p)

In addition there are grants under an Option Deed to the Executive Chairman. It is not possible to estimate reliably the number of shares under option. This option scheme is fully described in note 23.

Notes to the Financial Statements continued

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		Total equity £'000
					Own shares £'000	Profit and loss £'000	
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				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 actuarial losses 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
Balance at 28 December 2008	9,846	38,016	208	1,151	(519)	(27,143)	21,559
Profit for the period						2,271	2,271
Exchange adjustments				(1,172)			(1,172)
Shares issued	93						93
Own shares utilised					451	(451)	–
Own shares purchased					(93)		(93)
Employee share options taken to reserves						359	359
Deferred tax on employee share options taken to reserves						(14)	(14)
Actuarial losses taken to reserves						(6,701)	(6,701)
Deferred tax on actuarial losses taken to reserves						1,876	1,876
Dividends						(3,124)	(3,124)
Balance at 2 January 2010	9,939	38,016	208	(21)	(161)	(32,927)	15,054

The cumulative goodwill written off to the reserves, in respect of subsidiary companies currently held, amounts to £15,297,000 (2008 £15,297,000)

Own shares held comprises 90,325 ordinary shares held in the 4imprint Group plc Employee Share Trust (2008 290,325)

22 Statements of changes in Shareholders' equity continued

Company	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Retained earnings		Total equity £'000
				Own shares £'000	Profit and loss £'000	
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 actuarial losses 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
Balance at 28 December 2008	9,846	38,016	208	(519)	19,442	66,993
Profit for the period					52,529	52,529
Shares issued	93					93
Own shares utilised				451	(451)	-
Own shares purchased				(93)		(93)
Employee share options taken to reserves					359	359
Deferred tax on employee share options taken to reserves					(14)	(14)
Actuarial losses taken to reserves					(6,701)	(6,701)
Deferred tax on actuarial losses taken to reserves					1,876	1,876
Dividends					(3,124)	(3,124)
Balance at 2 January 2010	9,939	38,016	208	(161)	63,916	111,918

Company's income statement

Under Section 408 of the Companies Act 2006 an income statement for the Company is not presented. Profit after tax and before external dividends payable for the period of £52,529,000 (2008: £24,704,000) is included in the financial statements of the Company.

Of the £63,916,000 profit and loss reserve in the Company, £40,000,000 is currently considered not distributable as no qualifying consideration has yet been received and the debt is not expected to be settled within a reasonable period of time.

Notes to the Financial Statements continued

23 Share-based payments

Share options may be 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) is determined using Black-Scholes model for SAYE schemes and either the Monte Carlo valuation model or the Binomial model as appropriate for Executive schemes 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.

	2009 £'000	2008 £'000
Charge resulting from spreading the fair value of options granted after 7 November 2002, which had not been exercised by 28 December 2008, over the expected vesting period of the options	426	370

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

	UK SAYE Schemes				US Sharesave Scheme		Executive Chairman Share Scheme
Grant date	03/10/06	01/10/07	07/10/08	07/10/09	07/10/08	07/10/09	07/09/07
Share price at grant date	388.5p	432.5p	129p	110p	129p	110p	426p
Exercise price	266p	346p	130p	87p	\$2.32	\$1.49	nil
Number of employees	25	33	40	120	12	180	1
Shares under option	12,284	13,547	69,541	520,040	12,527	482,305	n/a
Vesting period (years)	3	3	3	3	2.17	2.17	10
Expected volatility	29%	18%	35%	40%	35%	40%	10%
Option life (years)	3.5	3.5	3.5	3.5	2.25	2.25	10
Expected life (years)	3	3	3	3	2.17	2.17	3
Risk free rate	4.9%	5.2%	3.7%	2.0%	3.6%	2.0%	5.2%
Expected dividends expressed as a dividend yield	2.8%	2.3%	5.5%	8.5%	5.5%	8.5%	2.3%
Possibility of ceasing employment before vesting	10%	10%	10%	10%	10%	10%	0%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%	100%	0%
Fair value per option	141p	95p	24.5p	24.0p	20.8p	22.3p	n/a

On 7 September 2007, grants were made under an Option Deed to the Executive Chairman, Mr K. J. Minton, whose remuneration is primarily 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.

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

23 Share-based payments continued

A reconciliation of option movements over the period to 2 January 2010 is shown below

	2009		2008	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at start of period	1,088,109	96 35p	1,167,391	91 29p
Granted	1,008,209	89 53p	562,759	145 21p
Forfeited/cancelled	(496,995)	139 01p	(213,237)	380 00p
Exercised	(440,000)	0 0p	(391,251)	30 71p
Expired	(49,079)	231 15p	(37,553)	258 36p
Outstanding at end of period	1,110,244	97 76p	1,088,109	96 35p
Exercisable at end of period	-	-	250,121	14 75p

Range of exercise prices	2009				2008			
	Number of shares	Weighted average exercise price	Weighted average remaining life (years)		Number of shares	Weighted average exercise price	Weighted average remaining life (years)	
			Expected	Contractual			Expected	Contractual
Nil	-	-	-	-	440,000	Nil	-	-
£0 01 - £1	1,002,345	89.53p	2 52	2 52	-	-	-	-
£1 01 - £2	82,068	110 38p	1 85	1 85	562,759	145p	2 45	2 45
£2 01 - £3	12,284	266 0p	1 00	1 00	55,067	223p	1 25	1 25
£3 01 - £4	13,547	346 0p	2 00	2 00	26,671	347p	1 50	1 50
£4 01 - £5	-	-	-	-	3,612	441p	0 41	0 41

The total charge for the period relating to share-based payment plans was £426,000 (2008 £370,000). After tax the charge was £362,000 (2008 £249,000).

Notes to the Financial Statements continued

24 Cash generated from operations

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Operating profit/(loss)	2,987	5,789	(1,099)	(5,189)
<i>Adjustments for</i>				
Depreciation charge	1,448	1,298	23	8
Amortisation of intangibles	643	661	–	–
Loss on disposal of property, plant and equipment	26	19	–	–
Exceptional non cash items	–	2,432	–	107
(Decrease)/increase in exceptional accrual	(58)	(290)	(18)	70
Share option non cash charge	359	370	359	370
IAS 19 pension charge/(credit) for defined benefit scheme	1,268	(150)	1,268	(150)
Contributions to defined benefit pension scheme	(2,456)	(2,261)	(2,456)	(2,261)
Exchange (gains)/losses on inter-company loans	–	–	(1,227)	4,186
<i>Changes in working capital</i>				
Decrease/(increase) in inventories	1,158	(267)	–	–
Decrease/(increase) in trade and other receivables	3,669	5,614	(124)	(144)
Decrease in trade and other payables	(1,411)	(652)	(71)	(404)
(Decrease)/increase in payables to subsidiary undertakings	–	–	(2,603)	6,870
Cash generated from/(used in) operations	7,633	12,563	(5,948)	3,463

	Note	Group		Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
Reconciliation of net debt					
Cash at bank and in hand	17	5,613	4,411	1,526	660
Current bank overdrafts	19	–	–	–	(335)
Current finance lease creditor	19	(124)	–	–	–
Current bank loan	19	(6,072)	–	(6,000)	–
		(583)	4,411	(4,474)	325
Non current bank loans	19	(2,127)	(8,600)	–	(6,000)
Non current finance lease creditor	19	(416)	–	–	–
Net debt		(3,126)	(4,189)	(4,474)	(5,675)

25 Financial commitments

At 2 January 2010, the Group was committed to make payments in respect of non-cancellable operating leases expiring in the following periods

	2009		2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
in one year	859	88	1,125	206
in two to five years	3,489	301	3,154	499
in more than five years	3,959	–	234	–
	8,307	389	4,513	705

The Company had financial commitments for land and buildings of £167,000 on leases expiring in two to five years at 2 January 2010 (2008 £215,000)

26 Contingent liabilities

Guarantees have been given by the Company for the Group bank borrowings that, at 2 January 2010, amounted to £nil (2008 £705,000)

Guarantees have been given by the Company for letters of credit of £158,000 at 2 January 2010 (2008 £771,000)

27 Capital commitments

The Group had capital commitments contracted but not provided for in the financial statements of £nil (2008 £467,000)
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

	2009 £'000	2008 £'000
Income statement		
Finance income due from Group companies	7,580	2,528
Finance costs due to Group companies	586	2,365
Balance sheet		
Interest bearing loans due from Group companies at end of period	84,464	61,806
Interest bearing loans due to Group companies at end of period	12,473	43,657

Key management compensation in the Company which was the Directors' remuneration, as disclosed in the Remuneration Report on page 23, was charged to the income statement of the Company

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 £nil (2008 £624,000) due in one to two years, £30,620,000 (2008 £43,657,000) due in two to five years and £30,755,000 (2008 £30,516,000) due after five years £12,473,000 of 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	2009*	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Continuing operations					
Revenue	169,088	168,085	146,823	119,519	96,481
Operating profit	2,987	5,789	3,747	7,164	5,388
Operating profit before exceptional items and share grant	3,758	9,342	10,160	7,541	5,703
Exceptional items	(771)	(3,553)	(5,273)	(377)	(315)
Share grant	–	–	(1,140)	–	–
Operating profit	2,987	5,789	3,747	7,164	5,388
Finance income	28	37	13	218	300
Finance costs	(343)	(756)	(458)	(44)	(47)
Profit before tax	2,672	5,070	3,302	7,338	5,641
Taxation	(401)	(1,520)	(1,072)	(2,348)	(1,691)
Profit from continuing operations	2,271	3,550	2,230	4,990	3,950
Profit from discontinued operations	–	–	–	–	4,012
Profit attributable to equity Shareholders	2,271	3,550	2,230	4,990	7,962

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

Basic earnings per ordinary share	8 88p	14 06p	8 93p	20 29p	30 94p
Dividend per share – paid and proposed	12 75p	12 25p	12 00p	9 50p	7 00p

Balance sheet	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Non current assets	23,887	23,273	20,791	21,022	9,275
Deferred tax asset	7,223	5,861	4,334	6,149	8,921
Net current assets	8,937	17,962	16,142	12,341	18,694
Pension liability	(22,450)	(16,937)	(10,549)	(18,436)	(20,930)
Other liabilities	(2,543)	(8,600)	(6,000)	(1,000)	–
Shareholders' funds	15,054	21,559	24,718	20,076	15,960
Net (debt)/cash	(3,126)	(4,189)	(7,077)	(249)	9,012

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 & Co

Moorgate Hall

155 Moorgate

London EC2M 6XB

Registrar and Transfer Office

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent

BR3 4TU

Bankers

Lloyds TSB Bank plc,

Associated Bank

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**4imprint Group plc****Group office**

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

Direct Marketing Division**USA****4imprint**

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

UK**4imprint**

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

End User Division**UK****Manchester****Brand Addition**

Broadway
Trafford Wharf Road
Manchester M17 1DD
Telephone +44 (0)870 240 6622
Fax +44 (0)870 241 3440
E-mail manchester@brandaddition.com

London**Brand Addition**

Unit 9
South Bank Business Centre
Ponton Road
London SW8 5BL
Telephone +44 (0)207 393 0033
Fax +44 (0)207 393 0080
E-mail london@brandaddition.com

Germany**Brand Addition**

Heydastraße 13
D-58093
Hagen
Germany
Telephone +49 (0)2331 95970
Fax +49 (0)2331 959749
E-mail hagen@brandaddition.com

Hong Kong**Brand Addition**

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

China**Brand Addition**

Unit 22C Tower A
Guangdong International Building
339 Huanshi Dong Lu
Guangzhou 510098
China
Telephone + 86 20 8332 2248
Fax + 86 20 8332 4998
E-mail guangzhou@brandaddition.com

Trade Division**UK****SPS**

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