



4imprint Group plc
Annual Report and Accounts 2012

Market beating growth



4imprint is a leading international supplier of promotional products

4imprint Group

4imprint is a UK listed promotional products Group with two continuing operations: 4imprint Direct Marketing (92% of revenue); and SPS (8% of revenue).

The Group's strategy is continued organic growth, gaining market share in the highly fragmented markets in which the Group operates.

4imprint Direct Marketing

4imprint is a leading direct marketer of promotional products in the USA, headquartered in Oshkosh, Wisconsin and servicing a wide range of customers in USA and Canada. European customers are serviced through its base in Manchester, England.

SPS

SPS is a UK based trade supplier selling promotional products to distributors in the UK and Europe for onward sale to their customers. The business has specialist manufacturing and sourcing capability together with an extensive range of printing and branding facilities.



Financial highlights

- Revenue[†] was £182.92m (2011: £158.82m), up 15%
- North American Direct Marketing revenue was US\$256.50m (2011: US\$224.52m), up 14%
- Underlying* profit before tax[†] was £9.98m (2011: £8.13m), up 23%
- Profit before tax[†] was £7.71m (2011: £0.36m)
- Net cash at the year end was £10.68m (2011: £5.46m). North American Direct Marketing operating cash inflow was US\$16.92m
- Underlying* basic earnings per share[†] was 28.32p (2011: 22.01p), an increase of 29%
- Basic earnings per share was 53.57p, including profit on business disposal of £8.46m (2011: 8.48p)
- Proposed total dividend per share of 15.45p (2011: 14.6p), an increase of 6%

Operational highlights

4imprint Direct Marketing

- Continued organic growth in North America
 - more than 530,000 orders received
 - 135,000 new customers
 - re-order rates strong
- UK Direct Marketing revenue increased 16% to £7.04m

SPS

- Total revenue was up 9% at £15.52m, increasing market share
- Sale of Brand Addition completed in March 2012 for aggregate consideration of £24m
- Pension risk reduction – £25m pension buy-in completed (c 20% of liability), using £12m of Brand Addition sale proceeds

[†] Continuing operations

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

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4imprint Direct Marketing

Introduction

4imprint is a direct marketing business supplying an extensive range of promotional products and branded apparel to individual buyers in a wide variety of businesses and organisations throughout the USA, Canada, UK and Ireland. 4imprint is the largest direct marketer of promotional products in both the US and Canadian promotional products markets, together totalling \$23 billion, and is a leading player in the £800 million UK market. In North America, 4imprint has grown significantly ahead of the market, consistently gaining market share. Growth has been achieved organically driven by revenue investment in marketing, technology and people but without requiring significant fixed capital.

Background

Promotional products are purchased by a wide range of individuals within all types and sizes of businesses and organisations. These products are used as an integral part of sales and marketing activities, recruitment and recognition schemes, health and safety programmes and other initiatives to make a lasting connection between the customer organisation and the recipient. The range of products is

diverse from basic giveaways such as pens, bags and drinkware to more exclusive products such as embroidered clothing, business gifts and full colour trade show displays.

Market position

The promotional products market place is highly fragmented. The largest market, the United States, is comprised of more than 22,000 distributors, of which more than 90% each have annual sales of less than \$2.5 million. 4imprint has a unique business model through which to address the market. The business generates organic growth using innovative catalogue and internet-based marketing techniques to acquire new customers and targeted marketing such as Blue Boxes (product samples and tailored individual marketing sent to customers), internet advertising and subscription e-mails to retain customers and generate repeat purchases. This allows 4imprint to address millions of potential purchasers, offering thousands of customised products. Substantial supplier partnerships facilitate rapid and efficient deliveries on short lead times.

Competitive advantage

4imprint has developed its competitive advantage through the investment

of free cash flow to increase its market share, developing bespoke marketing methods and proprietary technology, continually increasing the substantial barriers to entry which are strengthened by its scale.

This model offers the customer an easy and convenient way to purchase an extensive range of products via telephone or over the web with the assistance of a highly skilled customer service team. The customer receives free samples, free artwork and unique service guarantees such as on time or free and total satisfaction or your money back.

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

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



Total revenue £m



North American revenue \$m



markets out of a UK facility. 4imprint has a strong working culture committed to equipping employees with training and tools to deliver a superior customer experience which is a key component of growth. The US business has been named in the top twenty five best medium sized companies to work for in USA, in each of the past five years.

Financials

Double-digit revenue growth is driven by an increasing number of customers acquired as well as maintaining consistent repurchase rates even as the number of customers grows substantially. It is the Group's strategy to deliver broadly constant operating margins as the business increases its marketing spend to drive organic revenue growth.

In addition to favourable growth characteristics, the business generates substantial operating cash flow. Capital investment requirements are low and working capital requirements are less than 5% of annual revenue, driven by minimal inventory and an increasing proportion of sales being paid by credit card.

SPS

SPS manufactures and supplies promotional and advertising products to distributors within the promotional products industry who then sell these products on to end users. SPS is based in Blackpool and is one of the leading suppliers of promotional items in the UK.

SPS's customer base comprises more than 2,000 distributors in the UK and Ireland. These include distributors who specialise in promotional products as well as companies who sell promotional products as part of a range of services. It also supplies product into Europe through a network of specialist companies serving their local promotional products industry.

Based on an annual catalogue, which is used extensively throughout the industry, and supplemented by targeted product focused catalogues, SPS sells an extensive range of manufactured and bought in products. It has a wide range of manufacturing, printing and branding capability including injection moulding, pad production, litho, screen, pad and digital printing, labelling and embroidery.

The product range covers much of the industry's requirements with in-house branding supported by an artroom which enables quick order turnaround to match short customer lead times.



Total revenue £m

08	19.8
09	16.8
10	16.3
11	14.2
12	15.5

Chairman's statement



Revenue[†]
up 15%

Underlying* profit before tax[†]
up 23%

2012 was an eventful year for 4imprint in which the Group made significant strategic progress and again delivered strong growth in revenue and underlying operating profit, whilst maintaining a robust financial position.

4imprint Direct Marketing again demonstrated the effectiveness of its business model growing its market share. SPS also showed good growth. In addition, during the year, the Group sold its Brand Addition business and undertook a partial buy-in of legacy pension liabilities.

Group revenue[†] for the year was £182.92m, an increase of 15% compared to 2011. Underlying* profit before tax[†] at £9.98m, represented an increase of 23% over the prior year. Profit before tax[†] was £7.71m (2011: £0.36m).

Group net cash at year-end was £10.68m (2011: £5.46m). North American Direct Marketing operating cash inflow was \$16.92m (2011: \$13.22m).

Underlying* basic earnings per share[†] was 28.32p (2011: 22.01p), a 29% increase, helped by a reduction in the effective tax rate which is expected to be broadly sustainable. Basic earnings per share was 53.57p (2011: 8.48p).

4imprint Direct Marketing

4imprint Direct Marketing delivered another strong performance. Revenue increased by 16% and underlying operating profit by 10%, compared to prior year.

In North America, revenue was \$256.50m, an increase of 14%. This was despite fiscal and electoral uncertainty and the hurricane in the Eastern USA.

The business now has substantial scale, having processed over half a million orders and acquired 135,000 new customers during the year. Re-order rates by previous customers remained strong.

The UK business delivered growth in revenue of 16% to £7.04m (2011: £6.05m). Profitability was modest, consistent with investing in building a larger business.

SPS

SPS continued its recovery, total revenue was £15.52m (2011: £14.22m), 9% up on prior year and operating profit more than trebled. The focus on innovation in the product portfolio and greater emphasis on building customer relationships have strengthened the business.

Dividend

The Board has recommended a final dividend of 10.20p, making a total of 15.45p, an increase of 6% over the prior year. Dividend is covered 1.8 times by underlying earnings. The increase reflects the Board's progressive dividend policy.

Strategy

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

Outlook

Demand in the early weeks of the new year has been encouraging. The Board is confident of further progress in 2013.

John Poulter

Chairman
5 March 2013

[†] Continuing operations

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

	2012 £m	2011 £m	Change
Revenue			
4imprint Direct Marketing	168.90	146.03	+16%
SPS	15.52	14.22	+9%
Inter-segment	(1.50)	(1.43)	–
Total	182.92	158.82	+15%
	2012 £m	2011 £m	Change
Underlying* operating profit			
4imprint Direct Marketing	11.00	10.00	+10%
SPS	0.78	0.23	+244%
Head Office	(1.84)	(1.74)	–
Total	9.94	8.49	+17%

* Before share option charges and exceptional items.

Group revenue was 15% ahead of 2011, 14% ahead in constant currency, with both 4imprint Direct Marketing and SPS gaining market share through organic growth.

Underlying operating profit increased by 17%, Group underlying operating margin was 5.4% (2011: 5.3%).

4imprint Direct Marketing

4imprint Direct Marketing is a leading marketer of promotional products, servicing customers in the USA and Canada from its headquarters in Wisconsin, as well as customers in the UK and Ireland from its base in Manchester. The business supplies an extensive range of promotional products to individual customers in a wide variety of businesses and organisations, using targeted direct mailing and a strong internet presence. The business is focused on delivering strong organic growth by capturing an increasing share of the highly fragmented promotional products markets it serves.

The 2012 results represent the delivery of another year of progress consistent with the Group strategy of delivering

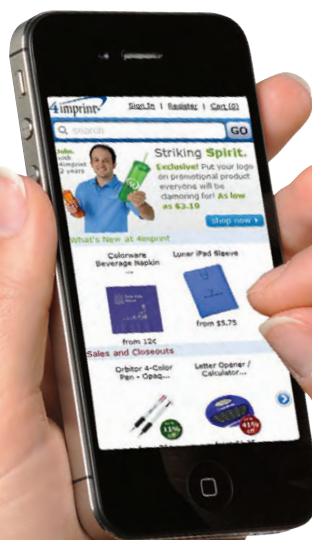
profitable double-digit revenue growth. Significant organic growth was achieved from further revenue investment in marketing, technology and people. For the fifth consecutive year, the US business was named as one of the top twenty-five small and medium sized companies to work for in the USA.

Revenue increased by 16% over 2011 with double-digit percentage increases in both North America and the UK. Underlying operating profit at £11.0m increased by 10% over 2011. Operating margin was 6.5% (2011: 6.8%); the business invested in marketing spend to drive future growth and overhead costs remained tightly controlled. The business continued to be highly cash generative and over £10.6m operating cash flow was generated in the year.

North American revenue grew 14% to US\$256.5m, compared to overall US market growth of 5% (as estimated by the Advertising Specialty Institute (ASI)), highlighting the continued strength of the business model and its ability to capture market share. Orders received



No1
direct marketer in North
American promotional
products market



Operating review – continuing operations

exceeded 500,000 for the first time, illustrating the increasing scale of the business.

Marketing spend increased by 18% over prior year, primarily due to the planned development of speciality catalogue circulation. These catalogues are now successfully established as an on-going part of the customer acquisition mix as well as driving further growth in fast growing product categories such as embroidered apparel. Overall, catalogue circulation increased by 14% and recently enhanced data analytics improved the return from this investment as the year progressed.

In 2012, more than 135,000 new customers were acquired through a combination of online and offline marketing programmes that include catalogue mailings, internet advertising, email and other techniques. Investment was also made in the year to support the future growth of the customer file through the development and implementation of a new marketing database focused primarily on customer acquisition.

Orders from existing customers increased by 21% over 2011, as continued improvements in the data-driven Blue Box® programme and focus on the customer experience produced another year of strong results. Enhancements to the Blue Box® sample mailings resulted in improved ability to generate orders from existing customers, particularly those whose previous purchase was more than a year ago.

The UK Direct Marketing business also had a successful year, producing organic growth above estimated industry rates. Revenue exceeded £7m, an increase of 16% over 2011. Growth was driven primarily through expansion of the product range and the continued implementation of marketing techniques used in the North American business. In December, the business relocated to a new office in Manchester. The new facility provides a quality working environment for

employees as well as space to allow for future growth.

The Direct Marketing business retains a strong cash generation profile. Capital expenditure and depreciation amounts are in close proximity to each other, and working capital increase is minimal even with the continued organic growth of the business.

SPS

SPS is a UK-based trade supplier, manufacturing, sourcing and printing promotional products. The business sells products to distributors in the UK and Europe for onward sale to their customers.

The 2012 results demonstrated a year of significant progress. Total revenue in the year increased to £15.52m, 9% ahead of prior year, as the business was successful in gaining market share. New marketing initiatives, together with activity focused on improving customer service, continued to build momentum throughout the year. In addition, focus on the product portfolio resulted in the introduction of new manufactured products.

Increased revenue, stable gross margin and improved operational efficiency supported by tight control of overhead costs resulted in underlying operating profit of £0.78m, more than three times the prior year. Underlying operating margin improved to 5.1% (2011: 1.6%). Underlying operating profit before depreciation and amortisation was £1.39m for 2012 compared with £0.87m for 2011.

Working capital ratios remain tightly controlled and cash generated in the year was £0.46m, following modest investment in capital for new products and in working capital to support growth.

Head office costs

Head office costs of £1.84m (2011: £1.74m) included Board costs, corporate office and other plc related costs.

SPS revenue
grew 9%
to £15.52m



The Group generated £9.98m of underlying profit before tax (2011: £8.13m), an increase of 23%.

Group results

	2012 underlying* £m	2011 underlying* £m	2012 total £m	2011 total £m
Continuing operations				
Revenue	182.92	158.82	182.92	158.82
Underlying operating profit	9.94	8.49	9.94	8.49
Share option charges			(0.65)	(0.52)
Exceptional items			(0.59)	(6.67)
Net finance income/(charge)	0.04	(0.36)	0.04	(0.36)
Defined benefit pension finance charge			(1.03)	(0.58)
Profit before tax**	9.98	8.13	7.71	0.36

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

**2011 total included exceptional goodwill impairment of £4.74m. 2011 profit before tax excluding exceptional goodwill impairment was £5.10m.

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

Exchange

The average US dollar rate for the year was \$1.58 (2011: \$1.60). The closing US dollar rate for the year ended 29 December 2012 was \$1.62 (2011: \$1.55).

The movement in the average rate for the year increased revenue by £1.95m and operating profit by £0.13m. The movement in the year end rates reduced US dollar denominated overseas subsidiaries assets by £0.32m.

Share option charges

The Group charged £0.65m (2011: £0.52m) to continuing operations in respect of IFRS 2, 'Share-based payments'. This related to UK and US SAYE schemes, together with the Performance Share Plan approved by Shareholders on 27 April 2011.

Exceptional items

Exceptional items in the year totalled £0.59m. These costs arose as a consequence of the sale of Brand Addition and included the office relocation of the UK Direct Marketing business, fees incurred restructuring the Group's inter-company loan financing and actuarial and other advice received in respect of the pension buy-in exercise (2011: £6.67m, including exceptional goodwill impairment in respect of SPS of £4.74m).

Net finance income/(charge)

Net finance income in the year was £0.04m (2011: charge of £0.36m), which reflected the Group's increase in net cash, invested at the current rates of interest.

Taxation

The tax charge for continuing operations for the year was £2.11m (2011: £1.95m), an effective rate of 27% (2011: 38%, excluding non taxable exceptional goodwill impairment charge of £4.74m).

This charge comprised current tax of £1.12m representing tax payable in the United States and deferred tax of £0.99m, the movement on the deferred tax asset principally related to the UK defined benefit pension scheme.

The effective tax rate is above the UK corporate tax rate as the Group's profit is generated principally in the United States where there is a higher corporate tax rate. As a result of the utilisation of previous years' tax losses and tax relief available for cash payments to the UK defined benefit pension scheme, no tax is due in the UK. The Group's tax rate is expected to remain above the UK statutory rate in future years. However, tax deductions continue to be available in the UK for contributions made to the UK pension scheme.

Earnings per share

Underlying basic earnings per share in respect of continuing operations was 28.32p (2011: 22.01p), an increase of 29% reflecting the increased earnings and lower effective tax rate compared to 2011. Basic earnings per share, from continuing and discontinued operations, including 32.20p in respect of the £8.46m profit on disposal of Brand Addition, was 53.57p (2011: 8.48p).

Dividends

The Board has proposed a final dividend of 10.20p which, together with the interim dividend of 5.25p, gives a dividend paid and proposed for the year of 15.45p, an increase of 6% compared to prior year.

Discontinued operations

On 23 March 2012 the Group completed the disposal of Brand Addition to H.I.G., a private equity investment firm. The aggregate consideration was £24m, subject to a normalised level of working capital and on a cash and debt free basis. After adjusting for these items consideration receivable was £22.28m, of which £1.25m was deferred for 12 months and is guaranteed under an irrevocable letter of credit from the Bank of Montreal.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', Brand Addition has been presented as a discontinued operation.

Revenue generated by Brand Addition in 2012 up to the date of sale was £11.31m (2011: £64.53m) and post tax profit was £0.02m (2011: £3.78m).

Profit on disposal of the business was £8.46m, net assets sold were £11.45m and net cash proceeds received in the year from discontinued operations (after fees, working capital and cash at date of disposal adjustment) were £18.54m. Cash outflow from operating activities of discontinued operations was £(3.49)m, (2011: inflow of £8.16m).

Defined benefit pension scheme

The Group sponsors a UK defined benefit pension scheme, closed to new members and future accrual. At 29 December 2012 the scheme had 1,155 pensioners, 618 deferred members and no active members.

The finance charge relating to the scheme in 2012 was £1.03m (2011: £0.58m). The increase was principally due to a reduction in the expected return on assets.

The Group's contributions to the scheme in the year were £12.37m, representing £3.09m normal contributions and £9.28m additional contributions to be used for risk reduction exercises, following the sale of Brand Addition.

In November 2012, the Trustee of the pension scheme completed a partial buy-in of pensioner liabilities for £25.20m, using £12.00m of Company contributions and proceeds of the sale of gilts already held by the scheme. The buy-in policy produces an income stream which covers pension payments to 481 pensioners, representing £20.47m of liabilities and resulted in an actuarial loss of £4.73m. The buy-in eliminates inflation, interest rate and longevity risks associated with the benefits insured.

At 29 December 2012, the deficit of the scheme on an IAS 19 basis was £22.89m (2011: £23.55m). The change in deficit is explained as follows:

	£m
IAS 19 deficit at 31 December 2011	(23.55)
Company contributions to the scheme	12.37
Finance charge	(1.03)
Actuarial loss due to changes in assumptions*	(5.95)
Actuarial loss as a result of buy-in	(4.73)
IAS 19 deficit at 29 December 2012	(22.89)

* Principally due to reduction in the discount rate from 4.9% to 4.3%.

The next triennial valuation of the scheme is due in April 2013.

Cash flow

The Group had net cash of £10.68m at 29 December 2012 following a net cash inflow of £5.22m in the year. Net cash at 29 December 2012 was represented by:

	2012 £m	2011 £m
Other financial assets – cash deposits	3.00	–
Cash and cash equivalents	14.10	12.49
Borrowings due in less than one year	(1.64)	(4.10)
Borrowings due after one year	(4.78)	(2.93)
	10.68	5.46

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

Cash flow is summarised as follows:

	£m
Operating cash flow	
Underlying operating profit	9.94
Depreciation and amortisation	1.63
Change in working capital	(0.75)
Capital expenditure	(1.36)
Operating cash flow – continuing operations	9.46
Interest and tax	(1.33)
Regular defined benefit pension contributions	(3.09)
Other	0.14
Free cash flow	5.18
Discontinued operations net cash inflow	15.05
Exceptional items and purchase of building for UK business	(1.83)
Additional contribution to defined benefit pension scheme	(9.28)
Dividends to shareholders	(3.90)
Net cash inflow in the year	5.22

The Group delivered a strong cash flow performance in 2012, generating £5.18m of free cash flow from continuing operations. The cash generative profile of the Direct Marketing business is one of the key strengths of the Group and the business generated £10.60m of operating cash flow in 2012.

Cash flow from discontinued operations included £18.54m net proceeds from the sale of Brand Addition and £(3.49)m operating cash outflow to the date of disposal. In addition, cash spend of £0.78m related to the purchase and fit out of a freehold office for the UK Direct Marketing business and £1.06m cash spend was incurred on exceptional items (£0.59m exceptional items charged in the year and £0.47m legacy onerous lease payments, accrued in prior years).

Balance sheet and Shareholders' funds

Net assets at 29 December 2012 were £13.79m (2011: £13.06m), an increase of £0.73m.

	2012 £m	2011 £m
Non current assets	19.57	19.02
Working capital	6.20	5.16
Net cash	10.68	5.46
Pension deficit	(22.89)	(23.55)
Deferred consideration	1.25	–
Net assets held for sale	–	7.92
Other liabilities	(1.02)	(0.95)
	13.79	13.06

Shareholders' funds have increased as a result of profit generated for the year of £14.07m (continuing operations: £5.59m and discontinued operations: £8.48m), offset by actuarial losses on the pension scheme net of tax £(9.28)m, dividend to shareholders £(3.90)m and other items £(0.16)m.

Return on capital employed

	Average operating capital employed £m	ROCE* %
4imprint Direct Marketing	9.34	117.8
SPS	9.33	8.4
Trading operations	18.67	
Central assets	0.10	
Operating assets employed	18.77	52.9

* Based on underlying operating profit.

Treasury policy

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

Critical accounting policies

Critical accounting policies are those that require significant judgements or estimates and potentially result in materially different results under different assumptions or conditions. It is considered that the Group's critical accounting policies are in respect of pensions and deferred taxation.

KPIs

The Board monitors the progress of the business against its strategy using the following key performance indicators:

1. Revenue in Direct Marketing and SPS
2. Underlying operating profit and operating margin in Direct Marketing and SPS
3. Group underlying profit before tax and underlying EPS
4. Group and business operating cash flow
5. 4imprint Direct Marketing
 - Number of new customers acquired
 - Re-order rate of existing customers

These are discussed in the operating review and in this report.

New Accounting Standards

Amendments to IAS 19, 'Employee benefits' must be adopted in accounting periods commencing on or after 1 January 2013. Although the Group's 2013 accounting period begins on 30 December 2012, the Group intends to adopt these amendments in its 2013 financial statements. Had the amendments been adopted in these financial statements then the net pension finance charge and the retirement benefit obligations would each have been £0.12m higher.



Gillian Davies

Group Finance Director
5 March 2013

Board of Directors



J.W. Poulter

Executive Chairman

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



G. Davies

Group Finance Director

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



K. Lyons-Tarr (appointed 11 June 2012)

Executive Director

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



A.J. Scull

Corporate Services Director and Legal Counsel

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



J.A. Warren (appointed 11 June 2012)

Senior Independent Non-Executive Director

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



S.J. Gray (appointed 11 June 2012)

Independent Non-Executive Director

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

Audit Committee

Until 30 June 2012

Ian Brindle (Chairman)
Nicholas Temple

From 1 July 2012

John Warren (Chairman)
Stephen Gray

Remuneration Committee

Until 30 June 2012

Nicholas Temple (Chairman)
Ian Brindle

From 1 July 2012

Stephen Gray (Chairman)
John Warren

Nomination Committee

Until 30 June 2012

Nicholas Temple (Chairman)
Ian Brindle

From 1 July 2012

Stephen Gray (Chairman)
John Warren

The Directors present their report and the audited consolidated financial statements for the period ended 29 December 2012. The Company's statement on Corporate Governance is included in the Corporate Governance report on pages 15 to 19 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 (which is a holding company) and its subsidiaries (the "Group") are the manufacture, distribution and sale of promotional products.

The Chairman's statement and business review, comprising the Operating review and Financial 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 outlining other policies including those on health and safety and the environment.

The results of the Group for the period are set out in detail on page 27.

Dividends

An interim dividend of 5.25p per ordinary share was paid on 14 September 2012 and the Directors recommend a final dividend of 10.20p per share. The proposed final dividend, if approved, will be paid on 3 May 2013 in respect of shares registered at the close of business on 5 April 2013.

The total distribution paid and recommended for 2012 on the ordinary shares is £4.08m or 15.45p per share (2011: £3.81m or 14.6p per share).

Charitable and political donations

The Group contributed the following sums:

	2012 £'000	2011 £'000
Charitable purposes	120	86

Charitable donations are made principally by the North American business of 4imprint Direct Marketing under its one by one® charitable programme. For every business day, the business awards at least \$500 in promotional products to eligible organisations across the United States and Canada. Eligible organisations include those with IRS-approved 501(c)3 status, Canadian-registered charities and accredited schools.

No political donations were made.

Disabled persons

The Group has an established policy of encouraging the employment of disabled persons wherever this is

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

Employee involvement

As a key part of the Group's philosophy, it continues to place great importance on involving staff in operations. Regular meetings are held between management and employee representatives through whom the aim is to keep staff informed and involved in the progress and performance of the respective businesses and the Group. To ensure that employees remain motivated and identify more closely with the business, shareholders and future growth, a further savings-related share option scheme was made available to employees during 2012.

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 business means that they face differing risks. For example, SPS has manufacturing risks at its Blackpool premises, which are not risks faced by 4imprint Direct Marketing. Outlined below are a number of risks which may affect the Group's businesses, but the list is not exhaustive and other factors may adversely affect the Group.

1. Macroeconomic conditions

The Group conducts its operations principally in the USA, Canada and the UK and the profitability of its businesses could be adversely affected by a worsening of general economic conditions in these regions. The management of the respective businesses and of the Group monitors such economic conditions at regular business review meetings so that where possible, any potential adverse impact can be mitigated. The Group believes that factors such as interest rates, inflation, investor sentiment, the availability and cost of credit and the liquidity of the global financial markets can affect the marketing and promotional spend of the customers of the Group. As promotional products spend could be considered a discretionary item, in periods of economic downturn the Group's customers may seek to economise by reducing promotional spend, leading to a decline in demand for the Group's products. Further, a prolonged economic downturn could adversely affect the Group's operating results, financial position and prospects.

Whilst general economic conditions are outside the Group's control, the Board believes that the Group's recent trading history highlights the resilience of the Group's business model in adverse economic circumstances.

2. Market competitors and new products

The Group operates in competitive markets, competing with other national and international producers and distributors of promotional products.

The Group may be unsuccessful in persuading customers that its products and services 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 position and results of operations. The Group aims to mitigate market risks through management of (i) its relationships with and service levels for its customers and (ii) its product offering and development of new products.

3. Operational risks

Operational risks are present in the Group's business. These risks include: major disruption to delivery services or to the product supply chain; the risk of adverse changes in the rate of customer acquisition and the re-order rate of customers previously acquired, particularly in the Direct Marketing business; departure of key management personnel; and inadequate or failed internal and external processes and systems.

The Group's operations could be adversely affected if the activities of one of its key suppliers were to be disrupted. Although the Group uses a range of suppliers and has procedures in place to identify alternative suppliers, the loss of access to necessary materials may adversely affect the Group's business and its results if it were unable to source an alternative supplier in the short term.

The Group's performance depends on the rate of new customer acquisition and the re-order rate of customers previously acquired particularly in the Direct Marketing business. The Direct Marketing business regularly monitors these rates and has procedures in place to ensure that if remedial action is required, it can be taken in a timely fashion.

The Group's performance depends on the efforts, expertise and commitment of its key senior personnel in order to sustain, develop and grow the business. These individuals possess sales and marketing, manufacturing, financial and administrative skills that are key to the continued successful operation of the Group's businesses. The unexpected loss of the services of one or more of these individuals, or a failure to attract and retain key senior personnel in the future, could have an adverse effect on the results of the Group's operations. In order to mitigate such risks the Group provides employment conditions aimed at attracting and retaining key personnel.

The performance of the Group could be adversely affected if activities at one of its warehouses or offices were to be disrupted, for example, by fire, flood or failure of internal information technology processes and systems. Disaster recovery plans are prepared by management and are designed to manage this risk in most anticipated disruptive events. There remains a risk that loss of capacity may be suffered.

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, postage and catalogues, the cost of which either individually or in combination can amount to a significant proportion of sales value and there may be only a limited ability to mitigate either increased costs or lack of availability of such materials and services. Future increased costs in such items could, therefore, have a significant effect on the Group's financial performance. The Group looks for cost effective sources of materials and services and utilises a range of suppliers to mitigate potential cost increases, or shortages of such materials and services.

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, operations and its reputation. Management monitors any litigation which is undertaken with a view to minimising its impact.

Directors

The names of the present Directors (and others who were Directors during the period) and their interests in the share capital of the Company are shown on page 24. The biographical details of the present Directors, committee memberships, independence status and identification of the Senior Independent Director are given on page 10.

Neither the Directors, nor their associated companies, nor any members of their families, had any interest either during or at the end of the period in any contract with the Company or its subsidiaries requiring disclosure under Sections 197, 198, 200, 201 and 203 of the Companies Act 2006.

Environment

The Board recognises its obligations to protect the environment and is committed both to achieving required environmental standards across all the activities of the Group and to minimising environmental impact.

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. 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 responsibility

The Board recognises its corporate social responsibilities and has developed, approved and issued a social and

ethical policy, the purpose of which is to ensure, as far as reasonably practicable, that when undertaking their operations, 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 5 December 2012.

Health and safety

During 2012, the Group continued to pursue improvements to the management of health and safety issues in each of the businesses. Regular reports on health and safety matters are received by the Board.

Share capital

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

The Company has a single class of share capital which is divided into ordinary shares of 38 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 in so far as it does not make specific provision, as the Board may decide. Subject to the current Articles of Association of the Company, the Companies Act and other Shareholder's rights, unissued shares are at the disposal of the Board. At each Annual General Meeting, the Company seeks annual Shareholder authority for the Company's Directors to allot unissued shares, in certain circumstances, for cash.

Restrictions on voting

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

Appointment and replacement of Directors

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

At every Annual General Meeting of the Company, all Directors put themselves forward for re-election. The office of Director shall be vacated if (a) he or she resigns or offers to resign and the Board resolves to accept such offer, (b) he or she is or has been suffering from mental ill health, (c) he or she becomes bankrupt or compounds with his creditors generally, (d) he or she is prohibited by law from being a Director, (e) he or she ceases to be a Director by virtue of the Companies Act or (f) he or she 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 then in office and these remained in effect during 2012 and up to 5 March 2013 in respect of Ms G. Davies and Mr A.J. Scull. Qualifying Third Party Indemnity Agreements have also been signed by the Company in respect of Mr J.W. Poulter, Mr S.J. Gray, Mr J.A. Warren and Mr K. Lyons-Tarr with effect from the date of their respective appointments.

Shares held in Trust for Employees Share Schemes

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

Significant agreements

The following agreement contains provisions entitling the counterparty to exercise termination or other rights in the event of a change of control:

- a £2,000,000 business loan agreement dated 28 January 2010 between SPS (EU) Limited and Lloyds TSB Bank plc.

The loan was repaid in full at the end of its term on 31 December 2012.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating review on pages 5 and 6. The financial position of the Group, its cash flows, and net cash position are described in the Financial review on pages 7 to 9. In addition note 21 to the financial statements includes the Group's policies for managing its financial risk and its exposures to credit risk, liquidity risk, interest rate risk and capital risk management.

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 financial statements.

Directors' interests in the share capital of the Company

Details of share and option holdings are set out in the Remuneration report on pages 24 and 25. Currently the Company has no policy regarding minimum

shareholdings by Directors but the issue is considered annually, by the Board, the most recent consideration being on 5 December 2012.

Remuneration report

Details of the procedures and guidelines used by the Committee in determining remuneration are outlined in its report on pages 22 and 23.

Purchase of own shares

Following the approval at the 2012 Annual General Meeting of Resolution 14, the Company is authorised, generally and without conditions to make market purchases, as defined in the Companies Acts, of its ordinary shares of 38 ⁶/₁₃ pence subject to the provisions set out in such Resolution. This authority applies from 3 May 2012 until the earlier of the end of the 2013 Annual General Meeting or 3 August 2013 unless previously cancelled or varied by the Company in general meeting. No such cancellation or variation has taken place.

Substantial interests

At 1 March 2013 the Company had been notified of the following interests in the issued ordinary share capital of the Company:

	Number of shares	%
Aberforth Partners	4,879,517	18.2
SVG Investment Managers	3,036,682	11.4
Artemis Investment Management	2,520,000	9.4
BlackRock Investment Management	2,074,408	7.8
Mr K.J. Minton	1,718,010	6.4
Ennismore Fund Management	1,411,790	5.3
Legal & General Investment Management	1,030,393	3.9

Waiver of dividends

The dividend income in respect of the 255,573 shares (2011: 77,233 shares) held in 4imprint Group plc employee share trusts has been waived.

Payment policy

In view of the diverse nature of the Group's businesses and their operations in a wide range of geographical areas, no universal code or standard on payment policy is followed, but the businesses are expected to establish payment terms consistent with local procedures, custom and practice. The Company had no trade payables at the period end (2011: £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.

Independent Auditors

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

Directors' statement as to disclosure of information to Auditors

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

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

By order of the Board



Andrew Scull
Company Secretary
5 March 2013

Statement on Corporate Governance

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

During 2012 the Group has complied with the provisions of The UK Corporate Governance Code (2010) (the "Code"), except for the following matter:

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

The structure of the Group is such that since the sale of the Brand Addition business on 23 March 2012, there have been two businesses of the Group during 2012, each of which had a Chief Executive supported by a Finance Director and senior marketing and operational managers. The CEO of the Direct Marketing business Mr K. Lyons-Tarr was appointed a Director of 4imprint Group plc on 11 June 2012.

Given the re-structuring of the Group following the sale of Brand Addition on 23 March 2012, the Board concluded that there was no necessity to continue the operation of the Executive Committee. However, reviews are undertaken, at least bi-monthly, at which the Chief Executive and other senior management of the businesses present to the Chairman, the Group Finance Director and the Corporate Services Director a report, including the financial performance of their businesses and the risks which it faces together with its plans for the short and medium term. In advance of these scheduled meetings, detailed financial information is circulated together with any other items for discussion.

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 Code is publicly available on the Financial Reporting Council's website, www.frc.org.uk.

The Board

The Board is responsible to Shareholders for creating and sustaining shareholder value through the management of the Group's businesses. It is also responsible for ensuring that management maintains a system of control that provides assurance of effective and efficient operations, internal financial control and compliance with law and regulation.

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

The Board has a formal schedule of matters reserved for its decision and the schedule was re-considered and approved by the Board at its meeting on 5 December 2012. The schedule includes, for example, the approval of interim and final financial statements, the acquisition and disposal of businesses, changes to the capital structure of the Company, the appointment or removal of Directors and the financing of the Group's businesses. Otherwise, the Board delegates day-to-day management

of the Group to the Executive Directors.

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

The Companies Act 2006 codifies the Directors duty to avoid a situation in which they have, or could have, an interest that conflicts or possibly may conflict, with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association, by the other Directors. Each Director has confirmed that they are aware of the need to notify the Company of any potential conflict of interest.

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 16 to 18.

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

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

The Board consists of an Executive Chairman, the Chief Executive of the Direct Marketing business, 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.

The Board has considered whether it is appropriate to have additional Non-Executive Directors but has concluded that such additional appointments are not necessary at the current stage of the Group's development. The current Non-Executive Directors have letters of appointment for three years from 11 June 2012, which are available for inspection by any person at the Company's registered office during normal business hours and also at the Annual General Meeting.

The Corporate Services Director also acts as the Company Secretary. This situation has been re-considered by the Board at its meeting on 5 December 2012 and approved by the Board. The Corporate Services Director took no part in that decision. The appointment and removal of the Company Secretary is a matter to be decided by the Board as a whole (excluding the Corporate Services Director).

The Board has at least six scheduled meetings per year, and additional Board meetings are convened as and when required. In advance of each meeting, the Board receives minutes of the previous meetings, detailed financial information on the performance of the

businesses and items for discussion. This enables the Directors to make informed decisions on the corporate and business issues under consideration. Additionally, the Company provides resources as appropriate, to enable Directors to update their skills and knowledge. Independent professional advice is available to the Directors as required, at the Company's expense.

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

Diversity

The Company supports the Code provision that Boards should consider the benefits of diversity, including gender, when making appointments and is committed to ensuring diversity not just at Board level but also across the senior management team, not least because it believes that business benefits from the widest range of perspectives and backgrounds. The Company's aim as regards the composition of the Board is that it should have a balance of experience, skills and knowledge to enable each Director and the Board as a whole to discharge their duties effectively. Whilst the Company agrees that it is entirely appropriate that it should seek to have diversity on its Board, it does not consider that this can be best achieved by establishing specific quotas and targets and appointments will continue to be made based wholly on merit.

At the end of the period, 16% of the Board is female and 16% is non-UK national whilst of the senior management of the Company and its businesses 36% is female and 35% is non-UK national.

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

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Total number	8	2	3	1
Mr J.W. Poulter	7	1*	3*	1*
Ms G. Davies	8	2*	–	–
Mr K. Lyons-Tarr	5	–	–	–
Mr A.J. Scull	8	2*	–	–
Mr J.A. Warren	5	1	–	–
Mr S.J. Gray	5	1	–	–
Mr I. Brindle	4	1	3	1
Mr N. Temple	4	1	3	1

* By invitation.

Board Committees

The Board has three permanent Committees being the Audit Committee, the Nomination Committee and the Remuneration Committee. Other than the Committee members, further participants may attend by the invitation of the Committee. Each Committee has defined terms of reference, procedures, responsibilities and powers as 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; and (iii) putting in place plans for succession at Board level.

The Nomination Committee was chaired until 30 June 2012 by Mr N. Temple and from that date by Mr S.J. Gray, an Independent Non-Executive Director. The other member of the Committee until 30 June 2012 was Mr I. Brindle, the Senior Independent Non-Executive Director. Thereafter the other member of the Committee was Mr J.A. Warren, the Senior Independent Non-Executive Director. The Chairman of the Company is usually invited to attend formal meetings of the Committee. The Company Secretary may be invited to attend meetings of the Nomination Committee, in his capacity as Company Secretary.

The Nomination Committee has Terms of Reference which were re-considered and approved by the Board of the Company at its Board Meeting on 5 December 2012. 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 no specific decisions or recommendations to be made, the Chairman of the Committee consults the other member of the Committee as necessary. During 2012, the Committee, in conjunction with the Chairman of the Group undertook the process of identifying new independent Non-Executive Directors, culminating in the appointments to the Board of Mr S.J. Gray and Mr J.A. Warren. In considering these appointments the Nominations Committee evaluated the balance of skills, knowledge and experience of the Board and prepared a description of the roles and capabilities required by potential candidates. An external search consultant was engaged and a number of short listed candidates were invited to attend interviews with members of the Committee. Other members of the Board were then given the opportunity of meeting Mr Gray and Mr Warren, following which their respective appointments were approved by the Board.

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. 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; (vii) ensuring that contractual terms on termination and any payments made are fair to the individual and the Company; (viii) determining within the agreed policies, and having regard to relevant legal and remuneration guidance, the total individual remuneration package of each Executive Director 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 until 30 June 2012 by Mr N. Temple and from that date by Mr S.J. Gray, both Independent Non-Executive Directors. The other member of the Committee until 30 June 2012 was Mr I. Brindle, the Senior Independent Non-Executive Director. Thereafter the other member of the Committee was Mr J.A. Warren the Senior Independent Non-Executive Director. The Company Secretary may be invited to attend meetings of the Remuneration Committee, in his capacity as Company Secretary.

The Remuneration Committee has Terms of Reference which were re-considered and approved by the Board at its meeting on 5 December 2012. These Terms of Reference are available for inspection at the Company's registered office during normal business hours.

The Remuneration Committee met three times during 2012.

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 until 30 June 2012 by Mr I. 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 had extensive recent and relevant financial knowledge and experience.

During the remainder of 2012 and at the date of this report, the Chairman of the Audit Committee is Mr J.A. Warren, the Senior Independent Non-Executive Director. Mr Warren is a chartered accountant who was Group Finance Director of United Biscuits (Holdings) PLC and WH Smith PLC. He has recent and relevant financial knowledge and experience. Until 30 June 2012, the other member of the Committee was Mr N. Temple, an Independent Non-Executive Director. Since that date and as at the date of this report, the other member of the Committee is Mr S.J. Gray, an Independent Non-Executive Director. The Chairman of the Company and the Group Finance Director are normally invited to attend meetings of the Audit Committee as is, from time to time, the Group Financial Controller. The Company Secretary attends meetings of the Audit Committee in his capacity as Company Secretary.

The Audit Committee has Terms of Reference which were re-considered and approved by the Board at its meeting on 5 December 2012. These Terms of Reference are available for inspection at the Company's registered office during normal business hours. The Board considers that the Audit Committee members have an understanding of the following areas:

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

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 2012.

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 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 Code. To fulfil these duties, the Audit Committee reviewed:

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

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

During 2012, the Group's auditors provided non-audit advice in a number of areas, principally in respect of advice on (i) the Circular in connection with the disposal of Brand Addition; (ii) the Pension Buy-In and (iii) the design and implementation of the 2012 Employee Stock Purchase Plan. In each case, before any significant non-audit work is commissioned, the nature and extent of such work is considered, initially by the Group Finance Director and the Corporate Services Director, to determine if such work would put at risk auditor objectivity and independence. This process includes discussion with the audit partner at PricewaterhouseCoopers LLP. If there is any concern that auditors' objectivity and independence would be put at risk, the matter will be referred to the Audit Committee, prior to commissioning. For the three areas referred to above, after following the process described in this paragraph, it was considered that PricewaterhouseCoopers LLP was the most suitable firm to perform the work.

In addition to the above, the Board has specifically reviewed the nature and extent of other non-audit work carried out by the auditors in 2012 and concluded that there are no cases where auditor objectivity and independence has been put at risk.

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

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

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

- the 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.

Auditor Independence

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

Accordingly, 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 five years. The current audit partner was first appointed in respect of the financial year ended December 2010 and will cease to be partner in charge of the Company audit no later than the conclusion of the December 2014 audit, after five years, in line with the Listing Rules.

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

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

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 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 is discussed.

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

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

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

Internal control

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

Additionally, through the management process outlined in the Statement on Corporate Governance on pages 15 and 16, the Group operates a continuous process of identifying, evaluating and managing the significant risks faced by each business and the Group as a whole. This process, which has been in place throughout 2012 and up to the date of the approval of this Annual Report, complies with the Turnbull guidance and includes the following:

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

The internal controls extend to the financial reporting process and the preparation of the consolidated financial statements. The basis of preparation of the consolidated financial statements is set out on page 32.

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

Share capital

Details of the Company's share capital are provided in the Directors' report on page 13.

Going concern

The going concern statement is on page 13.

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 10 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Operating review, Financial review and Directors' report on pages 5 to 14 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
5 March 2013

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 16 and 17 of the Annual Report and Accounts.

The members of the Committee were Mr I. Brindle and Mr N. Temple (Chair of the Committee) until 30 June 2012 and Mr S.J. Gray (Chair of the Committee) and Mr J.A. Warren from 1 July 2012. The Committee meets at least once a year and may invite other attendees as it sees fit.

Compliance

The Committee considers that during 2012 the Company has complied with the Best Practice Provision for Directors' Remuneration as required by the Financial Services Authority's Listing Rules.

Service agreements

Ms G. Davies and Mr A.J. Scull (the "UK-based Executive Directors") have rolling service contracts which continue until terminated by the expiry of twelve months written notice from the Company to the Director. Each service contract provides for participation in a discretionary bonus scheme, the provision of a car (or car allowance) and, in the case of Ms G. Davies pension entitlements. The contractual termination payment in such circumstances would comprise up to twelve months payments, equivalent to the notice period, in respect of salary, car allowance, employers' contributions to defined contribution pension schemes (in the case of Ms G. Davies) and contributions to healthcare schemes.

Mr K. Lyons-Tarr (the "US-based Director") has a rolling employment agreement with 4imprint Incorporated which continues until terminated by the expiry of twelve months written notice from that Company to the Director. The employment agreement for the US-based Director provides for participation in a discretionary bonus scheme and entitlement to benefits generally available to employees of 4imprint Incorporated from time to time including, for example, retirement, disability, group accident, life and health insurance programmes.

Further detailed information in regard to the foregoing may be found later in the report in the section entitled "Elements of remuneration".

Name	Contract Details	Unexpired term at 29 December 2012	Notice period (i) from Company (ii) from Director	Contractual Termination payment
J.W. Poulter	24 March 2010	Four months	(i) Three months (ii) Three months	(i) n/a (ii) n/a
G. Davies	6 December 2004	n/a	(i) Twelve months (ii) Six months	Twelve months contractual benefits n/a
K. Lyons-Tarr	27 July 2009	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

The Chairman has a letter of appointment dated 24 March 2010 pursuant to which he was appointed as a Non-Executive Director with effect from 1 May 2010 and as Executive Chairman with effect from 1 September 2010. The appointment is for a period of three years from 1 May 2010 after which it is renewable by mutual agreement subject to the provisions in respect of reappointment contained in the Company's Articles of Association.

The letter of appointment indicates that the appointment will terminate, forthwith, without any entitlement to compensation, if, at any time:

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

The letter of appointment does not provide for: (i) any participation in an annual bonus scheme; (ii) any pension provision; or (iii) any car allowance.

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 Annual General Meetings. The current Non-Executive Directors have letters of appointments for three years from 11 June 2012.

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. Other than in relation to the design and implementation of the 4imprint Group plc 2012 Employee Stock Purchase Plan which was approved by Shareholders on 3 May 2012, no independent advice was taken from remuneration consultants during 2012.

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 other than Mr J.W. Poulter (except in the case of share options, where Mr Poulter participates in both the 2011 Performance Share Plan and the 2012 Save As You Earn Scheme).

Basic salary

Basic salaries for Executive Directors 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 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 including for example: profitability; cash generation; and improvements in performance over prior year, 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 50% of salary for Executive Directors.

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

	Non Performance Related	Performance Related
G. Davies	67%	33%
K. Lyons-Tarr	67%	33%
A.J. Scull	67%	33%

Pensions

Each UK-based Executive Director is entitled to receive post retirement benefits through defined contribution pension schemes although, with effect from 1 March 2012, contributions for Mr A.J. Scull ceased to be paid into a defined contribution pension scheme. Since that date an equivalent amount to such contributions is paid to Mr A.J. Scull as salary which is subject to deduction of tax and National Insurance. Mr K. Lyons-Tarr is entitled to receive post retirement benefits through the defined contribution retirement programmes established by 4imprint Incorporated. The amounts paid by the Company in the cases of Ms G. Davies and Mr A.J. Scull during the period ending 29 December 2012 are set out in note (a) on page 25 of the Remuneration report, as are the amounts paid by 4imprint Incorporated in respect of Mr K. Lyons-Tarr.

Share options

Executive Directors (including Mr J.W. Poulter) may be granted share options or nil cost shares under the Company's share option schemes which, in certain cases, have been approved by HM 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 to the four Executive Directors during the period ended 29 December 2012, in respect of a save as you earn scheme entitled the 4imprint Group plc 2012 Employee Stock Purchase Plan which was approved by Shareholders at the 2012 Annual General Meeting on 3 May 2012. Details of these awards are shown on page 25.

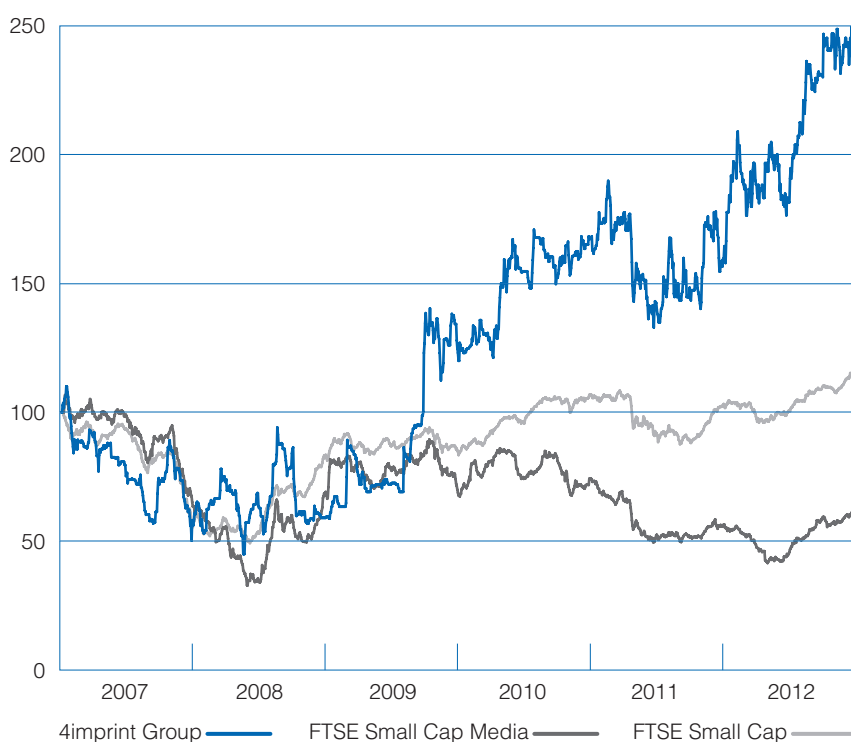
Other benefits

The Remuneration Committee has agreed the provision of other benefits to Executive Directors, including a car (or car allowance), other than for Mr K. Lyons-Tarr and Mr J.W. Poulter, and membership for each Executive Director, other than Mr J.W. Poulter, 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 24 and 25.

The Board believes that the Company can benefit from Executive Directors accepting appointments as Non-Executives and, as a consequence, allows them to hold outside appointments as Non-Executive Directors, subject to the approval of the Board. Any remuneration for an outside appointment is retained by the Executive Director. During the period and up to the date of this report, none of Ms G. Davies, Mr K. Lyons-Tarr nor Mr A.J. Scull had any appointments as a Non-Executive Director.

Total Shareholder return



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

Directors' interests in the share capital of the Company

	Holding at 29 December 2012	Holding at 31 December 2011
J.W. Poulter	30,000	20,000
G. Davies	114,250	108,450
K. Lyons-Tarr†	99,432	–
A.J. Scull	116,117	116,117
J.A. Warren*	5,000	–
S.J. Gray*	8,000	–
I. Brindle**	–	3,337
N. Temple**	–	–

† Appointed 11 June 2012, at which date he held 99,432 shares.

* Non-Executive Director appointed 11 June 2012.

** Non-Executive Director resigned 30 June 2012.

There has been no change in the Directors' interests in the share capital of the Company since 29 December 2012 to the date of this report, save that on 3 January 2013 Ms G. Davies and Mr A.J. Scull exercised SAYE options over 10,421 shares each.

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

	2012 £'000	2011 £'000
Emoluments of the Directors of 4imprint Group plc are as follows:		
Fees and contractual salary payments	714	563
Performance related bonus	94	140
Aggregate emoluments of the highest paid Director	250	257

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

		Basic salary/fee £'000	Benefits (note c) £'000	Performance bonus £'000	Total emoluments 2012 £'000	2011 £'000
	Note					
Executive						
J.W. Poulter	(b)	120	–	–	120	120
G. Davies	(a)	180	10	36	226	256
K. Lyons-Tarr*	(a) (d) (e)	109	5	22	136	–
A.J. Scull	(a)	202	12	36	250	257
Non-Executive						
J.A. Warren*	(e)	20	–	–	20	–
S.J. Gray*	(e)	20	–	–	20	–
I. Brindle*	(f)	18	–	–	18	35
N. Temple*	(f)	18	–	–	18	35
Total 2012		687	27	94	808	–
Total 2011						703

* From date of appointment or until date of resignation.

Notes:

- (a) The Group made defined contributions to the pension plans of: Ms G. Davies £27,000; Mr K. Lyons-Tarr £3,500; and Mr A.J. Scull £4,500 (2011: £26,250 for both Ms G. Davies and Mr A.J. Scull).
- (b) Mr J.W. Poulter and the Non-Executive Directors do not have any pension arrangements with the Group.
- (c) Benefits include a company car allowance for Ms G. Davies and Mr A.J. Scull and medical insurance for Ms G. Davies, Mr K. Lyons-Tarr and Mr A.J. Scull.
- (d) Mr K. Lyons-Tarr is paid in United States Dollars and the figures above are shown in Sterling using the average conversion rate for the period, of \$1.59.
- (e) Mr K. Lyons-Tarr, Mr S.J. Gray and Mr J.A. Warren were appointed directors on 11 June 2012.
- (f) Mr I. Brindle and Mr N. Temple resigned from the Board on 30 June 2012

Directors' options over the share capital of the Company

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

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

* At date of appointment.

Gains on exercise of options in the period were £nil for each Director (2011: £nil).

During 2012 the middle-market value of the share price ranged from 213p to 361p and was 352p at the close of business on 29 December 2012.

Details of share options granted by 4imprint Group plc as at 29 December 2012 are given in note 22. None of the terms and conditions of the share options was varied during the period. The performance criteria for all Directors' options were consistent with the remuneration policy. Once an award has vested, the exercise of share options is unconditional, subject to the Rules of the option grant.

On behalf of the Board**S.J. Gray**

Chairman of the Remuneration Committee
5 March 2013

Independent Auditors' report

to the members of 4imprint Group plc

We have audited the group financial statements of 4imprint Group plc for the 52 weeks ended 29 December 2012 which comprise the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in Shareholders' equity, the Group cash flow statement and the notes to the financial statements. 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' Responsibilities Statement set out on page 20, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 29 December 2012 and of its profit and cash flows for the 52 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 15 to 19 with respect to internal control and risk management systems and about share capital structures 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:

- 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 13, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of 4imprint Group plc for the 52 weeks ended 29 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5 March 2013

Group income statement

for the 52 weeks ended 29 December 2012

	Note	2012 £'000	2011 £'000
Continuing operations			
Revenue	1	182,923	158,824
Operating expenses	2	(174,232)	(157,533)
Operating profit before exceptional items		9,283	7,969
Exceptional goodwill impairment	12	–	(4,743)
Exceptional items	5	(592)	(1,935)
Operating profit	1	8,691	1,291
Finance income	6	199	–
Finance costs	6	(157)	(352)
Other net financing charges	6	(1,028)	(581)
Net finance cost		(986)	(933)
Profit before tax		7,705	358
Taxation	7	(2,110)	(1,950)
Profit/(loss) for the period from continuing operations		5,595	(1,592)
Discontinued operations			
Profit on disposal of business	10	8,460	–
Profit from discontinued operations	10	18	3,777
Profit for the period		14,073	2,185
Earnings/(loss) per share			
Basic			
From continuing operations	8	21.30p	(6.18)p
From continuing and discontinued operations	8	53.57p	8.48p
Diluted			
From continuing operations	8	20.99p	(6.03)p
From continuing and discontinued operations	8	52.79p	8.28p
Underlying			
From continuing operations	8	28.32p	22.01p

Group statement of comprehensive income

for the 52 weeks ended 29 December 2012

	Note	2012 £'000	2011 £'000
Profit for the period		14,073	2,185
<i>Other comprehensive income/(expense)</i>			
Exchange differences on translation of foreign subsidiaries		(316)	10
Actuarial losses on defined benefit pension scheme	4	(10,685)	(3,855)
Tax relating to components of other comprehensive income		1,402	1,022
Effect of change in UK tax rate		(589)	(462)
Other comprehensive expense net of tax		(10,188)	(3,285)
Total comprehensive income/(expense) for the period		3,885	(1,100)

	2012 £'000	2011 £'000
Total comprehensive income/(expense) attributable to equity Shareholders arising from		
– Continuing operations	(4,593)	(4,841)
– Discontinued operations	8,478	3,741
	3,885	(1,100)

Group balance sheet

at 29 December 2012

	Note	2012 £'000	2011 £'000
Non current assets			
Property, plant and equipment	11	12,338	11,959
Goodwill	12	–	–
Other intangible assets	13	954	945
Deferred tax assets	14	6,281	6,115
		19,573	19,019
Current assets			
Assets held for sale	10	–	20,680
Inventories	15	3,338	2,728
Trade and other receivables	16	20,190	17,828
Other financial assets – bank deposits	17	3,000	–
Cash and cash equivalents	17	14,101	12,492
		40,629	53,728
Current liabilities			
Trade and other payables	18	(16,075)	(15,399)
Current tax		(150)	(159)
Borrowings	19	(1,646)	(4,095)
Provisions for other liabilities and charges	20	–	(257)
Liabilities held for sale	10	–	(12,764)
		(17,871)	(32,674)
Net current assets		22,758	21,054
Non current liabilities			
Retirement benefit obligations	4	(22,894)	(23,547)
Borrowings	19	(4,777)	(2,934)
Provisions for other liabilities and charges	20	(870)	(535)
		(28,541)	(27,016)
Net assets		13,790	13,057
Shareholders' equity			
Share capital	22	10,222	9,939
Share premium reserve		38,437	38,016
Other reserves	24	88	439
Retained earnings		(34,957)	(35,337)
Total equity		13,790	13,057

The financial statements on pages 27 to 61 were approved by the Board of Directors on 5 March 2013 and were signed on its behalf by:


John Poulter
Chairman


Gillian Davies
Group Finance Director

Group statement of changes in Shareholders' equity

				Retained earnings		
	Share capital £'000	Share premium reserve £'000	Other reserves (note 24) £'000	Own shares £'000	Profit and loss £'000	Total equity £'000
Balance at 2 January 2011	9,939	38,016	429	(161)	(31,012)	17,211
Profit for the period					2,185	2,185
<i>Other comprehensive (expense)/income</i>						
Exchange differences on translation of foreign subsidiaries			10			10
Actuarial losses on defined benefit pension scheme					(3,855)	(3,855)
Tax relating to components of other comprehensive income					1,022	1,022
Effect of change in UK tax rate					(462)	(462)
Total comprehensive expense			10		(1,110)	(1,100)
Share-based payment charge					552	552
Own shares utilised				37	(37)	–
Dividends					(3,606)	(3,606)
Balance at 31 December 2011	9,939	38,016	439	(124)	(35,213)	13,057
Profit for the period					14,073	14,073
<i>Other comprehensive income/(expense)</i>						
Exchange differences on translation of foreign subsidiaries			(316)			(316)
Actuarial losses on defined benefit pension scheme					(10,685)	(10,685)
Tax relating to components of other comprehensive income					1,402	1,402
Effect of change in UK tax rate					(589)	(589)
Total comprehensive income			(316)		4,201	3,885
Shares issued	283	421				704
Own shares utilised				3	(3)	–
Own shares purchased				(605)		(605)
Share-based payment charge					685	685
Recycled translation differences of business sold			(35)			(35)
Dividends					(3,901)	(3,901)
Balance at 29 December 2012	10,222	38,437	88	(726)	(34,231)	13,790

Group cash flow statement

for the 52 weeks ended 29 December 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	25	(5,992)	12,974
Net tax paid		(1,421)	(1,414)
Finance income		169	–
Finance costs		(181)	(367)
Net cash (used in)/generated from operating activities		(7,425)	11,193
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,685)	(1,142)
Purchases of intangible assets		(448)	(652)
Net proceeds from sale of business	10	18,543	–
Net cash generated from/(used in) investing activities		16,410	(1,794)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		704	–
Purchase of own shares		(605)	–
Amounts placed on deposit		(3,000)	–
Proceeds from borrowings		2,142	–
Repayment of borrowings		(2,452)	(1,590)
Capital element of finance lease payments		(141)	(132)
Dividends paid to Shareholders	9	(3,901)	(3,606)
Net cash used in financing activities		(7,253)	(5,328)
Net movement in cash and cash equivalents		1,732	4,071
Cash and cash equivalents at beginning of the period		12,492	8,465
Exchange losses on cash and cash equivalents		(123)	(44)
Cash and cash equivalents at end of the period		14,101	12,492
Analysis of cash and cash equivalents			
Cash at bank and in hand	17	9,351	6,992
Short term deposits	17	4,750	5,500
		14,101	12,492

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.

New and revised standards effective during the period have not impacted on the Group's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with IFRS (International Financial Reporting Standards), 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 financial statements (March 2013).

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

Basis of consolidation

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the consideration. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. In addition, comparatives are also restated to reclassify disposed businesses, or those that meet the criteria of IFRS 5 to be classified as held for sale, as discontinued operations.

Use of assumptions and estimates

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

Critical accounting policies

Critical accounting policies are those that require significant judgement or estimates and potentially result in materially different results under different assumptions or conditions. Management consider the following to be the critical accounting policies:

Pensions

As disclosed in note 4 the Group sponsors a defined benefit pension scheme closed to new members and future accruals. Period end recognition of the liabilities under this scheme and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, 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.

Other accounting policies

Segment reporting

The reporting requirements of IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

Revenue

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

Leases

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

Finance leases

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

Operating leases

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

Share-based payments

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

Exceptional items

Income or costs which are both material and non-recurring, whose significance is sufficient to warrant separate disclosure in the financial statements, are referred to as exceptional items. The Directors consider that the separate disclosure of these items assists in understanding the Group's financial performance.

Taxation

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Dividends

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

Foreign currency

The functional and 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 translated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement.

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

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

Derivative instruments

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

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

Hedges of the fair value of recognised assets and liabilities are designated as fair value hedges. Hedges of highly probable forecast transactions are designated as cash flow hedges.

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

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

Property, plant and equipment

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

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

The principal useful lives currently fall within the following ranges:

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

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

Intangible assets – goodwill

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

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment. Any impairment is charged to the income statement.

Other intangible assets

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

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

Impairment of assets

All property, plant and equipment and intangible assets 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.

Discontinued operations and assets held for sale

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

Inventories

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

Trade receivables

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

according to the original terms of receivables. The amount of the provision is recognised in the income statement. Trade and other receivables are discounted when the time value of money is considered material.

Cash and cash equivalents

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

Trade payables

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

Pensions

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

The Group sponsors a defined benefit scheme, which is now closed to new members and future accruals.

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

The pension charge recognised in the income statement consists of 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 comprehensive income.

Borrowings

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

Provision for onerous leases

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 Employee Share 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 financial statements

The IASB and IFRIC have issued new or amended standards and interpretations which are effective for accounting periods as noted below. In the case of the revision to IAS 19, if this had been adopted in these financial statements then the net pension finance charge and the retirement benefit obligation would each have been £0.12m higher in 2012. Management do not believe the impact of adopting the other new or amended standards and interpretations will have a material impact on the results or net assets of the Group.

IFRS 9, 'Financial instruments' (effective 1 January 2015)*

IFRS 10, 'Consolidated financial statements' (effective 1 January 2013)†

IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013)†

IFRS 13, 'Fair value measurement' (effective 1 January 2013)

IAS 19 (revised 2011), 'Employee benefits' (effective 1 January 2013)

IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013)†

Amendment to IAS 1, 'Presentation of financial statements' on other comprehensive income (effective 1 July 2012)

Amendment to IFRS 7, 'Financial Instruments – Disclosures' on offsetting financial assets and liabilities (effective 1 January 2013)†

Amendment to IAS 32, 'Financial Instruments – Presentation' on offsetting financial assets and liabilities (effective 1 January 2014)†

* Not EU endorsed.

† EU endorsed effective from 1 January 2014.

1 Segmental reporting

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

At 29 December 2012, the Group is reported in the following primary operating segments:

Revenue – continuing operations	Total		Inter-segment		External	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
4imprint Direct Marketing	168,905	146,030	–	–	168,905	146,030
SPS	15,517	14,221	(1,499)	(1,427)	14,018	12,794
	184,422	160,251	(1,499)	(1,427)	182,923	158,824

All revenue is derived from the sale of promotional products. Inter-segment revenues are on an arms-length basis.

Operating profit – continuing operations	Underlying operating profit		Exceptional items		Operating profit	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
4imprint Direct Marketing	11,002	10,004	–	–	11,002	10,004
SPS	784	228	–	(203)	784	25
Head Office	(1,848)	(1,746)	(592)	(1,732)	(2,440)	(3,478)
	9,938	8,486	(592)	(1,935)	9,346	6,551
Share option charges					(655)	(517)
Goodwill impairment – SPS					–	(4,743)
					8,691	1,291

Net finance cost totalling £986,000 (2011: £933,000) and taxation charge of £2,110,000 (2011: £1,950,000) cannot be separately allocated to individual segments.

The underlying net finance income, excluding the net pension finance charge, was £42,000 (2011 charge: £352,000). Underlying profit before tax was £9,980,000 (2011: £8,134,000).

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
4imprint										
Direct Marketing	23,259	21,734	(13,497)	(12,815)	2,002	963	(632)	(558)	(353)	(346)
SPS	11,686	11,116	(2,124)	(2,012)	312	280	(567)	(582)	(37)	(55)
Unallocated items	8,156	6,725	(24,368)	(25,070)	–	36	(27)	(23)	(16)	(9)
Cash/(debt)	17,101	12,492	(6,423)	(7,029)	–	–	–	–	–	–
	60,202	52,067	(46,412)	(46,926)	2,314	1,279	(1,226)	(1,163)	(406)	(410)
Discontinued operations*	–	20,680	–	(12,764)	–	431	(40)	(175)	(54)	(246)
Total	60,202	72,747	(46,412)	(59,690)	2,314	1,710	(1,266)	(1,338)	(460)	(656)

Unallocated items relate to retirement benefit obligations, Head Office items and Group tax balances, which cannot be reliably allocated to individual segments.

* The assets/liabilities of the discontinued operation (formerly the Brand Addition segment) are included in assets/liabilities held for resale in 2011 (note 10).

Geographical analysis of revenue and non current assets

	UK £'000	North America £'000	All other countries £'000	Total £'000
2012				
Net revenue	19,900	161,863	1,160	182,923
Property, plant and equipment	7,936	4,402	–	12,338
Other intangible assets	140	814	–	954
2011				
Net revenue	17,074	140,008	1,742	158,824
Property, plant and equipment	7,371	4,588	–	11,959
Other intangible assets	166	779	–	945

2 Operating expenses

	Note	2012 £'000	2011 £'000
Continuing operations			
The following items have been included in arriving at operating profit:			
<i>Inventories:</i>			
– Purchase of goods for resale, raw materials and consumables		112,881	96,889
– Changes in inventories		(669)	(136)
Staff costs	3	22,784	20,876
Depreciation of property, plant and equipment		1,226	1,163
Amortisation of intangible assets		406	410
Operating lease payments		959	896
Exceptional items	5	592	1,935
Impairment of intangible assets – goodwill	12	–	4,743
Net exchange gains		(52)	(253)
Other operating expenses		36,105	31,010
		174,232	157,533

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

	2012 £'000	2011 £'000
Continuing operations		
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	81	75
Fees payable to the Company's auditors and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	25	31
– pensions advice	123	186
– share scheme advice	29	–
– all other services	4	18
	262	310
Discontinued operations		
– audit of Company's subsidiaries included in discontinued operations	4	35
– fees in respect of the disposal of Brand Addition:		
– due diligence	–	238
– transaction services	111	130
	377	713

The 4imprint Pension Scheme has paid the auditors £8,000 (2011: £7,000) for audit services.

3 Employees

	Note	2012		2011	
		Continuing operations £'000	Discontinued operations £'000	Continuing operations £'000	Discontinued operations £'000
Staff costs					
Wages and salaries		19,991	1,829	18,373	8,045
Social security costs		1,646	198	1,528	989
Pension costs	4	492	50	458	166
Share option charges	23	655	30	517	35
		22,784	2,107	20,876	9,235

In addition, termination costs totalling £nil have been charged to the continuing operations exceptional items (2011: £198,000).

Average monthly number of people (including Executive Directors) employed

	2012 No.	2011 No.
4imprint Direct Marketing	546	514
SPS	199	193
Head Office	8	8
Continuing operations	753	715

Discontinued operations had an average headcount of 250 for the period up until disposal (2011: 251).

Key management compensation

	2012 £'000	2011 £'000
Salaries, fees and short-term employee benefits	900	1,494
Social security costs	103	121
Pension contributions	38	94
Share option charges	538	432
	1,579	2,141

Key management compensation includes the emoluments of all Directors (which are disclosed separately in the Remuneration report) and, in 2011, the emoluments of all Directors and members of the Group Executive Committee, which included the chief executive officers of each business segment and the chief financial officer of the Direct Marketing business.

Directors' remuneration

	2012 £'000	2011 £'000
Aggregate emoluments	808	703
Company contributions to money purchase pension schemes	35	53

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

Net pension costs

The amounts recognised in the income statement were:

	2012 £'000	2011 £'000
Continuing operations		
Defined contribution plans – operating expenses	492	458
Defined benefit scheme – net pension finance charge	1,028	581

In addition, in 2011 a settlement charge of £575,000 was charged to continuing operations exceptional items in respect of an enhanced transfer value offer to deferred members of the defined benefit scheme.

Pension charges in respect of discontinued operations were £50,000 (2011: £157,000) for defined contribution schemes regular contributions and £nil (2011: £9,000) for defined benefit current service costs.

Defined benefit scheme

The financial position of the defined benefit scheme has been updated on an approximate basis at 29 December 2012. The last full actuarial valuation was carried out by a qualified independent actuary as at 5 April 2010.

On 23 November 2012 the Scheme entered into a buy-in agreement with Pension Insurance Corporation (“PIC”), a leading provider of pension insurance solutions to defined benefit pension funds. In return for an insurance premium of £25.20m, the transaction produces an income stream for the Scheme which covers future payments to 481 pensioners, representing approximately 20% of the Scheme’s total liabilities.

The insurance premium was funded by £13.20m of assets from the Scheme and contributions from the Company of £12.00m.

The principal assumptions made by the actuaries at each period end were:

	2012	2011
Rate of increase in pensionable salaries	n/a	3.9%
Rate of increase in pensions in payment	2.65%	2.8%
Rate of increase in deferred pensions	1.9%	1.8%
Discount rate	4.3%	4.9%
Inflation assumption – RPI	2.75%	2.9%
– CPI	2.0%	1.9%
Expected return on scheme assets	5.2%	5.1%

The expected return on scheme assets is a weighted average based on actual scheme assets held and respective returns expected on the separate asset classes, as calculated by the Group’s independent actuaries.

The mortality assumptions adopted at 29 December 2012 imply the following life expectancies at age 65:

	2012	2011
Male currently age 40	24.5 yrs	24.4 yrs
Female currently age 40	28.0 yrs	27.9 yrs
Male currently age 65	22.1 yrs	22.0 yrs
Female currently age 65	25.4 yrs	25.3 yrs

4 Employee pension schemes continued

The amounts recognised in the balance sheet comprise:

	2012 £'000	2011 £'000
Present value of funded obligations	(100,263)	(92,870)
Fair value of scheme assets	77,369	69,323
Net liability recognised in the balance sheet	(22,894)	(23,547)

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

	2012		2011	
	£'000	%	£'000	%
Equities	17,098	22	15,949	23
Corporate bonds	17,162	22	17,392	25
Gilts	7,979	10	21,511	31
Property	14,242	18	14,265	21
Insured annuities	20,465	27	–	–
Cash	423	1	206	–

The Scheme holds no 4imprint Group plc shares.

The amounts recognised in the income statement are as follows:

	2012 £'000	2011 £'000
Enhanced transfer value ('ETV') exercise settlement costs – exceptional items – continuing operations (note 5)	–	575
Interest cost on the defined benefit obligation	4,428	5,174
Expected return on scheme assets	(3,400)	(4,593)
Net pension finance charge – continuing operations	1,028	581

Included within discontinued operations operating expenses is £nil (2011: £9,000) in respect of current service cost.

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

	2012 £'000	2011 £'000
Defined benefit obligation at start of period	92,870	99,460
Current service cost	–	9
Interest cost	4,428	5,174
Liabilities extinguished on settlement re ETV exercise	–	(10,105)
Actuarial losses	8,038	3,468
Benefits paid	(5,073)	(5,136)
Defined benefit obligation at end of period	100,263	92,870

4 Employee pension schemes continued

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

	2012 £'000	2011 £'000
Fair value of assets at start of period	69,323	77,555
Expected return on assets	3,400	4,593
Actuarial losses	(2,647)	(387)
Contributions by employer – normal contributions	3,090	3,000
– additional contributions	9,276	378
Assets distributed on settlements re ETV exercise	–	(10,680)
Benefits paid	(5,073)	(5,136)
Fair value of assets at end of period	77,369	69,323

Contributions in 2012 include an additional payment of £9,276,000 following the disposal of the Brand Addition business (2011: £378,000 in respect of the enhancements to transfer values related to the ETV exercise). Based on the current schedule of contributions, contributions by the employer for 2013 will be £93,000 higher than the 2012 contributions, excluding the additional contributions.

Analysis of the movement in the balance sheet liability:

	2012 £'000	2011 £'000
At start of period	23,547	21,905
Current service cost	–	9
Net finance charge	1,028	581
Settlement charge	–	575
Contributions paid – normal contributions	(3,090)	(3,000)
– additional contributions	(9,276)	(378)
Actuarial losses recognised in other comprehensive income	10,685	3,855
At end of period	22,894	23,547

Actuarial losses in 2012 included losses of £4,735,000 in respect of the partial buy-in of pension liabilities.

The actual return on scheme assets was a gain of £753,000 (2011: gain £4,206,000).

	2012 £'000	2011 £'000
Cumulative actuarial losses recognised in the statement of other comprehensive income	28,516	17,831

History of experience gains and losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of assets	77,369	69,323	77,555	74,055	66,233
Fair value of defined benefit obligations	(100,263)	(92,870)	(99,460)	(96,505)	(83,170)
Net liability	(22,894)	(23,547)	(21,905)	(22,450)	(16,937)
Experience adjustment on scheme liabilities	(1,288)	(521)	3,693	(79)	(406)
Experience adjustment on scheme assets	(2,647)	(387)	2,893	5,527	(18,309)

5 Exceptional items

	2012 £'000	2011 £'000
Continuing operations		
Business separation costs	(592)	–
Pension risk reduction exercise	–	(1,732)
SPS restructuring costs	–	(203)
	(592)	(1,935)

Business separation costs arose as a consequence of the sale of Brand Addition and included: office relocation of the UK Direct Marketing business; fees incurred restructuring the Group's intercompany financing; and actuarial and other advice received in respect of the pension buy-in exercise.

Pension risk reduction in 2011 related to an enhanced transfer value (ETV) offer to deferred members of the defined benefit pension scheme. 307 members accepted the offer and transferred out of the scheme.

The SPS restructuring charge in 2011 related to a reduction in headcount.

Cash expenditure in respect of the continuing Group's exceptional items in 2012 was £1,057,000 (2011: £2,026,000).

6 Net finance income and costs

	2012 £'000	2011 £'000
Continuing operations		
Finance income		
Bank and other interest	199	–
Finance costs		
Interest payable on bank borrowings	(144)	(333)
Interest payable on finance leases	(13)	(19)
	(157)	(352)
Other net financing costs		
Net pension finance charge (note 4)	(1,028)	(581)

7 Taxation

	2012 £'000	2011 £'000
Continuing operations		
<i>Analysis of charge in the period:</i>		
UK tax – current	–	–
Overseas tax – current	1,122	1,074
Total current tax	1,122	1,074
Origination and reversal of temporary differences	1,019	914
Effect of change in UK tax rate	(25)	(27)
Adjustment in respect of prior years	(6)	(11)
Total deferred tax (notes 14 and 20)	988	876
Taxation – continuing operations	2,110	1,950

The tax for the year is different to the standard rate of corporation tax in the UK (24.5%). The differences are explained below:

	2012 £'000	2011 £'000
Profit before tax and goodwill impairment – continuing operations	7,705	5,101
Goodwill impairment – continuing operations	–	(4,743)
Profit on disposal of business (note 10)	8,460	–
Profit from discontinued operations (note 10)	22	4,079
Profit before tax – total operations	16,187	4,437
Profit before tax multiplied by rate of corporation tax in the UK of 24.5% (2011: 26.5%)	3,966	1,176
Effects of:		
Adjustments in respect of foreign tax rates	376	353
Expenses not deductible for tax purposes and non taxable income	(120)	262
Non taxable profit on disposal of business	(2,073)	–
Goodwill impairment not deductible for tax purposes	–	1,257
Timing differences and other differences	191	(107)
Utilisation of losses not previously recognised	(203)	(682)
Effect of change in UK tax rate on deferred tax balances	(23)	(7)
Taxation – total operations	2,114	2,252
Taxation – continuing operations	2,110	1,950
Taxation – discontinued operations (note 10)	4	302
Taxation – total operations	2,114	2,252

At the prior year end, the main rate of UK corporation tax was anticipated to be 25% from 1 April 2012. However the main rate of UK corporation tax was set at 24% from 1 April 2012 and will reduce to 23% from 1 April 2013. The effect of this reduction in the rate from 25% to 23% has been to reduce the deferred tax balance at 29 December 2012 by £0.6m. This decrease in the net deferred tax asset increased profit for the period by £25,000 and decreased other comprehensive income by £0.6m.

It is proposed to reduce the main rate of UK corporation tax by a further 2% to 21% from 1 April 2014. The overall effect of this further change from 23% to 21%, if this applied to the net deferred tax balance at 29 December 2012, would be to reduce the net deferred tax asset by £0.5m.

8 Earnings per share

Basic, diluted and underlying

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

	2012 £'000	2011 £'000
Profit/(loss) after tax – continuing operations	5,595	(1,592)
Profit after tax – discontinued operations	8,478	3,777
Profit after tax	14,073	2,185

	2012 £'000	2011 £'000
Profit/(loss) after tax – continuing operations	5,595	(1,592)
<i>Add back:</i>		
Impairment of goodwill (note 12)	–	4,743
Share option charges (note 23)	655	517
Exceptional items (note 5)	592	1,935
Defined benefit net pension finance charge (note 4)	1,028	581
Tax relating to above items	(431)	(513)
Underlying continuing operating profit after interest and tax	7,439	5,671

	2012 Number '000	2011 Number '000
Basic weighted average number of shares	26,271	25,760
Dilutive potential ordinary shares – employee share options	388	626
Diluted weighted average number of shares	26,659	26,386

	2012	2011
Basic earnings/(loss) per share from continuing operations	21.30p	(6.18)p
Basic earnings per share from discontinued operations	32.27p	14.66p
	53.57p	8.48p

	2012	2011
Diluted earnings/(loss) per share from continuing operations	20.99p	(6.03)p
Diluted earnings per share from discontinued operations	31.80p	14.31p
	52.79p	8.28p

	2012	2011
Underlying basic earnings per share from continuing operations	28.32p	22.01p

The basic weighted average number of shares excludes shares held in the 4imprint Group plc employee share trusts. The effect of this is to reduce the average by 112,997 (2011: 79,109).

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

8 Earnings per share continued

For diluted earnings per share, the basic weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. The potential dilutive ordinary shares relate to those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares and are likely to vest at the balance sheet date. The Performance Share Plan had met vesting conditions for 466,666 options at the balance sheet date.

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

9 Dividends

	2012 £'000	2011 £'000
Equity dividends – ordinary shares		
Interim paid: 5.25p (2011: 5.0p)	1,383	1,288
Final paid: 9.60p (2011: 9.0p)	2,518	2,318
	3,901	3,606

In addition, the Directors are proposing a final dividend in respect of the period ended 29 December 2012 of 10.20p per share, which will absorb an estimated £2.70m of Shareholders' funds. Subject to Shareholder approval at the Annual General Meeting, the dividend is payable on 3 May 2013 to Shareholders who are on the register of members at close of business on 5 April 2013. These financial statements do not reflect this proposed dividend.

10 Discontinued operations

On 23 March 2012 the Group disposed of the Brand Addition business to H.I.G., a leading global private equity investment firm. The aggregate consideration was £24m (based on a normalised level of working capital and on a cash and debt free basis). £1.25m of the consideration is deferred for twelve months, there are no conditions attaching to this payment and it is guaranteed under an irrevocable letter of credit from the Bank of Montreal.

The results of the discontinued operations for the period are as follows:

	2012 £'000	2011 £'000
Total revenue	11,312	64,529
Inter-segment revenue	(195)	(1,525)
External revenue	11,117	63,004
Operating expenses	(11,095)	(58,925)
Operating profit before exceptional items	22	5,022
Exceptional items*	–	(943)
Operating profit	22	4,079
Finance income	–	–
Finance costs	–	–
Profit before tax	22	4,079
Taxation	(4)	(302)
Profit for the period from discontinued operations	18	3,777

* Exceptional items in 2011 related to the costs of disposal of Brand Addition incurred in that year, £575,000 of which were paid in 2011.

10 Discontinued operations continued

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

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

	23 March 2012 £'000	31 December 2011 £'000
Assets held for sale		
Non current assets		
Property, plant and equipment	565	436
Goodwill	4,341	4,341
Intangible assets	596	590
Investments	9	9
Deferred tax assets	247	247
	5,758	5,623
Current assets		
Inventories	4,161	3,910
Trade and other receivables	9,452	11,147
	13,613	15,057
Assets held for sale	19,371	20,680
Liabilities held for sale		
Current liabilities		
Trade and other payables	(7,924)	(12,680)
Current tax liabilities	–	(84)
Liabilities held for sale	(7,924)	(12,764)
Net assets held for sale	11,447	7,916

Net assets held for sale at 29 December 2012 were £nil.

Notes to the financial statements continued

10 Discontinued operations continued

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

	2012 £'000	2011 £'000
Net cash (used in)/generated from operating activities	(3,492)	8,608
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	–	(450)
<i>Proceeds from sale of business:</i>		
Adjusted consideration received	21,028	–
Cash costs of disposal in 2012	(1,285)	–
Payment of exceptional disposal costs accrued in 2011	(368)	–
Cash in subsidiaries sold	(832)	–
Net proceeds from sale of business	18,543	–
Net cash generated from/(used in) investing activities	18,543	(450)
Net movement in cash, cash equivalents and bank overdrafts	15,051	8,158

11 Property, plant and equipment

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

Freehold land with a value of £494,000 (2011: £306,000) has not been depreciated.

Plant and machinery includes assets with a net book value of £263,000 (2011: £273,000) held under finance leases. The Directors are not aware of a significant difference between the net book value and the fair value of property, plant and equipment.

11 Property, plant and equipment continued

	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 2 January 2011	3,008	2,767	115	11,382	1,881	19,153
Additions	52	–	73	710	294	1,129
Disposals	–	–	(17)	(38)	(88)	(143)
Transfer to assets held for sale (note 10)	–	–	(171)	(1,123)	(907)	(2,201)
Exchange translation	24	–	–	29	6	59
At 31 December 2011	3,084	2,767	–	10,960	1,186	17,997
Depreciation:						
At 2 January 2011	130	252	111	4,578	1,502	6,573
Charge for the period	71	62	3	948	254	1,338
Disposals	–	–	(15)	(31)	(88)	(134)
Transfer to assets held for sale (note 10)	–	–	(99)	(874)	(792)	(1,765)
Exchange translation	3	–	–	18	5	26
At 31 December 2011	204	314	–	4,639	881	6,038
Net book value at 31 December 2011	2,880	2,453	–	6,321	305	11,959

12 Intangible assets – goodwill

	£'000
Cost:	
At 1 January 2012 and 29 December 2012	4,743
Accumulated amortisation and impairment:	
At 1 January 2012 and 29 December 2012	(4,743)
Net book value at 29 December 2012	–

	£'000
Cost:	
At 2 January 2011	9,084
Reclassification to assets held for sale	(4,341)
At 31 December 2011	4,743
Accumulated amortisation and impairment:	
At 2 January 2011	–
Impairment charge	(4,743)
At 31 December 2011	(4,743)
Net book value at 31 December 2011	–

The goodwill related to SPS was fully impaired in 2011, based on value in use calculations compared against goodwill and non current assets. The calculation used cash flow projections based on financial budgets approved by management covering a two year period. Key assumptions used were: discount rate 14.5%; operating margins 5%; and long term growth rate 2%.

13 Other intangible assets

	Computer software £'000
Cost:	
At 1 January 2012	2,343
Additions	448
Disposals	(430)
Exchange translation	(69)
At 29 December 2012	2,292
Amortisation:	
At 1 January 2012	1,398
Charge for the period	406
Disposals	(428)
Exchange translation	(38)
At 29 December 2012	1,338
Net book value at 29 December 2012	954

	Computer software £'000
Cost:	
At 2 January 2011	5,566
Additions	581
Disposals	(285)
Transfer to assets held for sale	(3,532)
Exchange translation	13
At 31 December 2011	2,343
Amortisation:	
At 2 January 2011	3,909
Charge for the period	656
Disposals	(234)
Transfer to assets held for sale	(2,942)
Exchange translation	9
At 31 December 2011	1,398
Net book value at 31 December 2011	945

The average remaining life of intangible assets is 2.3 years (2011: 2.3 years).

14 Deferred tax assets

	2012 £'000	2011 £'000
At start of period	6,115	6,348
Reclassified to deferred tax liability	161	428
Income statement charge – continuing operations	(794)	(925)
– discontinued operations	–	(21)
Deferred tax credited to other comprehensive income	1,402	1,022
Transfer to assets held for sale	–	(247)
Effect of change in UK tax rate – income statement – continuing operations	1	(4)
Effect of change in UK tax rate – income statement – discontinued operations	–	(20)
Effect of change in UK tax rate – other comprehensive income	(589)	(462)
Exchange loss	(15)	(4)
At end of period	6,281	6,115

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

Deferred tax analysis

	Depreciation/ capital allowances £'000	Tax losses £'000	Pension £'000	Other £'000	Total £'000
At start of period	(579)	401	5,885	408	6,115
Reclassified to deferred tax liability	569	–	–	(408)	161
Income statement charge – continuing operations	–	(97)	(697)	–	(794)
Deferred tax credited to other comprehensive income	–	–	1,402	–	1,402
Effect of change in UK tax rate – income statement	1	–	–	–	1
Effect of change in UK tax rate – other comprehensive income	–	–	(589)	–	(589)
Exchange loss	–	(15)	–	–	(15)
At end of period	(9)	289	6,001	–	6,281

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

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.

No provision has been made for deferred tax assets relating to trading losses carried forward of £0.1m (2011: £0.9m). These losses are available for offset against future taxable trading profits.

No provision has been made for deferred tax assets relating to losses carried forward in holding companies of £5.6m (2011: £3.6m). These losses have no expiry date and may be available for offset against future profits in these companies.

15 Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	292	299
Work in progress	45	73
Finished goods and goods for resale	3,001	2,356
	3,338	2,728

During both the current and previous year, inventory was carried at cost less appropriate provisions as this did not exceed the fair value less cost to sell. Provisions held against inventory in respect of continuing operations total £193,000 (2011: £234,000).

During the year a net amount of £6,000 has been charged in respect of continuing operations in the income statement in respect of provisions for slow moving and obsolete stock (2011: £34,000).

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

16 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	13,476	12,458
Less: Provision for impairment of receivables	(61)	(83)
Trade receivables – net	13,415	12,375
Other receivables	5,149	3,295
Prepayments and accrued income	1,626	2,158
	20,190	17,828

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

The impairment of trade receivables charged to continuing operations in the income statement was £29,000 (2011: £27,000). This was incurred in the businesses as follows: 4imprint Direct Marketing £21,000 (2011: £27,000); SPS £8,000 (2011: £nil). There is no impairment of any receivables other than trade receivables.

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

Time past due date	2012 £'000	2011 £'000
Up to 3 months	2,137	1,718
3 to 6 months	119	139
	2,256	1,857

The ageing of impaired trade receivables is as follows:

Time past due date	2012 £'000	2011 £'000
Up to 3 months	11	29
3 to 6 months	31	43
Over 6 months	19	11
	61	83

16 Trade and other receivables continued

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

	2012 £'000	2011 £'000
Sterling	5,246	3,328
US dollars	13,955	13,472
Euros	216	253
Canadian dollars	773	775
	20,190	17,828

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

	2012 £'000	2011 £'000
At start of period	83	169
Exchange translation	(2)	–
Utilised	(49)	(64)
Provided	29	33
Released	–	(6)
Transferred to assets held for sale	–	(49)
At end of period	61	83

17 Other financial assets and cash and cash equivalents

	2012 £'000	2011 £'000
Other financial assets – bank deposits	3,000	–
Cash at bank and in hand	9,351	6,992
Short term deposits	4,750	5,500
Cash and cash equivalents	14,101	12,492

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

18 Trade and other payables – current

	2012 £'000	2011 £'000
Trade payables	12,985	12,043
Other tax and social security payable	573	449
Other payables	196	312
Accruals	2,321	2,595
	16,075	15,399

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

19 Borrowings

	2012 £'000	2011 £'000
Current borrowings		
Finance lease obligations	146	143
Bank loans	1,500	3,952
	1,646	4,095
Non current borrowings		
Finance lease obligations	–	152
Bank loans	4,777	2,782
	4,777	2,934

All non current borrowings are repayable in 2-5 years (2011: 1-2 years).

The fair value of borrowings did not differ from the book value. The non current borrowings are drawn on a line of credit and it is forecast that at certain times in 2013 the drawing on this facility will be nil.

£1,500,000 of the current borrowings outstanding at the end of 2012 (2011: £1,500,000) was secured on the SPS long leasehold property in Blackpool. This borrowing was repaid at maturity on 31 December 2012.

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

	2012 £'000	2011 £'000
Sterling (2012: 3.27%; 2011: 3.92%)	1,500	3,952
US dollars (2012: 1.72%; 2011: 1.77%)	4,923	3,077
	6,423	7,029

The Group had the following undrawn committed borrowing facilities available at 29 December 2012:

	2012 £'000	Floating rate 2011 £'000
Borrowing facilities		
Expiring within one year	–	3,500
Expiring in more than one year	3,270	3,966
	3,270	7,466

Facilities comprised a £1.5m mortgage which was repaid at maturity on 31 December 2012 and an overdraft facility of £0.5m renewable annually on 31 December. The Group's US subsidiary had a US dollar 12.5m line of credit and a US dollar 0.5m revolving credit facility, both repayable on 31 August 2015.

20 Provisions for other liabilities and charges

	Deferred tax		Onerous leases		Total	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At start of period	375	–	417	760	792	760
Reclassified from deferred tax assets	161	428	–	–	161	428
Charged/(credited) to the income statement	225	(11)	150	–	375	(11)
Prior year adjustment	(6)	(11)	–	–	(6)	(11)
Effect of change in UK tax rate	(24)	(31)	–	–	(24)	(31)
Utilised in period	–	–	(417)	(343)	(417)	(343)
Exchange gain	(11)	–	–	–	(11)	–
At end of period	720	375	150	417	870	792

Analysis of provisions

	2012 £'000	2011 £'000
Current	–	257
Non current	870	535
Total	870	792

The onerous lease provisions relate to rental and dilapidation costs of residual leases of property in respect of business disposals.

	Depreciation/ capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
Deferred tax analysis				
At start of period	832	(457)	–	375
Reclassified from deferred tax assets	569	–	(408)	161
Income statement charge	(8)	–	233	225
Prior year adjustment	(10)	–	4	(6)
Exchange in reserves	(22)	–	11	(11)
Effect of change in UK tax rate – income statement – continuing operations	(64)	36	4	(24)
At end of period	1,297	(421)	(156)	720

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

21 Financial risk management

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

Currency risk

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

At 29 December 2012 the Group had the following forward currency contracts: the sale of 2.8m Canadian dollars for US dollars, these contracts are up to June 2013; and the purchase of 0.9m US dollars with Sterling up to September 2013. The fair value of the derivatives was not material when measured at 29 December 2012 and consequently no entries have been reflected in the financial statements.

The Group operates a UK cash currency pooling arrangement.

The movement in the exchange rates compared to prior year increased profit of the US business by £0.1m and reduced net assets by £0.3m. Closing rate was US\$1.62 (2011: US\$1.55) and the average rate used to translate profits was US\$1.58 (2011: US\$1.60).

A weakening in the US Dollar exchange rate by ten cents (the approximate range of movement during the year) would reduce profit in the period by £0.6m (2011: £0.6m) and net assets at period end by £0.5m (2011: £0.4m).

Credit risk

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

The risk associated with banks and financial institutions is managed on a Group basis and all banking relationships must be approved by the Group Finance Director or the Board based on the credit rating of the bank.

The Group operates cash pooling arrangements for its UK subsidiaries and, apart from overseas subsidiaries working capital cash requirements, the Group seeks to hold any cash balances on deposit with its principal UK banker.

Cash deposits at 29 December 2012 are as follows:

	2012 Rating	2012 Deposit £'000	2011 Rating	2011 Deposit £'000
Lloyds TSB	A2	12,897	A1	10,644
Wells Fargo Bank	Aa3	3,099		–
JPMorgan Chase Bank, N.A.	Aa3	1,098	Aa1	739
Commerzbank		–	A2	1,022
Sparkassen – Finanzgruppe		–	Aa2	8
HSBC		–	Aa2	65
Other		7		14
		17,101		12,492

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.

21 Financial risk management continued

Credit risk arising from customers is delegated to the senior management of each business to a maximum level per customer, above which, it is referred to the Group Finance Director for approval. External 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 US bank and terms are agreed which are considered appropriate for the funding requirement of the Group at that time.

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

At 29 December 2012 the net cash position (note 25) of the Group was £10,678,000 (2011: £5,463,000).

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

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.

For each increase of 0.1% in interest rates, interest income would have been £10,000 higher in the period (2011: charge £8,000 higher).

Capital risk management

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

In 2012 the Company has provided returns to Shareholders in the form of dividends, details of which are included in note 9.

The Group monitors net cash/debt. The Group does not actively monitor a gearing ratio, but seeks to pay down debt using cash generated by the business to maintain an appropriate level of financial flexibility.

22 Share capital

	2012 £'000	2011 £'000
Authorised		
39,000,000 (2011: 39,000,000) ordinary shares of 38 ⁶ / ₁₃ p each	15,000	15,000
Allotted and fully paid		
26,576,666 (2011: 25,840,552) ordinary shares of 38 ⁶ / ₁₃ p each	10,222	9,939

The Company issued 736,114 ordinary shares in the period for a consideration of £704,000 to satisfy options exercised under the Group's SAYE schemes (2011: Nil).

At 29 December 2012 the following options have been granted and were outstanding under the Company's share option schemes:

Scheme	Date of grant	Number of ordinary shares 2012	Number of option holders 2012	Number of ordinary shares 2011	Subscription price	Date exercisable From to	
Performance Share Plan	27/04/11	1,400,000	5	1,400,000	Nil	Apr 2014	Apr 2021
SAYE	07/10/08	–	–	52,563	130.0p	Jan 2012	Jun 2012
	07/10/09	118,902	27	423,257	87.0p	Jan 2013	Jun 2013
	05/10/10	17,343	12	51,161	166.0p	Jan 2014	Jun 2014
	31/10/12	72,514	59	–	266.0p	Jan 2016	Jun 2016
US Sharesave	07/10/09	–	–	409,597	\$1.49	Dec 2011	Jan 2012
	05/10/10	50,566	74	51,474	\$3.14	Dec 2012	Jan 2013
	31/10/12	175,540	242	–	\$4.76	Jan 2015	Jan 2015
Total		1,834,865	419	2,388,052			

The weighted average exercise price for options outstanding at 29 December 2012 was 51.26p (2011: 42.64p).

On 27 April 2011, 1,400,000 share options were granted to five members of the Group's senior management to acquire ordinary shares at nil cost. The performance conditions are that one third of the options vest if the Company share price attains and remains at or above for thirty consecutive days each of: 300p; 350p; and 400p in the three year period commencing 27 April 2011. The options that vest will be exercisable between 27 April 2014 and 27 April 2021. 466,666 options vested in September 2012 when the share price had been in excess of 300p for thirty consecutive days.

23 Share-based payments

Share options may be granted to senior management and in addition a SAYE scheme was available to all UK and US employees. The exercise price for SAYE options is equal to the market rate, plus any discount up to the limit imposed by the local tax authority at the pricing date.

The fair value of the options is determined using the Black-Scholes model for SAYE and Sharesave schemes and the Monte Carlo model for the Performance Share Plan and is spread over the vesting period of the options. The significant inputs into the model are an expected life of between 2.04 and 3 years for the SAYE and Sharesave options, the volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last 5 years and the risk-free rate is based on zero coupon government bond yields.

	2012 £'000	2011 £'000
Continuing operations		
Charge resulting from spreading the fair value of options	655	517

In addition £30,000 was charged in respect of discontinued operations (2011: £35,000).

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

	Performance Share Plan	UK SAYE Schemes			US Sharesave Schemes	
	27/04/11	07/10/09	05/10/10	31/10/12	05/10/10	31/10/12
Grant date	27/04/11	07/10/09	05/10/10	31/10/12	05/10/10	31/10/12
Share price at grant date	260p	110p	232.5p	349p	232.5p	349p
Exercise price	Nil	87p	166p	266p	\$3.14	\$4.76
Number of employees	5	27	12	59	74	242
Shares under option	1,400,000	118,902	17,343	72,514	50,566	175,540
Vesting period (years)	3	3	3	3	2.17	2.04
Expected volatility	40%	40%	45%	38%	45%	38%
Option life (years)	10	3.5	3.5	3.5	2.25	2.08
Expected life (years)	3.5	3	3	3	2.17	2.04
Risk free rate	1.7%	2.0%	1.3%	0.5%	0.9%	0.3%
Expected dividends expressed as a dividend yield	5.5%	8.5%	5.5%	4.5%	5.5%	4.5%
Possibility of ceasing employment before vesting	0%	10%	10%	10%	10%	10%
Expectations of meeting performance criteria	n/a	100%	100%	100%	100%	100%
Fair value per option	106p–164p	24.0p	75.1p	97.2p	59.1p	79.8p

A reconciliation of option movements over the period to 29 December 2012 is shown below:

	2012		2011	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at start of period	2,388,052	42.64p	1,090,237	95.21p
Granted	248,054	77.76p	1,400,000	–
Forfeited/cancelled	(65,127)	110.54p	(72,349)	117.06p
Exercised	(736,114)	95.75p	(10,641)	89.01p
Expired	–	–	(19,195)	282.09p
Outstanding at end of period	1,834,865	51.26p	2,388,052	42.64p
Exercisable at end of period	50,566	194.37p	409,597	95.88p

Notes to the financial statements *continued*

23 Share-based payments *continued*

Range of exercise prices	2012				2011			
	Weighted average exercise price	Number of shares	Weighted average remaining life (years)		Weighted average exercise price	Number of shares	Weighted average remaining life (years)	
			Expected	Contractual			Expected	Contractual
Nil	–	1,400,000	1.82	8.32	–	1,400,000	2.82	9.32
£0.01 – 1	87.00p	118,902	–	0.5	91.36p	832,854	0.51	0.81
£1.01 – 2	166.00p	17,343	1.00	1.5	147.76p	103,724	0.99	1.49
£2.01 – 3	270.71p	298,620	1.90	2.07	202.05p	51,474	1.00	1.08

24 Other Reserves

	Capital redemption reserve £'000	Cumulative translation differences £'000	Total £'000
Balance at 2 January 2011	208	221	429
Exchange differences on translation of foreign subsidiaries	–	10	10
Balance at 31 December 2011	208	231	439
Exchange differences on translation of foreign subsidiaries	–	(316)	(316)
Recycled translation differences of businesses sold	–	(35)	(35)
Balance at 29 December 2012	208	(120)	88

25 Cash generated from operations

	2012 £'000	2011 £'000
Operating profit – continuing operations	8,691	1,291
– discontinued operations (note 10)	22	4,079
<i>Adjustments for:</i>		
Depreciation charge	1,266	1,338
Amortisation of intangibles	460	656
Impairment of goodwill (note 12)	–	4,743
Exceptional non cash items	10	575
Decrease in exceptional accrual/provisions	(475)	(310)
Share option charges	685	552
IAS 19 current service cost	–	9
Contributions to defined benefit pension scheme	(12,366)	(3,378)
<i>Changes in working capital:</i>		
Increase in inventories	(920)	(297)
(Increase)/decrease in trade and other receivables	(279)	1,480
(Decrease)/increase in trade and other payables	(3,086)	2,236
Cash (used in)/generated from operations	(5,992)	12,974

25 Cash generated from operations continued

	Note	2012 £'000	2011 £'000
Analysis of net cash			
Cash at bank and in hand	17	9,351	6,992
Short term deposits	17	4,750	5,500
Cash and cash equivalents		14,101	12,492
Other financial assets – bank deposits	17	3,000	–
Current finance lease creditor	19	(146)	(143)
Current bank loans	19	(1,500)	(3,952)
		15,455	8,397
Non current bank loans	19	(4,777)	(2,782)
Non current finance lease creditor	19	–	(152)
Net cash		10,678	5,463

26 Financial commitments

At 29 December 2012, the Group was committed to make payments in respect of non-cancellable operating leases in the following periods:

	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year	736	213	1,446	293
In two to five years	2,785	516	4,537	447
In more than five years	820	3	2,486	33
	4,341	732	8,469	773

Included above is £nil (2011: £3,590,000) of commitments in respect of the Brand Addition operation, which was classified as 'held for sale' in the balance sheet at 31 December 2011.

27 Contingent liabilities

The Group has no known contingent liabilities (2011: none).

28 Capital commitments

The Group had capital commitments contracted but not provided for in the financial statements of £28,000 (2011: £213,000), of which £nil was in respect of discontinued operations (2011: £134,000).

29 Related party transactions

The Group did not participate in any related party transactions.

Key management compensation is disclosed in note 3.

Independent Auditors' report

to the members of 4imprint Group plc

We have audited the parent company financial statements of 4imprint Group plc for the 52 weeks ended 29 December 2012 which comprise the Company balance sheet, the Company statement of changes in Shareholders' equity, the Company cash flow statement and the notes to the Company's financial statements. 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 applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' Responsibilities set out on page 20, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company 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 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. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 December 2012 and of its cash flows for the 52 weeks then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Other matter

We have reported separately on the group financial statements of 4imprint Group plc for the 52 weeks ended 29 December 2012.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5 March 2013

Company balance sheet

at 29 December 2012

	Note	2012 £'000	2011 £'000
Non current assets			
Property, plant and equipment	B	137	180
Investments	C	104,182	104,182
Deferred tax assets	D	5,985	5,862
Other receivables	E	63,903	45,673
		174,207	155,897
Current assets			
Other receivables	E	18,657	39,274
Other financial assets – bank deposits		3,000	–
Cash and cash equivalents		9,547	9,573
		31,204	48,847
Current liabilities			
Other payables	F	(1,242)	(10,803)
Borrowings	J	–	(2,464)
Provisions for other liabilities and charges	G	–	(131)
		(1,242)	(13,398)
Net current assets		29,962	35,449
Non current liabilities			
Retirement benefit obligations	H	(22,894)	(23,547)
Provisions for other liabilities and charges	G	(150)	(160)
Amounts due to subsidiary companies	K	(87,758)	(60,831)
		(110,802)	(84,538)
Net assets		93,367	106,808
Shareholders' equity			
Share capital	M	10,222	9,939
Share premium reserve		38,437	38,016
Capital redemption reserve		208	208
Retained earnings		44,500	58,645
Total equity		93,367	106,808

The financial statements on pages 63 to 72 were approved by the Board of Directors on 5 March 2013 and were signed on its behalf by:



John Poulter
Chairman



Gillian Davies
Group Finance Director

Statement of changes in Company Shareholders' equity

	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 2 January 2011	9,939	38,016	208	(161)	63,389	111,391
Profit for the period					1,766	1,766
<i>Other comprehensive income/(expense)</i>						
Actuarial losses on defined benefit pension scheme					(3,855)	(3,855)
Deferred tax on actuarial losses					1,022	1,022
Effect of change in UK tax rate					(462)	(462)
Total comprehensive expense					(1,529)	(1,529)
Share-based payment charge					552	552
Own shares utilised				37	(37)	–
Dividends					(3,606)	(3,606)
Balance at 31 December 2011	9,939	38,016	208	(124)	58,769	106,808
Loss for the period					(452)	(452)
<i>Other comprehensive income/(expense)</i>						
Actuarial losses on defined benefit pension scheme					(10,685)	(10,685)
Deferred tax on actuarial losses					1,402	1,402
Effect of change in UK tax rate					(589)	(589)
Total comprehensive expense					(10,324)	(10,324)
Shares issued	283	421				704
Own shares purchased				(605)		(605)
Own shares utilised				3	(3)	–
Share-based payment charge					685	685
Dividends					(3,901)	(3,901)
Balance at 29 December 2012	10,222	38,437	208	(726)	45,226	93,367

Company cash flow statement

for the 52 weeks ended 29 December 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	L	5,032	4,729
Finance income		5,327	6,885
Finance costs		(1,119)	(489)
Net cash generated from operating activities		9,240	11,125
Cash flows from investing activities			
Purchases of property, plant and equipment		–	(37)
Net cash used in investing activities		–	(37)
Cash flows from financing activities			
Amounts placed on deposit		(3,000)	–
Repayment of borrowings		(2,464)	(2,464)
Proceeds from issue of shares		704	–
Own shares purchased		(605)	–
Dividends paid to Shareholders		(3,901)	(3,606)
Net cash used in financing activities		(9,266)	(6,070)
Net movement in cash and cash equivalents		(26)	5,018
Cash and cash equivalents at beginning of the period		9,573	4,555
Cash and cash equivalents at end of the period		9,547	9,573
Analysis of cash and cash equivalents			
Cash at bank and in hand		4,797	4,073
Short term deposits		4,750	5,500
		9,547	9,573

Notes to the Company's financial statements

General Information

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

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are the same as those adopted in the consolidated financial statements on pages 32 to 35 except for the investments policy noted 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 (March 2013).

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

Use of assumptions and estimates

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

Critical accounting policies

Critical accounting policies are those that require significant judgement or estimates and potentially result in materially different results under different assumptions or conditions. Management consider the following to be critical accounting policies of the Company.

Pensions

As disclosed in note 4 on pages 40 to 42, the Company sponsors a closed defined benefit scheme. Year end recognition of the liabilities under this scheme and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, 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 Company is required to estimate the income tax in the jurisdiction 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.

Investments

Investments in subsidiaries are stated at cost. Impairment reviews are carried out if there is some indication that the carrying value of the investments may have been impaired. Where, in the opinion of the Directors, an impairment of the investment has arisen, provisions are made in accordance with IAS 36 'Impairment of assets'.

Company's income statement

Under Section 408 of the Companies Act 2006 an income statement for the Company is not presented. Loss after tax and before external dividends payable for the period of £452,000 (2011 profit: £1,766,000) is included in the financial statements of the Company.

Distributable reserves

Of the £44,500,000 profit and loss reserve in the Company, £21,760,000, in respect of dividends from subsidiary undertakings, is currently considered not distributable as no qualifying consideration has yet been received and the debt is not expected to be settled within a reasonable period of time.

A. Employees

	2012 £'000	2011 £'000
Wages and salaries	993	1,011
Social security costs	112	132
Pension costs		
– Defined contribution plans	41	61
– Defined benefit scheme	–	9
Share option charges	676	505
	1,822	1,718

There were no termination costs in the Company.

The average number of people, including Executive Directors, employed by the Company during the year was 8 (2011: 8).

B. Property, plant and equipment

	Fixtures & fittings £'000
Cost:	
At 2 January 2011	235
Additions	37
At 31 December 2011	272
Additions	–
At 29 December 2012	272
Depreciation:	
At 2 January 2011	60
Charge for the period	32
At 31 December 2011	92
Charge for the period	43
At 29 December 2012	135
Net book value at 29 December 2012	137
Net book value at 31 December 2011	180

C. Investments

Shares in subsidiary
undertakings
£'000

Cost:

At 31 December 2011 and 29 December 2012 **104,182**

Subsidiary undertakings

The principal operating subsidiaries at 29 December 2012, are set out below. All of these subsidiaries are wholly owned and have ordinary share capital only.

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

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 subsidiaries operate. The pre-tax discount rates used of 11.5%-14.2% are calculated using the capital asset pricing model.

D. Deferred tax assets

	2012 £'000	2011 £'000
At start of period	5,862	5,883
Income statement charge	(690)	(581)
Deferred tax credited to other comprehensive income	813	560
At end of period	5,985	5,862

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

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

	2012 £'000	2011 £'000
Actuarial gains	1,402	1,022
Effect of change in UK tax rate	(589)	(462)
	813	560

E. Other receivables

	2012 £'000	2011 £'000
Amounts due from subsidiary companies	82,210	84,669
Other receivables	285	235
Prepayments and accrued income	65	43
	82,560	84,947
Less non current portion: Amounts due from subsidiary companies	(63,903)	(45,673)
	18,657	39,274

Current amounts due from subsidiary companies include £5,000,000 (2011: £24,739,000) which is interest bearing at market rates of interest. The balance is repayable on demand.

Non current amounts due from subsidiary companies are due within two to five years and are interest bearing at market rates of interest.

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

	2012 £'000	2011 £'000
Sterling	45,420	77,604
US dollars	37,140	5,791
Euros	–	1,552
	82,560	84,947

F. Other payables – current

	2012 £'000	2011 £'000
Other payables	181	60
Amounts due to subsidiary companies	688	10,377
Accruals	373	366
	1,242	10,803

The amounts due to subsidiary companies include £nil (2011: £1,584,000) which is interest bearing and all are repayable on demand.

G. Provisions for other liabilities and charges

	2012 £'000	2011 £'000
At start of period	291	588
Utilised	(291)	(297)
Charged to the income statement	150	–
At end of period	150	291

Analysis of provisions

	2012 £'000	2011 £'000
Current	–	131
Non current	150	160
Total	150	291

The provision relates to onerous lease costs of residual property leases in respect of business disposals.

H. Retirement benefit obligations

The amount recognised in the balance sheet represents the net liability in respect of the closed defined benefit scheme. Full details are contained in note 4 on pages 40 to 42.

J. Financial liabilities – borrowings

	2012 £'000	2011 £'000
Current bank loans	–	2,464

Borrowings in 2011 were denominated in Sterling and had an effective interest rate of 4.01%.

K. Amounts due to subsidiary companies – non current

The amounts due to subsidiary companies, totalling £87,758,000, comprises £18,147,000 (2011: £30,076,000) due in two to five years and £69,611,000 (2011: £30,755,000) due after five years. Of the loans due after two years and under five years, £37,140,000 (2011: £11,929,000) are interest bearing at market rates of interest. All other loans are interest free.

L. Cash generated from operations

	2012 £'000	2011 £'000
Operating loss	(2,998)	(3,479)
<i>Adjustments for:</i>		
Depreciation charge	43	32
Exceptional non cash items	–	575
Decrease in exceptional accrual	(29)	(310)
Share option charges	685	552
IAS 19 current service cost	–	9
Contributions to defined benefit pension scheme	(12,366)	(3,378)
Exchange losses on inter-company loans	(15)	27
<i>Changes in working capital:</i>		
(Increase)/decrease in trade and other receivables	(75)	221
Increase/(decrease) in trade and other payables	74	(181)
Increase in payables to subsidiary undertakings	19,713	10,661
Cash generated from operations	5,032	4,729

	2012 £'000	2011 £'000
Reconciliation of net cash		
Cash at bank and in hand	4,797	4,073
Short term deposits	4,750	5,500
Cash and cash equivalents	9,547	9,573
Other financial assets – bank deposits	3,000	–
Current bank loan	–	(2,464)
Net cash	12,547	7,109

The Company had financial commitments for land and buildings of £302,000 at 29 December 2012 (2011: £214,000). These are payable as follows: within 1 year £129,000 (2011: £190,000); in two to five years £173,000 (2011: £24,000).

M. Share capital

	2012 £'000	2011 £'000
Authorised		
39,000,000 (2011: 39,000,000) ordinary shares of 38 ⁶ / ₁₃ p each	15,000	15,000
Allotted and fully paid		
26,576,666 (2011: 25,840,552) ordinary shares of 38 ⁶ / ₁₃ p each	10,222	9,939

During the period 736,114 ordinary shares were issued (2011: Nil) for a consideration of £704,000 to satisfy option exercises under SAYE and Sharesave schemes.

The options that have been granted and were outstanding under the Company's share option schemes are shown in note 22 on page 58. Full details of the share option schemes are given in note 23 on page 59.

Employees of the Company had interests in 18,064 SAYE options under the 31 October 2012 grant; 41,724 SAYE options under the 7 October 2009 grant (2011: 41,724); and 900,000 options under the Performance Share Plan (2011: 900,000).

N. Contingent liabilities

Guarantees have been given by the Company for letters of credit and import collections of subsidiary companies totalling £120,000 at 29 December 2012 (2011: £653,000).

P. Related party transactions

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

	2012 £'000	2011 £'000
Income statement		
Finance income due from subsidiary companies	5,417	7,396
Finance costs due to subsidiary companies	1,317	781
Balance sheet		
Interest bearing loans due from subsidiary companies at end of period	68,903	70,412
Interest bearing loans due to subsidiary companies at end of period	37,140	11,929

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

	2012 £'000	2011 £'000
Salaries, fees and short-term employee benefits	672	702
Social security costs	97	76
Pension contributions	31	52
Share option charges	404	277
	1,204	1,107

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

Five year financial record

The Brand Addition business was classified as a discontinued operation in 2011 and the 2010 comparatives have been restated. Prior periods have not been restated.

	2012 £'000	2011 £'000	2010 £'000	2009*† £'000	2008 £'000
Income statement					
Revenue	182,923	158,824	143,723	169,088	168,085
Underlying operating profit	9,938	8,486	6,221	5,716	9,562
Defined benefit pension – current service charge	–	–	–	(28)	(68)
Share option charges	(655)	(517)	(183)	(537)	(370)
Goodwill impairment	–	(4,743)	–	–	–
Exceptional items	(592)	(1,935)	(1,125)	(771)	(3,553)
Operating profit	8,691	1,291	4,913	4,380	5,571
Finance income	199	–	10	28	37
Finance costs	(157)	(352)	(519)	(343)	(756)
Net pension finance (charge)/income	(1,028)	(581)	(531)	(1,240)	218
Profit before tax	7,705	358	3,873	2,825	5,070
Taxation	(2,110)	(1,950)	(906)	(424)	(1,520)
Profit/(loss) from continuing operations	5,595	(1,592)	2,967	2,401	3,550
Discontinued operations					
Profit from disposal of business	8,460	–	–	–	–
Profit from discontinued operations	18	3,777	3,895	–	–
Profit for the period	14,073	2,185	6,862	2,401	3,550

Continuing operations

Revenue	182,923	158,824	143,723	126,541	115,012
Underlying profit before tax	9,980	8,134	5,712	2,035	4,114
Underlying earnings per ordinary share	28.32p	22.01p	17.53p	6.83p	11.40p

Basic earnings per ordinary share	53.57p	8.48p	26.65p	9.39p	14.06p
Dividend per share – paid and proposed	15.45p	14.60p	13.70p	12.75p	12.25p

	2012 £'000	2011 £'000	2010 £'000	2009*† £'000	2008*† £'000
Balance sheet					
Non current assets (excluding deferred tax)	13,292	12,904	23,330	23,887	23,273
Deferred tax assets	6,281	6,115	6,348	7,558	6,244
Net current assets	22,758	13,138	18,151	8,106	16,793
Net assets held for sale	–	7,916	–	–	–
Pension liability	(22,894)	(23,547)	(21,905)	(22,450)	(16,937)
Other liabilities	(5,647)	(3,469)	(8,713)	(2,543)	(8,600)
Shareholders' equity	13,790	13,057	17,211	14,558	20,773
Net cash/(debt)	10,678	5,463	(239)	(3,126)	(4,189)

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

† Restated for amendments to IAS 38 re marketing costs.

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