

# Maximising organic growth

**Annual Report and Accounts 2015**

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## About 4imprint

We are the leading direct marketer of promotional products in the USA, Canada, the UK and Ireland.

Most of our revenue is generated in North America, serviced from the principal office in Oshkosh, Wisconsin. Customers in the UK and Irish markets are served out of an office in Manchester, UK.

Operations are focused around a highly developed direct marketing business model which provides millions of potential customers with access to tens of thousands of customised products.

Organic growth is delivered by using a wide range of data-driven, offline and online direct marketing techniques to capture market share in the large and fragmented promotional product markets that we serve.

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## Overview

## 2015 Highlights

## FINANCIAL

## Revenue

**\$497.22m** 2014: \$415.77m  
+20%

## Profit before tax

**\$31.16m** 2014: \$23.34m  
+33%

## Underlying\* basic EPS (cents)

**88.04c** 2014: 73.48c  
+20%

## Proposed total dividend per share (pence)

**26.57p** 2014: 20.45p  
+30%

## Underlying\* profit before tax

**\$33.55m** 2014: \$27.86m  
+20%

## Basic EPS (cents)

**81.26c** 2014: 59.73c  
+36%

## Proposed total dividend per share (cents)

**38.89c** 2014: 32.41c  
+20%

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

## OPERATIONAL

- › Continued strong organic revenue growth
  - Orders 20% ahead of 2014
  - 945,000 total orders received
  - Balance between new and existing customer orders consistent with prior period
- › \$9m infrastructure investment in Oshkosh to support growth over the next five years
- › Net cash at year end \$18.38m (2014: \$18.30m) after \$9m infrastructure investment
- › Agreement reached with Trustee on completion of pension buy-out
  - £10m cash contribution in 2016
  - Deficit expected to reduce by half

## Overview

# At a Glance

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4imprint is the leading direct marketer of promotional products in the USA, Canada, the UK and Ireland.

### OUR LOCATIONS

#### North America

Most of our revenue is generated in North America, serviced from the principal office in Oshkosh, Wisconsin.

2015 Revenue

**\$479.2m**

(96% of Group revenue)

Employees

**780**

(December 2015)

**945,000**

Individually customised orders processed in 2015

#### UK and Ireland

Customers in the UK and Irish markets are served out of an office in Manchester, UK.

2015 Revenue

**\$18.0m**

(4% of Group revenue)

Employees

**38**

(December 2015)

**6,000**

New products added in 2015

## OUR OBJECTIVES

### Market leadership

We aim to develop our position as the leading direct marketer of promotional products in the markets in which we operate.

### Organic revenue growth

Our primary financial objective is to maximise organic revenue growth whilst maintaining a broadly stable operating margin percentage.

### Competitive advantage

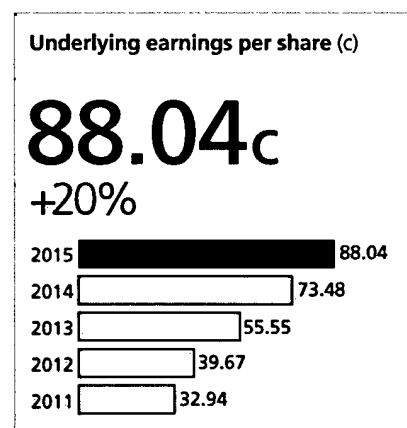
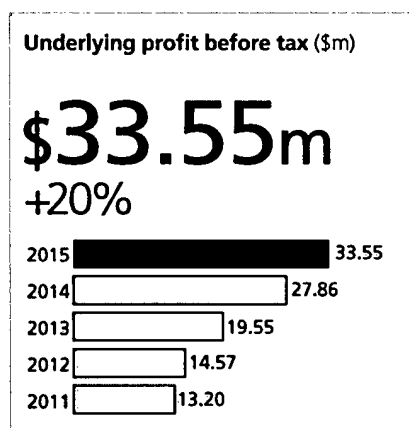
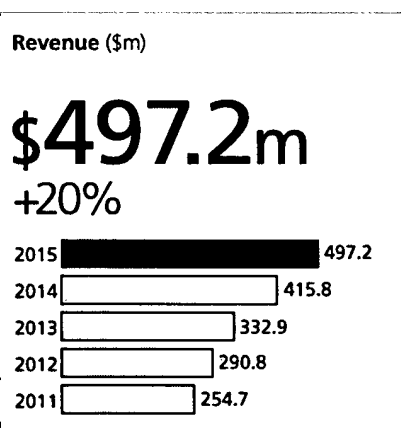
We aspire to achieve competitive advantage through sustained investment in three key areas:

Marketing

People

Systems technology  
and data analytics

## 5 YEAR HISTORY



## Overview

# Chairman's Statement

The business proposition remains strong and the opportunity substantial.

### Revenue

**\$497.2m**

### Underlying profit before tax

**\$33.5m**

2015 was another excellent year for 4imprint. Revenues were \$497.2m, an increase of 20% over the prior period. The effect of a 53rd week in the financial period contributed to the revenue increase, but only to a small degree. Underlying profit before tax, at \$33.5m, also rose by 20%.

Orders from new customers increased 18%. Customer retention remains strong, with more than 65% of revenue coming from customers who had ordered previously.

Two major infrastructure projects were completed in 2015. The Oshkosh distribution centre, from which the Blue Box™ sample programme and the embroidery operation are managed, was more than doubled in size. There was also a substantial expansion in customer service capacity at the main office location. Both projects were completed to budget, on time and without operational disruption. The capital expenditure commitment, at \$9m, was significant but the expanded facilities are expected to accommodate the Group's growth over the next five years.

At the year end net cash was \$18.4m, which in light of the investment in facilities, highlights the cash generative nature of the business model.

The Board was further strengthened by the appointment in June 2015 of Charles Brady and the recent appointment of Paul Moody as Non-Executive Directors.

In respect of the legacy defined benefit pension scheme, agreement has been reached with the Trustee to convert the previous buy-in arrangements to a buy-out, which will substantially reduce the size of the remaining scheme and result in lower deficit reduction contributions going forward. A one-off contribution of £10m will be paid into the scheme, as a result of which the remaining net deficit, relating primarily to deferred members, is expected to be reduced by around half from its current level of just over \$23m.

The Board is recommending a final dividend of 26.80c, an increase of 22%. Going forward, the reduced contributions to the pension scheme and the low underlying capital requirements of the business will provide scope for further increases in returns to Shareholders.

The business proposition remains strong and the opportunity substantial. Our strategic objective continues to be the maximisation of organic growth while delivering broadly constant operating margins coupled with high cash conversion. 2016 has started satisfactorily.

**John Poulter**  
Chairman  
9 March 2016

## New distribution centre

The Oshkosh distribution centre, from which the Blue Box™ sample programme and the embroidery operation are managed, was more than doubled in size. The project was completed on budget,

on time and without operational disruption. The expanded facility is expected to accommodate the growth of the North American business over the next five years.

# Chief Executive's Review

The 2015 results represent another successful year in the delivery of our strategy to maximise organic revenue growth at a broadly stable operating margin percentage.

## North America

The US and Canadian promotional products markets together are estimated to total around

**\$25bn**

## UK and Ireland

The UK and Irish promotional products market size is estimated at around

**£900m**

### Operating review – continuing operations

| Revenue        | 2015<br>\$m   | 2014<br>\$m |      |
|----------------|---------------|-------------|------|
| North America  | <b>479.24</b> | 398.99      | +20% |
| UK and Ireland | <b>17.98</b>  | 16.78       | +7%  |
| <b>Total</b>   | <b>497.22</b> | 415.77      | +20% |

| Underlying* operating profit | 2015<br>\$m   | 2014<br>\$m |      |
|------------------------------|---------------|-------------|------|
| Direct Marketing operations  | <b>37.04</b>  | 31.93       | +16% |
| Head Office                  | <b>(3.52)</b> | (4.17)      | -15% |
| <b>Total</b>                 | <b>33.52</b>  | 27.76       | +21% |

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

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

The 2015 results represent another successful year in the delivery of our strategy to maximise organic revenue growth at a broadly stable operating margin percentage.

Group revenue increased by 20% over 2014. Comprising more than 96% of Group revenue, the North American business continues to be the primary growth engine for the Group. Revenue growth in North America remained strong despite being affected by economic pressures and adverse currency movements in Canada. Our percentage growth rates remain significantly higher than those in our industry as a whole, which are estimated to be in the low-to-mid single digits. The UK operation produced an increase in revenue in reporting currency of 7%, but in underlying currency the growth rate was 16%, showing excellent progress and further gain in market share.

Revenue benefited from 2015 being a 53 week accounting period for the Group, compared to the usual 52 weeks. This "extra" week contributed roughly one percentage point to sales growth over the prior period.

Overall, the Group operating margin percentage for 2015 was 6.74%, compared to 6.68% in 2014, delivering on our strategy to maintain a broadly stable operating margin percentage.

Underlying operating profit in Direct Marketing operations increased by 16%, compared to a 20% revenue increase. Several factors contributed to this slight margin dilution, the largest being the impact on gross profit of adverse US and Canadian dollar currency movements. Other factors were the assimilation into the cost base of the Oshkosh office and distribution centre expansion projects, and the 53 week accounting period which resulted in a negative profit effect due to a full week of payroll and overheads outweighing the gross margin generated from a quiet week of revenue during the holiday season. We do not anticipate that these factors, taken together, will result in a permanent diminution in operating margin.

Head office costs reduced by 15% in 2015 compared to prior period, reflecting the current structure and activities of the central function.

In total, 945,000 individually customised orders were processed in 2015, compared to more than 780,000 in the prior period.

More than 220,000 new customers were acquired in the period and orders from new customers were up 18% over 2014. Prospect marketing remains a key priority and we continue to invest a significant part of our marketing budget into testing and developing innovative techniques for reaching potential customers.

Orders from existing customers were 21% higher than the prior period, demonstrating consistent customer retention patterns. A key element in maintaining the productivity and reliability of the customer file is our Blue Box™ sample mailing programme. More than 1.75 million boxes were sent to customers during 2015 as we continue to improve the depth and sophistication of this programme.

Following the pattern of recent years, online marketing increased at a faster rate than offline marketing. Rapidly evolving online techniques and media are a major focus for our marketing teams. Offline marketing, however, remains a very effective medium. Catalogue circulation was increased by 6% over the prior period.

The overall effectiveness of the marketing effort is expressed in the revenue per marketing dollar statistic. This was in line with expectations at \$5.92 for the period, compared to \$6.01 in 2014, as we continue our aggressive pursuit of organic revenue growth.

There were two major infrastructure projects in 2015 at our US base in Oshkosh. We made a major expansion at our distribution centre, more than doubling the footprint of that facility to accommodate volume increases in our sample, Blue Box™ and embroidery operations. In addition, around 25,000 sq. ft. of office space was added to our main office facility. The total capital cost was \$9m and both projects were delivered on time, on budget and with no operational disruption.

We continue to expand our product range, including products exclusive to 4imprint and an increasing number of items available on 24 hour turnaround.

For the eighth year in a row, the North American business was named on the prestigious list of the Top 25 Best Medium Sized Workplaces in the USA. The UK business maintains its Investors in People accreditation. Our workplace culture is fundamental in sustaining the remarkable customer service that marks us out from our competition.

The infrastructure investments and operational improvements made in 2015 leave us in a strong market position. Moreover, we are very proud of our well-trained, dedicated and talented team. As a result, we are confident in our ability to achieve further organic growth.

# Chief Executive's Review

continued

## MARKET OVERVIEW

### Where we do business

We operate in two primary geographical markets:

- North America: The US and Canadian promotional products markets together are estimated to total around \$25bn.
- UK and Ireland: The UK and Irish promotional products market size is estimated at around £900m, or \$1.3bn.

The promotional products market place is fragmented. The largest market, the USA, is served by around 23,000 distributors, of whom more than 20,500 have annual sales of less than \$2.5m. The profile is similar in the Canadian and UK/Irish markets.

4imprint is the largest direct marketer of promotional products in each market and has consistently increased market share through organic growth at a rate significantly ahead of the overall growth rate in the industry.

### What we sell

We sell an extensive range of promotional products – merchandise custom printed with the logo or name of an organisation with the intention of promoting a brand, service, product or event.

Our product range comprises tens of thousands of individual products, ranging from basic giveaways such as pens, bags and drinkware to higher value items such as embroidered apparel, business gifts and full size trade show displays. Merchandising specialists work closely with suppliers, continually updating the product range and developing new products or lines, many of which are exclusive to 4imprint.

### Our customers

Promotional products are purchased by a wide range of individuals within all types and sizes of businesses and organisations. The products have many uses: as an integral part of sales and marketing activities; for recruitment or recognition initiatives; to promote health and safety programmes; and for any other method of making a connection between the customer's organisation and the recipient of the item.

We define our customer as the individual placing the order, rather than the business or organisation for which the individual works or with which he/she is associated. As such, our customers can be found across the different areas of geography, industry categories, size of business/organisation, and charitable, religious or governmental institutions.

No single customer comprises a material part of 4imprint's overall revenue.

### The top ten current product categories are:

1. Bags

2. Apparel

3. Drinkware

4. Writing

5. Technology

6. Stationery

7. Outdoor & leisure

8. Tradeshow & signage

9. Auto, home & tools

10. Wellness & safety

## STRATEGY

4imprint's strategy is to develop its position as the leading direct marketer of promotional products in the fragmented markets in which it operates.

Operationally, the objective is to deliver competitive advantage through sustained investment in **marketing, people, systems technology and data analytics**.

Financially, the objectives are to maximise organic revenue growth whilst maintaining a broadly stable operating margin percentage and to retain an efficient cash conversion ratio, assisted by the low capital intensity of the business.

4imprint has a rolling three year strategic planning process, providing a framework for the delivery of the revenue growth required to underpin both sustainable growth in earnings per share and a policy of progressive dividend increases.

### Strategic differentiator

### What have we been doing in 2015?

#### Marketing

- Continuous refinement of established marketing techniques:
  - Catalogue versions and circulation plans
  - Blue Box™ automation
- Testing and development of a rapidly evolving array of digital marketing opportunities
- Product offering expanded by over 6,000 products during the year

#### People

- Named for the eighth consecutive year as a Top 25 Best Medium Sized Workplace in the USA
- Investment in expansion of office and distribution centre facilities to maintain a first class work environment
- Added further resource, particularly in customer service, merchandising and embroidery production

#### Technology

- Successful launch of a major new update of the proprietary order processing system
- Continuous development and enhancement of website functionality and performance
- Software development to allow for more efficient invoice processing through closer integration with supplier systems

# Chief Executive's Review

continued

## BUSINESS MODEL

Our commercial operations are built around a direct marketing business model capable of introducing millions of potential customers to tens of thousands of customised promotional products.

### Customer proposition

- › Fast, easy and convenient
- › Expansive and relevant product range
- › Industry-leading customer guarantee

- Online or via telephone
- Free samples and artwork
- Remarkable customer service
- On-time shipment or your order is free
- Lowest prices or double the difference
- Total satisfaction or your money back

### "Drop ship" from suppliers

- › Unrestricted access to tens of thousands of products
- › Efficient deliveries to short lead times
- › Minimal investment in inventory

- Supplier holds the stock
- Supplier prints the product
- Order shipped direct to customer
- Merchandisers work closely with suppliers
- Product range continually updated

### Application of technology

- › Customer-facing, websites & mobile
- › Proprietary order processing platform
- › Sophisticated database analytics

- Mature, scalable systems
- Efficient order processing
- Supplier integration
- Data-driven marketing
- Innovative web technology

### Innovative marketing

- › Data-driven heritage and discipline
- › Online and offline techniques
- › Catalogue, search engine, email, social

- New customer acquisition
- Growing customer file
- Existing customer retention
- Blue Box™

Our model has favourable cash characteristics: minimal inventory requirements; a high proportion of orders paid for by credit card; and ongoing capital investment broadly in line with depreciation charge. Increasing investment in marketing activity and technology is funded out of operating cash flow, sustaining competitive advantage and further growth in market share.

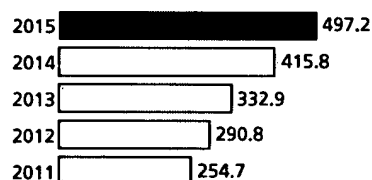
## KEY PERFORMANCE INDICATORS

The Board monitors the performance of the business against its strategy using the KPIs set out below. These KPIs have been selected as they are considered appropriate for measuring the progress of the business towards achieving its strategic objectives.

### FINANCIAL KPIs

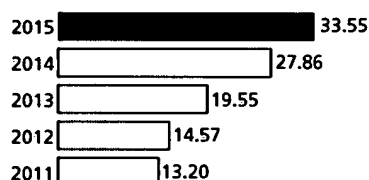
#### Revenue (\$m)

**\$497.2m**  
+20%



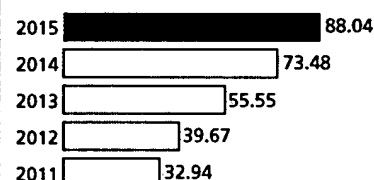
#### Underlying profit before tax (\$m)

**\$33.55m**  
+20%



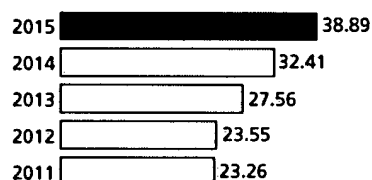
#### Underlying earnings per share (c)

**88.04c**  
+20%



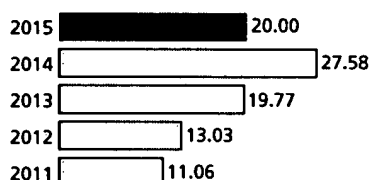
#### Dividend per share (c)

**38.89c**  
+20%



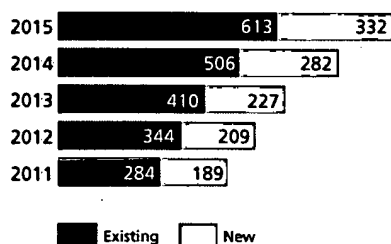
#### Operating cash generated (\$m)

**\$20.00m**  
-27%

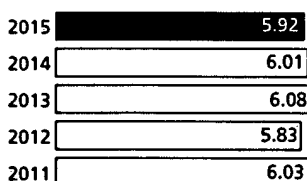


### NON-FINANCIAL KPIs

#### Number of orders received (000's)



#### Revenue per marketing dollar (\$)



# Financial Review

## Earnings per share

Underlying basic earning per share  
from continuing operations

**88.04c**  
+20%

## Dividends

Total dividends paid and  
proposed

**38.89c**  
+20%

### Financial review

|                                                         | 2015<br>Underlying*<br>\$m | 2014<br>Underlying*<br>\$m | 2015<br>Total<br>\$m | 2014<br>Total<br>\$m |
|---------------------------------------------------------|----------------------------|----------------------------|----------------------|----------------------|
| <b>Continuing operations</b>                            |                            |                            |                      |                      |
| Operating profit                                        | 33.52                      | 27.76                      | 33.52                | 27.76                |
| Share option related charges<br>(incl. social security) |                            |                            | (0.30)               | (0.67)               |
| Exceptional items                                       |                            |                            | (0.86)               | (2.41)               |
| Net finance income                                      | 0.03                       | 0.10                       | 0.03                 | 0.10                 |
| Defined benefit pension charges                         |                            |                            | (1.23)               | (1.44)               |
| <b>Profit before tax</b>                                | <b>33.55</b>               | <b>27.86</b>               | <b>31.16</b>         | <b>23.34</b>         |

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

### Operating result

Group revenue in 2015 was \$497.22m, (2014: \$415.77m), an increase of 20% over the prior period. Underlying operating profit before tax was \$33.55m, (2014: \$27.86m), up 20% over the 2014 comparative.

2015 was a 53 week accounting period for the Group, compared to the usual 52 week period. The effect of this extra week on Group revenue was an increase of around \$4m, contributing roughly one percentage point of the 20 percentage points of revenue growth over 2014. The effect of the additional week on underlying operating profit was negative due to a full week of payroll and overheads outweighing the gross margin arising from a quiet week of revenue during the holiday season.

### Foreign exchange

The US dollar exchange rates material to the Group's 2015 results were as follows:

|                  | 2015       |         | 2014       |         |
|------------------|------------|---------|------------|---------|
|                  | Period end | Average | Period end | Average |
| Sterling         | 1.48       | 1.53    | 1.56       | 1.65    |
| Canadian dollars | 0.72       | 0.78    | 0.86       | 0.91    |

### Share option charges

The Group charged \$0.30m, (2014: \$0.67m), in respect of IFRS2, "Share-based payments". This charge was made up of elements from a UK SAYE scheme, the Performance Share Plan ("PSP") which was approved by Shareholders on 27 April 2011, and the 2015 Incentive Plan (the "Plan") which was approved at the 2015 AGM. The decreased charge in the period compared to 2014 is due to 1.4 million PSP share options vesting in April 2014, the vesting of a US SAYE scheme, and only a partial period's charge in respect of the Plan.

Current options outstanding are 120,000 shares under the PSP, and 36,464 shares under the UK SAYE scheme. 26,128 share options are expected to be awarded under the Plan following the announcement of these results.

### Exceptional items

A total of \$0.86m (2014: \$2.41m) was charged to exceptional items in the period, \$0.61m of which represents costs incurred and paid by the pension scheme. All of the charge was in respect of pension risk reduction exercises. \$0.28m of costs were incurred as a result of the Flexible Retirement Option ("FRO") offered to deferred pensioners in the second half of 2015. A further \$0.58m of costs related to the ongoing project to progress the pensioner buy-in, completed in September 2014, to buy-out status.

### Net finance income

Net finance income for the period was \$0.03m (2014: \$0.10m), reflecting the modest rates available on the investment of cash balances in short term deposits.

### Taxation

The tax charge for the period was \$8.46m (2014: \$6.98m), producing an effective tax rate of 27% (2014: 30%). The charge comprised current tax of \$8.03m, representing tax payable in the USA and a deferred tax charge of \$0.43m. The change in rate between periods was driven by several factors, but was principally due to the deduction of pension-related items.

The tax charge relating to underlying profit before tax was \$8.96m (2014: \$7.74m), an effective tax rate of 27% (2014: 28%).

The effective tax rates are higher than UK corporate tax rates due to the Group's profits being generated principally in the USA attracting that country's higher rates of corporate tax.

### Earnings per share

Underlying basic earnings per share from continuing operations was 88.04c (2014: 73.48c), an increase of 20%. This increase mirrors the 20% increase in underlying profit before tax, after accounting for a lower rate of tax offset by a slightly higher weighted average number of shares in issue.

Basic earnings per share was 81.26c (2014: 59.73c), an increase of 36%. This reflects reduced share option charges, defined benefit pension charges and exceptional charges in the period, as well as a lower overall tax charge, all compared to prior period.

### Dividends

Dividends are determined in US dollars and paid in Sterling at the exchange rate on the date that the dividend is determined.

The Board has proposed a final dividend of 26.80c (2014: 21.90c) which, together with the interim dividend of 12.09c, gives a total paid and proposed dividend relating to 2015 of 38.89c, an increase of 20% compared to prior period.

In Sterling, the final dividend paid to Shareholders will be 18.82p (2014: 14.25p), which, combined with the interim dividend paid of 7.75p, gives a total dividend for the period of 26.57p, an increase of 30% compared to prior period.

# Financial Review

## continued

### Defined benefit pension scheme

The Group sponsors a legacy defined benefit pension scheme which has been closed to new members and future accruals for several years. The Scheme has around 1,100 pensioners, of whom 84% have insured benefits, and around 500 deferred pensioners.

At 2 January 2016, the deficit of the Scheme on an IAS 19 basis was \$23.11m, compared to \$24.02m at 27 December 2014.

The change in deficit is analysed as follows:

|                                                   | \$m            |
|---------------------------------------------------|----------------|
| IAS 19 deficit at 27 December 2014                | (24.02)        |
| Company contributions to the Scheme               | 0.83           |
| Pension administration costs                      | (0.39)         |
| Pension costs – exceptional                       | (0.61)         |
| Pension finance charge                            | (0.84)         |
| Remeasurement gains due to changes in assumptions | 0.77           |
| Exchange gains                                    | 1.15           |
| <b>IAS 19 deficit at 2 January 2016</b>           | <b>(23.11)</b> |

At 2 January 2016 gross Scheme liabilities under IAS 19 were \$139.25m and assets were \$116.14m. However, pensioner liabilities of \$108.41m were insured via annuities as a result of previous risk reduction exercises, resulting in uninsured liabilities of \$30.84m and non-insurance Scheme assets of \$7.73m. 78% of Scheme liabilities are insured.

The Group is engaged in further pension scheme risk reduction exercises. Having completed significant buy-in (insurance of liabilities for pensions in payment) arrangements in prior years, it is intended to proceed to buy-out status, whereby the underwritten liabilities and equivalent assets are removed entirely from the Group balance sheet and converted to individual annuities held with the insurer. This is a complex and detailed exercise which takes into account many factors including guaranteed minimum pension equalisation. In consideration of the buy-out exercise, the Group has agreed to a one-off deficit adjustment contribution of £10m, to be paid in the first half of 2016 and a new schedule of deficit recovery contributions going forward will be agreed with the Trustee.

Deferred pensioner liabilities were addressed during the second half of 2015 through a FRO exercise. Take up of the offer was relatively modest, resulting in \$0.55m of liabilities being transferred out of the Scheme, however the FRO mechanism has now been embedded in the Scheme for future years as more deferred pensioners reach the eligibility age of 55.

It is anticipated that as a result of these risk reduction actions, and subject to changes in actuarial assumptions, the net deficit is expected to be reduced to around half of its current size.

### Cash flow

The Group had net cash of \$18.38m at 2 January 2016, an increase of \$0.08m over the 27 December 2014 balance of \$18.30m.

Cash flow in the period is summarised as follows:

|                                                | 2015<br>\$m    | 2014<br>\$m |
|------------------------------------------------|----------------|-------------|
| Underlying operating profit                    | <b>33.52</b>   | 27.76       |
| Depreciation and amortisation                  | <b>1.96</b>    | 1.70        |
| Change in working capital                      | <b>(4.46)</b>  | 0.21        |
| Capital expenditure                            | <b>(11.02)</b> | (2.09)      |
| <b>Operating cash flow</b>                     | <b>20.00</b>   | 27.58       |
| Tax and interest                               | <b>(8.70)</b>  | (6.07)      |
| Defined benefit pension contributions          | <b>(0.83)</b>  | (26.54)     |
| Own share transactions                         | –              | (1.32)      |
| Exceptional items                              | <b>(0.31)</b>  | (0.89)      |
| National Insurance on share options exercised  | –              | (1.36)      |
| Exchange                                       | <b>(0.48)</b>  | (0.67)      |
| <b>Free cash flow</b>                          | <b>9.68</b>    | (9.27)      |
| Discontinued operations net cash inflow        | –              | 9.50        |
| Dividends to Shareholders                      | <b>(9.60)</b>  | (7.92)      |
| <b>Net cash inflow/(outflow) in the period</b> | <b>0.08</b>    | (7.69)      |

The 2015 results again demonstrate the cash generative capabilities of the Direct Marketing business model.

The underlying operating profit to operating cash conversion rate was 60% (2014: 99%). This reflects an unusually high level of capital expenditure in the period associated with the Oshkosh expansion projects. Adding back the \$9m spent on these projects, the cash conversion rate rises to 87%. The \$4.46m net outflow of working capital in the period is higher than usual, arising as a result of some timing effects due to the 53 week accounting period and some natural build in supplier volume rebate receivable balances at the period end.

Free cash flow was \$9.68m, after the \$9m of expansion project capital expenditure.

### Balance sheet and Shareholders' funds

Net assets at 2 January 2016 were \$28.45m, compared to \$14.07m at 27 December 2014. The balance sheet is summarised as follows:

|                                  | 2 January 2016<br>\$m | 27 December 2014<br>\$m |
|----------------------------------|-----------------------|-------------------------|
| Non current assets               | 23.75                 | 15.20                   |
| Working capital                  | 9.71                  | 5.13                    |
| Net cash                         | 18.38                 | 18.30                   |
| Pension deficit                  | (23.11)               | (24.02)                 |
| Other assets/(liabilities) – net | (0.28)                | (0.54)                  |
| <b>Net assets</b>                | <b>28.45</b>          | <b>14.07</b>            |

The balance sheet movements in respect of non current assets and working capital are discussed in the cash flow section on page 14.

Shareholders' funds increased by \$14.38m, comprised of net profit in the period of \$22.69m, \$0.61m of net pension remeasurement gains, \$0.50m of share option related movements and \$0.41m of exchange gains, net of a charge of \$0.23m for the effect of changes in the UK tax rate and \$9.60m equity dividends paid to Shareholders.

### Treasury policy

The financial requirements of the Group are managed through a centralised treasury policy. The Group operates cash pooling arrangements for its North American operations. Forward contracts are taken out to buy or sell currency relating to specific receivables and payables as well as remittances from overseas subsidiaries. The Group holds the majority of its cash on deposit with its principal UK banker and the working capital requirements of the North American business are funded by a facility with its principal US banker.

The Group has \$13.0m of working capital facilities with its principal US bank, JPMorgan Chase. The interest rate is US dollar LIBOR plus 1.5%, and the facilities expire on 31 August 2017. In addition, an overdraft facility of £1m, with an interest rate of bank base rate plus 2.0%, is available from the Group's principal UK bank, Lloyds.

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

### Going concern

The Board reviews several factors when considering whether the financial statements should be prepared on a going concern basis:

- The Group's business activities, together with management's current view of circumstances likely to affect its future development, performance and financial position, (summarised in the Strategic Report on pages 6 to 19).
- The Group's principal risks and uncertainties, as set out on pages 17 to 19.
- The financial position of the Group, its cash flows, net cash position, borrowing facilities and policies for managing financial risk, which are described in the Financial Review on pages 12 to 16.

As a result of this review, the Board has a reasonable expectation that the Group has adequate resources to continue to operate for a period of at least twelve months from the date this report was approved. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

### Long term prospects and viability

In accordance with Provision C.2.2 of the 2014 UK Corporate Governance Code, the Board has assessed the prospects and viability of the Group.

#### Assessment of prospects

The Group's market position, strategy and business model, as set out on pages 8 to 10 of the Strategic Report, are central to an understanding of its prospects. These factors provide a framework for the rolling three year plan which is developed as part of the annual budget process and reviewed by the Board to assess the Group's prospects. Established and reliable demand forecasting models are driven by customer acquisition and retention assumptions, which are flexed to account for known initiatives and anticipated market developments over the three year forecast period.

The three year timeframe for assessing both prospects and viability is considered to be appropriate due to the following factors:

- It is consistent with the Group's rolling three year strategic planning process.
- It reflects reasonable expectations in terms of the reliability and accuracy of operational forecasting models.
- It acknowledges that the Group's business model does not rely heavily on fixed capital, long-term contracts or fixed external financing arrangements.
- It recognises that projections looking out further than three years become significantly less meaningful in the context of the fast-moving nature of the business and its markets.

# Financial Review

## continued

### Confirmation of viability

The Board's assessment of the Group's prospects, as described above, has been made with reference to current market conditions and known risk factors. The principal risks and uncertainties facing the Group are outlined on pages 17 to 19. In the light of the Group's financial performance over recent years, the Board considers that the key factor which would prejudice the delivery of the Group's stated financial objectives is a significant decline in demand, leading to lower or negative revenue growth and a lower return on marketing spend. Using the current three year rolling forecasts as a base case, alternative forecasts have been produced to model the effects on the Group's liquidity and solvency of very severe but plausible combinations of the principal risks and uncertainties affecting demand levels in the business.

The basis for the key assumptions used in the viability model was an overall effect similar to, but more severe than, actual experience during the 2008/9 financial crisis. New customer acquisition and existing customer retention metrics were significantly degraded in the model, but expenditure in the areas of marketing, payroll and technology were held steady. Revenue and profitability are clearly affected in this scenario, but the business remains cash generative, with the Group able to maintain its external dividend payments at current rates.

The assumptions used in the viability model and the resultant sensitised financial forecasts have been reviewed and approved by the Board. The conclusion of this review is that the Group has significant financial flexibility, starting with a net cash position, but remaining cash generative even under severe economic stress and able to continue investing in marketing, people and technology, which are the key differentiators in its strategy.

Based on this review of the Group's prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and to meet its liabilities, as they fall due, for the next three years.

# Principal Risks and Uncertainties

## Risks

4imprint seeks to take a balanced approach to the risks and uncertainties which it faces. There is an appetite for risk-taking that contributes to both the operational agility and innovative culture which 4imprint believes is necessary to meet its strategic objectives. That appetite is, however, tempered by risk identification, evaluation and management.

The Board has ultimate responsibility for the Group's risk management process, although responsibility for reviewing specific risk

controls may be delegated to the Audit Committee. The Executive Directors and operational management teams are responsible for the identification and evaluation of risks and the subsequent implementation of specific risk mitigation activities. It is important to note that business operations are conducted from centralised facilities in each territory, with short reporting lines. Consequently, the Executive Directors are close to day-to-day matters, facilitating early identification of, and response to, evolving risks.

Risk appetite, the risk management process, and associated mitigating activities are all essential elements of the Group's strategic and operational planning processes.

4imprint's business model means that it may be affected by a number of risks, not all of which are within its control. Outlined on the following pages are the current principal potential risks and uncertainties to the successful delivery of the Group's strategic goals. The list is not exhaustive and other, as yet unidentified, factors may have an adverse effect.

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Potential impact                                                                                                                                                                                                                                                                                                                                                                              | Mitigating activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Economic and market risks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Macroeconomic conditions</b><br>The business conducts most of its business operations in North America and would be affected by a downturn in general economic conditions in this region. The promotional products market would likely soften in line with the general economy.                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>• Customer acquisition and retention metrics could fall.</li> <li>• The growth and profitability levels called for in the Group strategic plan may not be achieved.</li> <li>• Cash generation could be reduced broadly corresponding to a reduction in profitability.</li> </ul>                                                                      | <ul style="list-style-type: none"> <li>• Management monitors economic and market conditions to ensure that appropriate and timely adjustments are made to marketing and other budgets.</li> <li>• The customer proposition in terms of promotions, price, value and quality of product can be adjusted to resonate with the prevailing economic climate.</li> </ul>                                                                                                                                                                                                                              |
| <b>Competition</b><br>The promotional products markets in which the business operates are intensely competitive and the rapid development of internet commerce, digital marketing and technological innovation may allow competitors to reach a broader audience. In addition, new or disruptive business models may be developed by existing competitors or new entrants.                                                                                                                                   | <ul style="list-style-type: none"> <li>• Aggressive competitive activity could result in pressure on prices, margin erosion and loss of market share. All of these factors could impair the growth of the business and therefore impact the financial results.</li> <li>• The Group's strategy based on achieving organic growth in fragmented markets may need to be re-assessed.</li> </ul> | <ul style="list-style-type: none"> <li>• An open-minded culture and an appetite for technology are encouraged, with the aim of positioning the business at the forefront of innovation in the industry.</li> <li>• Management proactively monitors competitive activity in the marketplace.</li> <li>• Price, satisfaction and service level guarantees are an integral part of the customer proposition. Customer surveys and market research are used to gauge customer satisfaction and perception. The causes of any negative indications are investigated and addressed rapidly.</li> </ul> |
| <b>Currency exchange</b><br>There is some exposure to currency exchange risk. Although the business trades predominantly in US dollars, it also transacts business in Canadian dollars, Sterling and Euros, leading to some currency risk on trading. In addition, head office costs, pension scheme commitments and dividend payments are payable in Sterling, consequently the business may be adversely impacted by movements in the Sterling/US dollar exchange rate when it repatriates cash to the UK. | <ul style="list-style-type: none"> <li>• The financial results of operations, and therefore overall profitability, may be negatively affected.</li> <li>• The financial condition and cash position of the Group may differ materially from expectations. In particular, the Group's strategic objective of delivering progressive dividend increases could be disrupted.</li> </ul>          | <ul style="list-style-type: none"> <li>• The Group reports its results in US dollars, minimising currency impact on reported revenue, operating profit and net assets since trading operations are concentrated largely in North America.</li> <li>• The business actively hedges anticipated cash receipts from its overseas operations over a rolling twelve month timeframe, giving some certainty of amounts receivable in Sterling.</li> </ul>                                                                                                                                              |

# Principal Risks and Uncertainties

## continued

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Potential impact                                                                                                                                                                                                                                                                                                                                                                                                                       | Mitigating activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Operational risks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>Business facility disruption</b></p> <p>The business model means that operations are concentrated in centralised office and distribution facilities. The performance of the business could be adversely affected if activities at one of these facilities were to be disrupted, for example, by fire, flood, loss of power or telecommunication failure.</p>                                                                                                                                                                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>• The inability to service customer orders over any extended period would result in significant revenue loss, deterioration of customer acquisition and retention metrics and diminished return on marketing investment.</li> </ul>                                                                                                                                                             | <ul style="list-style-type: none"> <li>• Data is backed up immediately to off-site servers.</li> <li>• Back-up and business continuity procedures are in place and regularly tested to ensure that customer service disruption is minimised.</li> </ul>                                                                                                                                                                                                                                |
| <p><b>Disruption to delivery service or the product supply chain</b></p> <p>As a consequence of the Group's drop-ship distribution model, trading operations could be interrupted if the activities of a key supplier were disrupted and it was not possible to source an alternative supplier in the short term.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>• Inability to fulfil customer orders would lead to lost revenue and a negative impact on customer acquisition and retention metrics.</li> </ul>                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>• A rigorous selection process is in place for key suppliers, with evaluation and monitoring of quality, production capability and capacity, ethical standards and financial stability.</li> <li>• Relationships are maintained with suitable alternative suppliers for each product category.</li> </ul>                                                                                                                                       |
| <p><b>Disturbance in established marketing techniques</b></p> <p>The success of the business relies on its ability to attract new and retain existing customers through a variety of marketing techniques. These methods may become less effective as follows:</p> <p>Offline: The flow of print catalogues and sample packages would be disrupted by the incapacity of the US Postal Service to make deliveries, for example due to natural disasters or labour activism.</p> <p>Online: Search engines are an important source for channelling customer activity to 4imprint's websites. The efficiency of search engine marketing would be adversely affected if the search engines were to modify their algorithms or otherwise make substantial changes to their practices or pricing.</p> | <ul style="list-style-type: none"> <li>• If sustained over anything more than a short time period, an externally-driven decrease in the effectiveness of key marketing techniques would cause damage to the customer file as acquisition and retention metrics fall. This would affect order flow and revenue in the short term and the productivity of the customer file over a longer period, impacting growth prospects.</li> </ul> | <ul style="list-style-type: none"> <li>• Offline: Developments in the US Postal Service are closely monitored through industry associations and lobbying groups. Alternative parcel carriers are continuously evaluated.</li> <li>• Online: Management stays very close to new developments and emerging technologies in the online space. Efforts are focused on anticipating changes and ensuring compliance with both the requirements of providers and applicable laws.</li> </ul> |
| <p><b>Reliance on key personnel</b></p> <p>Performance depends on the business's ability to continue to attract, motivate and retain key staff. These individuals possess sales and marketing, merchandising, supply chain, IT and financial skills that are key to the continued successful operation of the business.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>• The loss of key employees or inability to attract appropriate talent could adversely affect the Group's ability to meet its strategic objectives, with a consequent negative impact on future results.</li> </ul>                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• The business is proactive in aiming to deliver a first class working environment. In addition, attractive employment terms and incentive plans are designed with a view to attracting and retaining key personnel.</li> </ul>                                                                                                                                                                                                                 |

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Potential impact                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Mitigating activities                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Technological risks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Failure or interruption of IT systems and infrastructure</b><br>The business is highly dependent on the efficient functioning of its IT infrastructure. An interruption or degradation of services at a central office facility would affect critical order processing systems and thereby compromise the ability of the business to deliver on its customer service proposition.                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>• In the short term, orders would be lost and delivery deadlines missed, decreasing the efficiency of marketing investment and impacting customer acquisition and retention. Depending on the severity of the incident, longer term reputational damage could result.</li> <li>• Revenue and profitability are directly related to order flow and would be adversely affected as a consequence of a major IT failure.</li> </ul> | <ul style="list-style-type: none"> <li>• There is significant ongoing investment in both the IT team supporting the business and the hardware and software system requirements for a stable and secure operating platform.</li> <li>• Back-up and recovery processes are in place to minimise the impact of information technology interruption, including real-time replication of data at an alternative site.</li> </ul> |
| <b>Failure to adapt to new technological innovations</b><br>The operating platforms of the business may not be able to respond and adapt to rapid changes in technology. If the development of websites and customer-facing applications for alternative devices and platforms is slow or ineffective the business could lose competitive edge. In addition, the development of order processing, supplier-facing and data analytics technologies could fail to deliver the improvements in speed, ease and efficiency necessary to attract and retain a productive customer base. | <ul style="list-style-type: none"> <li>• If the business fails to adapt to new technologies and therefore falls behind in the marketplace it may fail to capture the significant number of new customers and retain existing customers at the rate required to deliver the growth rates envisaged in the Group's strategic plan.</li> </ul>                                                                                                                             | <ul style="list-style-type: none"> <li>• Management has a keen awareness of the need to keep pace with the rapidly changing and continuously evolving technological landscape.</li> <li>• An appetite for technological innovation is encouraged in the business. Sustained investment is made in the development of both outward-facing and back office systems.</li> </ul>                                                |
| <b>Security of customer data</b><br>Unauthorised access to and misappropriation of customer data could lead to reputational damage and loss of customer confidence.                                                                                                                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>• A significant security breach could lead to litigation and losses, with a costly rectification process. In addition, it might be damaging to the Group's reputation and brand.</li> <li>• An event of this nature might result in significant expense, impacting the Group's ability to meet its EPS targets.</li> </ul>                                                                                                       | <ul style="list-style-type: none"> <li>• The business employs IT staff who are appropriately trained to mitigate IT security violations.</li> <li>• Technical and physical controls are in place to mitigate unauthorised access to customer data and there is an ongoing investment process in place to maintain and enhance the integrity and efficiency of the IT infrastructure and its security.</li> </ul>            |

Social and ethical responsibility, health and safety and environmental matters are covered in the Directors' Report on page 22.

The Strategic Report was approved by the Board on 9 March 2016

**Kevin Lyons-Tarr**  
Chief Executive Officer

**David Seekings**  
Chief Financial Officer

# Board of Directors

## **J.W. Poulter Chairman**

John Poulter was appointed a Non-Executive Director with effect from 1 May 2010 and on 1 September 2010 became Executive Chairman. On 30 September 2015 John relinquished his executive duties and became Non-Executive Chairman. John is currently Non-Executive Chairman of RM plc. He is a former Non-Executive Chairman and Chief Executive of Spectris plc and a former Non-Executive Chairman or Director of several public and private companies including Filtronic plc, RAC Plc and Kidde plc.

## **K. Lyons-Tarr Chief Executive Officer**

Kevin Lyons-Tarr was appointed an Executive Director in 2012 and, with effect from 31 March 2015, became Chief Executive of 4imprint Group plc. Based in Oshkosh, Wisconsin, Kevin has been with the business since 1991, 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 since then.

## **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.

## **D.J.E. Seekings Chief Financial Officer**

David Seekings was appointed as Chief Financial Officer on 31 March 2015. He is a chartered accountant, having trained and qualified with KPMG. David has been with the 4imprint Group since 1996, initially as Group Financial Controller, moving to the USA in 2000 to become Chief Financial Officer of 4imprint Direct Marketing, based in Oshkosh, Wisconsin.

### **J.A. Warren Senior Independent Non-Executive Director**

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

### **C.J. Brady Independent Non- Executive Director**

Charles Brady was appointed a Non-Executive Director in June 2015. Charles is a solicitor and was the founder and Managing Director of Central Law Training Limited which, during his leadership between 1987 and 2002, became the largest provider of post qualification legal training in the UK. Wilmington plc, a company listed on the London Stock Exchange, acquired Central Law Training in 1999. Charles remained with the business becoming Chief Executive of Wilmington plc in 2002, a post which he held until his retirement in 2014. Charles has also served as a Non-Executive Director of both Hatton Blue Limited, a start-up IT company and the PPA (Professional Publishers Association).

### **P.S. Moody Independent Non- Executive Director**

Paul Moody was appointed as a Non-Executive Director on 1 February 2016. Paul currently serves on the Board of Johnson Service Group plc as Non-Executive Chairman and is also a Non-Executive Director of Pets at Home Group plc. He has extensive public company experience and spent 17 years at Britvic plc, including the last eight years as Chief Executive. Prior to that, he held a number of senior appointments in sales and HR, with companies including Grand Metropolitan plc and Mars.

#### **Audit Committee**

Mr. J.A. Warren (Chairman)  
Mr. C.J. Brady  
Mr. P.S. Moody

#### **Remuneration Committee**

Mr. C.J. Brady (Chairman)  
Mr. J.A. Warren  
Mr. P.S. Moody

#### **Nomination Committee**

Mr. C.J. Brady (Chairman)  
Mr. J.A. Warren  
Mr. P.S. Moody

# Directors' Report

The Directors present their report and the audited consolidated and Company financial statements for the period ended 2 January 2016. The Company's Statement on Corporate Governance is included in the Corporate Governance Report on pages 25 to 31 of these financial statements. The Corporate Governance Report forms part of the Directors' Report and is incorporated into it by cross reference.

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

## Dividends

Dividends are determined in US dollars and paid in Sterling at the exchange rate at the time the dividend is determined.

An interim dividend of 12.09c (7.75p) per ordinary share was paid on 11 September 2015 and the Directors recommend a final dividend of 26.80c (18.82p) per share. The proposed final dividend, if approved, will be paid on 13 May 2016 in respect of shares registered at the close of business on 8 April 2016.

The total distribution paid and recommended for 2015 on the ordinary shares is \$10.83m or 38.89c (26.57p) per share (2014: \$8.93m or 32.41c (20.45p) per share).

## Social and ethical responsibility

The Board recognises its corporate social responsibilities and has developed, approved, and issued a social and ethical policy, the purpose of which is to ensure, as far as reasonably practicable, that when undertaking its business, the Group operates in accordance with best practice.

The policy addresses such issues as working hours, discrimination, collective bargaining, supplier audits and child labour. The policy is regularly reviewed and was reconsidered and approved by the Board at its meeting on 9 December 2015.

## 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 its environmental impact. Formal systems in place are subject to audits and management is regularly notified of key issues and developments. The Group's business assesses and monitors the potential impact of its operations on the environment and steps are taken to control energy consumption and waste and to ensure that paper used for marketing purposes is sourced from sustainable forests.

## Disabled persons

The Group is committed to the principle of equal opportunity in employment. No applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion, race, ethnicity or disability. The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

## Health and safety

During 2015, the Group continued to pursue improvements to the management of health and safety in its business. Regular reports on health and safety are received and reviewed by the Board. Any accidents and incidents are reported to the Board together with corrective actions which have been implemented. There were no accidents or incidents during the period.

## Directors

The names and biographical details of the present Directors, their committee memberships, independence status and identification of the Senior Independent Director are given on pages 20 and 21. Ms G. Davies resigned on 31 March 2015 and Mr. S. J. Gray resigned on 30 September 2015.

The interests of the Directors in the shares of the Company are shown on page 40.

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

## Diversity

The Group recognises the importance and benefit of ensuring diversity throughout the business and strives to create a culture which recruits and promotes the development of all employees regardless of background or gender. The Group employs over eight hundred people, seventy five per cent of whom are female. One third of the North American senior management team and two thirds of the UK senior team are female.

As at 2 January 2016, the Board had no female members and one member of six (16%) is a non-UK national.

## Employees

Our strategy statement clearly identifies investment in our people as a key driver of competitive advantage and as such the contribution of every team member is essential to our success. We are committed to a culture which encourages the training, development, wellbeing and participation of every team member.

Business objectives are communicated to team members via quarterly briefings and everyone participates in a quarterly “gain share” bonus plan which is paid based on achievement of clearly communicated targets.

The welfare of our team members is also addressed through a competitive benefits package, an employee wellness programme, multiple workplace perks and fun events and opportunities to volunteer in the local community.

For each of the last eight years, the North American business has been named in the Top 25 Best Medium Sized Workplaces in the USA.

#### 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  $\frac{1}{3}$  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. At each Annual General Meeting (“AGM”), the Company seeks annual Shareholder authority for the Company’s Directors to allot shares, in certain circumstances, for cash. Currently, there are no such restrictions in place over the issued share capital of the Company, other than those required by law or regulation.

#### 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 2015 and up to 9 March 2016 in respect of Mr. A.J. Scull. Qualifying third party indemnity agreements have also been signed by the Company in respect of Mr. J.W. Poulter, Mr. K. Lyons-Tarr, Mr. J.A. Warren, Mr. C.J. Brady, Mr. P.S. Moody and Mr. D.J.E. Seekings with effect from the date of their respective appointments.

#### Shares held in trust for employee share schemes

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

#### Significant agreements

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

#### Going concern and viability

The going concern statement and statement on future prospects and viability (the “viability statement”) are included within the Strategic Report on pages 15 and 16.

#### Remuneration Report

Details of the procedures and guidelines used by the Remuneration Committee in determining remuneration are outlined in its report on page 34.

#### Purchase of own shares

Following the approval at the 2015 AGM of Resolution 15, the Company is authorised, generally and without conditions to make market purchases, as defined in the Companies Acts, of its ordinary shares of 38  $\frac{1}{3}$  pence subject to the provisions set out in such Resolution. This authority applies from 6 May 2015 until the earlier of the end of the 2016 AGM or 5 August 2016 unless previously cancelled or varied by the Company in a general meeting. No such cancellation or variation has taken place. During the period, no shares have been purchased by the Company, but employee benefit trusts purchased 38,058 shares.

#### Waiver of dividends

The dividend income in respect of the 7,333 shares (2014: 167,358 shares) held in 4imprint Group plc employee share trusts has been waived.

#### Greenhouse gas emissions report

| Global greenhouse gas (GHG) emissions data for the period            | Tonnes of carbon dioxide equivalent |       |
|----------------------------------------------------------------------|-------------------------------------|-------|
|                                                                      | 2015                                | 2014  |
| Combustion of fuel and operation of facilities (Scope 1)             | 10                                  | 10    |
| Electricity, heat, steam and cooling purchased for own use (Scope 2) | 1,823                               | 1,545 |
| Emissions intensity per thousand dollars of revenue                  | 0.004                               | 0.004 |

The emissions data set out above relates to the continuing operations of the Group for the period ended 2 January 2016.

#### Methodology

All of the emission sources required under the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013 for Scope 1 and Scope 2 emissions have been reported.

The emission factors used were from the UK Government’s GHG Conversion Factors for Company Reporting 2015.

#### Political donations

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

# Directors' Report continued

## 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.

## Cross reference to Strategic Report

Required disclosures in respect of the Group's performance and position, future prospects, key performance indicators and principal risks and uncertainties have been included in the Group's Strategic Report which is included on pages 6 to 19 and those sections are incorporated into the Directors' Report by cross reference.

## Independent auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company has been recommended to the Board by the Audit Committee 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 are unaware; and
- each of the Directors has taken all of the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

Approved by the Board

## Andrew Scull

Company Secretary  
9 March 2016

# Statement on Corporate Governance

The disclosures required by Company law in relation to the Takeover Directive in relation to the Group's capital structure are included in the Directors' Report on page 23.

During 2015 the Group has complied with the provisions of The UK Corporate Governance Code (2014) (the "Code"), except for the following matter:

There was no Group Chief Executive Officer until 31 March 2015. Until that date the role was undertaken by the Executive Chairman, Mr. J.W. Poulter (Principle A.2.1). Mr. J.W. Poulter relinquished his executive responsibilities on 30 September 2015 when he became Non-Executive Chairman.

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

## The Board

The Board is responsible to Shareholders for creating and sustaining Shareholder value through the management of the Group's business. 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 laws and regulations.

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 9 December 2015. The schedule includes, for example, the approval of interim and annual 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.

Throughout the period and in accordance with provision C.2.1 of the Code, the Board has carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This is fully described in the risks section on pages 17 to 19.

The Board has assessed the future prospects of the Group in accordance with provision C.2.2 of the Code. Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment. Details of the assessment performed by the Board, including an assessment of those risks most likely to impact the Group's future prospects and viability have been set out on pages 15 and 16.

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 duty of the Directors to avoid a situation in which they have, or could have, an interest that conflicts or may possibly conflict, with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association, by the other Directors. Each Director has confirmed that they are aware of the need to notify the Company of any potential conflict of interest. Mr. A.J. Scull has notified the Company that he is a Director and Company Secretary of the 4imprint Pension Trustee Company Limited and, with effect from its incorporation on 15 December 2015, a Director and Company Secretary of 4imprint 2016 Pension Trustee Company Limited, the former of which administers the legacy defined benefit pension scheme.

Specific responsibilities have been delegated to Board Committees which have access to independent expert advice at the Group's expense. The details of the Board Committees and their activities are set out in pages 28 to 40.

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.

At the period end the Board consisted of the Chairman, the Group Chief Executive Officer, the Group Chief Financial Officer, the Corporate Services Director and two Independent Non-Executive Directors. The role of the Non-Executive Directors includes assisting in the development of strategy, scrutinising the performance of management, monitoring the integrity of financial information and systems of risk management as well as determining the appointment, removal and remuneration of Executive Directors.

Key activities of the Board in the current period included:

- monitoring the expansion of the Group's distribution facilities in North America;
- monitoring the expansion of the Group's customer service operations facilities in North America;
- continued discussions with the Pension Scheme Trustee as part of the planned buy-out scheduled to be completed in 2016, with agreements in principle now having been reached with the Trustee;
- designing and implementing the Group's Flexible Retirement Option ("FRO");
- designing and implementing the 2015 Incentive Plan following approval by Shareholders at the 2015 AGM;
- putting into effect the changes to the structure of the Board in the light of the continued focus of the business in North America; and
- strengthening the Group Board with the appointment of Mr. C.J. Brady as Non-Executive Director on 11 June 2015.

# Statement on Corporate Governance continued

On 18 December 2014, the Board announced that it intended to make an additional Non-Executive Director appointment in 2015. The decision to appoint that person was made by the Board as a whole and, with effect from 11 June 2015, Mr. C.J. Brady was appointed as a Non-Executive Director for a period of three years.

Mr. S.J. Gray retired from the Board, with effect from 30 September 2015.

During 2015 and following the Board evaluation process referred to below, the Board considered it would be appropriate to have an additional Non-Executive Director and has announced, on 1 February 2016, that Mr. P.S. Moody has been appointed as a Non-Executive Director with effect from that date for a period of three years. The current Non-Executive Directors have letters of appointment for three years from 28 May 2015 for Mr. J.A. Warren, 11 June 2015 for Mr. C.J. Brady and 1 February 2016 for Mr. P.S. Moody, which are available for inspection by any person at the Company's registered office during normal business hours and also at the AGM.

The Corporate Services Director also acts as the Company Secretary. This situation has been re-considered by the Board at its meeting on 9 December 2015 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 meeting, detailed financial information on the performance of the business and items for discussion. This enables the Directors to make informed decisions on the corporate and business issues under consideration. Additionally, the Company 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 2011, 2012, 2013, and 2014 were undertaken internally through a process conducted by the Non-Executive Directors, assisted by the Company Secretary. Given the changes to the Board in 2015, no external evaluation was undertaken but an evaluation was undertaken internally during 2015, by the Company Secretary, at the request of the Chairman. The questions asked during the process were based on questions outlined in the Code and addressed both the performance of the Board and its Committees, as well as the Chairman.

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        | 6              | 2                        | 2                               | –                             |
| Mr. J.W. Poulter    | 6              | 2*                       | 2*                              | –                             |
| Ms. G. Davies       | 1              | 1*                       | –                               | –                             |
| Mr. K. Lyons-Tarr   | 6              | 2*                       | –                               | –                             |
| Mr. A.J. Scull      | 6              | 2*                       | 1*                              | –                             |
| Mr. D.J.E. Seekings | 6              | 2*                       | –                               | –                             |
| Mr. C.J. Brady      | 4              | 1                        | –                               | –                             |
| Mr. J.A. Warren     | 6              | 2                        | 2                               | –                             |
| Mr. S.J. Gray       | 2              | 1                        | 2                               | –                             |

\* By invitation.

## 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.

## Board Committees

The Board has three permanent Committees being the Audit Committee, the Nomination Committee and the Remuneration Committee. Other than the Committee members, further participants may attend by the invitation of the Committee. Each Committee has defined terms of reference, procedures, responsibilities and powers as described in this report.

## Relations with Shareholders

### Substantial interests

At 2 January 2016 the Company had been notified of the following interests in the issued ordinary share capital of the Company:

|                                     | Number of shares | %     |
|-------------------------------------|------------------|-------|
| BlackRock, Inc.                     | 4,164,181        | 14.89 |
| Standard Life Investment (Holdings) | 2,812,659        | 10.06 |
| JPMorgan Asset Management Holdings  | 1,787,900        | 6.39  |
| Mr. K.J. Minton                     | 1,619,488        | 5.79  |
| FIL                                 | 1,385,578        | 4.95  |
| GVQ Investment Management           | 1,346,775        | 4.82  |
| Artemis Investment Management       | 1,300,000        | 4.65  |
| AXA Investment Managers             | 907,857          | 3.25  |
| Invesco Perpetual Asset Management  | 847,147          | 3.03  |
| Mitot Asset Management              | 846,361          | 3.03  |

The Company has received no notifications of changes in holdings since 2 January 2016.

The Board places a high value on its relations with its investors and consults with Shareholders in connection with specific issues where it considers it appropriate.

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

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

### 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.

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

### Share capital

Details of the Company's share capital are provided in the Directors' Report on page 23.

### Going concern

The going concern statement is on page 15.

# Statement on Corporate Governance continued

## Nomination Committee

I am pleased to present my report to Shareholders as Chairman of the Nomination Committee following my appointment to the role with effect from 30 September 2015.

## Responsibilities of the Nomination Committee

The responsibilities of the Nomination Committee include:

(i) reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any adjustments that are necessary; (ii) identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise; and (iii) putting in place plans for succession at Board level.

The 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 Company's senior management, 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 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.

The Nomination Committee has terms of reference which were re-considered and approved by the Board of the Company at its Board meeting on 9 December 2015. These terms of reference are available for inspection at the Company's registered office during normal business hours.

## Appointment and replacement of Directors

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

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

## Composition of the Nomination Committee

I chair the Nomination Committee and I am an Independent Non-Executive Director. The other member of the Committee during the period 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. Mr. P. S. Moody became a member of the Committee in February 2016.

## Meetings of the Nomination Committee

The Nomination Committee meets as frequently as is required to fulfil its duties. When there are no specific decisions or recommendations to be made, the Chairman of the Committee consults the other member of the Committee as necessary. During the period ended 2 January 2016 there were no meetings of the Nomination Committee.

On 18 December 2014 the Board announced that it intended to make an additional Non-Executive Director appointment during 2015.

A search process was undertaken using an independent consultant. Candidates were interviewed by the Chairman and the Non-Executive Directors and subsequently the Executive Directors.

The decision to appoint myself was made by the Board as a whole and with effect from 11 June 2015, I was appointed as a Non-Executive Director for a period of three years.

## C.J. Brady

Chairman of the Nomination Committee  
9 March 2016

## Audit Committee

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

### Responsibilities of the Audit Committee

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

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

The Audit Committee has terms of reference which were re-considered and approved by the Board at its meeting on 9 December 2015. 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 Group's operations including corporate policies and the Group's internal control environment;
- matters which may influence the presentation of the accounts;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management; and
- the regulatory framework for the Group's businesses.

### Composition of the Audit Committee

I chair the Audit Committee and I am the Senior Independent Non-Executive Director. I am a chartered accountant and was Group Finance Director of United Biscuits (Holdings) PLC and WH Smith PLC. The Board is of the view that I have recent and relevant financial knowledge and experience derived from current roles as Chairman of the Audit Committee at Bloomsburg Publishing Plc, Welsh Water and Greencore Group plc. The other member of the Committee during the period was Mr. C.J. Brady, an Independent Non-Executive Director. The Chairman of the Company and the Chief Financial Officer 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. Mr. P. S. Moody became a member of the Committee in February 2016.

### How the Audit Committee discharges its responsibilities

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

The Audit Committee meets at least twice each year and has an agenda linked to events in the Group's financial calendar. The Audit Committee met twice during 2015.

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

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

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

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

- the external auditors' review of internal controls 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 2015, the Group's auditors provided non-audit services in a number of areas, principally in respect of advice on the pension buy-out and a flexible retirement option. Before any significant non-audit work is commissioned, the nature and extent of such work is considered, initially by the Chief Financial Officer 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 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 given their long-standing knowledge of the legacy defined benefit scheme. During 2015, tax advice was also taken from Deloitte LLP. Details of fees paid to the auditors in respect of audit and non-audit services are shown in note 2 to the consolidated financial statements.

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 2015 and concluded that there are no cases where auditor objectivity and independence has been put at risk.

# Statement on Corporate Governance continued

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

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

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

- the relevant skills and experience of the audit partner and team and their knowledge of the business;
- planning and scope of the audit and identification of areas of audit risk;
- execution of the audit plan; and
- formal reports presented to the Audit Committee.

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

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

## **Main activities of the Committee during the period ended 2 January 2016**

During the period ended 2 January 2016, the Audit Committee's business has included the following items:

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

## **Financial reporting and significant financial judgements**

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

The Committee also reviews reports by the external auditors on the half year and full year results which highlight any issues arising from the work undertaken in respect of the half year review and year end audit.

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

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

The defined benefit pension scheme is material to the financial position of the Group. The amount shown in the balance sheet is sensitive to changes in key actuarial assumptions. The Committee reviewed the appropriateness and consistency of these assumptions and the auditors confirmed that the assumptions used were reasonable and within an acceptable range. Full disclosure of the pension scheme is provided in note 18 to the financial statements, which includes the key period end assumptions on page 68 and the sensitivities on page 69.

### **Supplier rebates**

As in previous years, the business receives rebates from key suppliers based on agreed fixed rates relating to the volumes of goods purchased in a calendar year. The Committee does not consider the Group's rebates to be highly complex as: they are volume related; agreement periods are coterminous with the Group's accounting period; there are written agreements in place with suppliers; and historically rebates have been collected. However, FRC guidance has highlighted this as an area of focus, as the rebates are material to the results for the period.

The Committee has discussed any judgements made in accruing supplier rebates and the collectability of these amounts with management and the external auditors. The Committee is satisfied that the amounts of income accrued are appropriate.

## **Financial statements**

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

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

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

- the financial statements appropriately address the critical judgements and key estimates both in respect of the amounts reported and the related disclosures in the financial statements;
- the processes used for determining the value of the assets and liabilities have been appropriately reviewed, challenged and are sufficiently robust; and
- the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy and should be recommended to the Board as such.

In arriving at the conclusion that the accounts were fair, balanced and understandable the Committee considered:

- any feedback provided by Shareholders on the Group's 2014 Annual Report and Accounts and trading updates, and information received by the Board throughout the period;
- an early draft of the 2015 Annual Report and Accounts to allow itself sufficient time to review the disclosures therein;
- the processes underpinning the compilation of the Report and the Group's reporting governance framework; and
- the reviews and findings of the Group's auditor.

### Auditor independence

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

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

The external auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every five years. The current audit partner was first appointed in respect of the 2015 financial period ended 2 January 2016.

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

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

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

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

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

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

### Internal control

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

Additionally, through the management process outlined in the Statement on Corporate Governance on page 25 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 2015 and up to the date of the approval of this Annual Report, complies with the FRC 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 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 52.

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

### J.A. Warren

Chairman of the Audit Committee  
9 March 2016

# Annual statement by the Chairman of the Remuneration Committee

4imprint's strategy is to develop its position as the leading direct marketer of promotional products in the fragmented markets in which it operates.

Recent years have seen sustained growth in the Group and in both the earnings per share and share price of the Company. The Remuneration Committee and the Board aim (i) to ensure that the Company has the best possible management to continue that growth and the creation of further shareholder value and (ii) to reward management accordingly.

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

During 2015, a number of events have occurred which have impacted on the current and future remuneration arrangements for Executive Directors and Senior Managers. These include:

- i. The approval by Shareholders at the 2015 AGM of amendments to the 2011 Performance Share Plan, including its renaming as the 4imprint Group plc 2015 Incentive Plan;
- ii. Mr. J.W. Poulter relinquishing his duties as Executive Chairman with effect from 30 September 2015, when he became Non-Executive Chairman;
- iii. Mr. K. Lyons-Tarr being appointed as Chief Executive Officer of the Group with effect from 31 March 2015;
- iv. Ms. G. Davies ceased to be an employee and a Director with effect from 31 March 2015; and
- v. Mr. D. J. E. Seekings being appointed Chief Financial Officer and Director of the Group with effect from 31 March 2015.

## 2015 Incentive Plan

The 2015 Incentive Plan (the "Plan") is designed to support the long term strategy of the Group, in particular its increasing focus on the business in North America.

The implementation of the Plan reflects the desire of the Remuneration Committee to ensure that following both (i) the changes to the directorate of the Group in 2015 and (ii) the greater focus of the business in North America, key US based beneficiaries are appropriately retained and incentivised.

During 2016, the first awards under the Plan will be made to the Chief Executive Officer, the Chief Financial Officer and seven senior managers. This will be the first time, since 2014, that awards have been in place under a long term incentive arrangement.

The Plan is directly linked to the annual bonus of senior employees. The Remuneration Committee will assess senior employee performance against the criteria set each year to determine the level of achievement of performance and therefore the annual bonus to be paid in respect of such year. The performance targets for the 2015 period are set out below.

Under the provisions of the Plan, 50% of the annual bonus will be deferred into shares through the award of nil cost options or conditional share awards.

The awards will usually be made during the 42 day period following the announcement of the Company's full year results.

The number of nil cost options or conditional share awards will be determined by dividing the amount of the annual bonus being deferred by the price of a share on 31 December of the year preceding that in which the awards are made, for example, for awards made in 2016, the share price used in the determination will be that on 31 December 2015.

In respect of the period ended 2 January 2016, the Remuneration Committee has approved an annual bonus for those participating in the Plan equal to 60% of base salary, with 30% of annual bonus being deferred under the terms of the Plan. Given a share price of £12.70 on 31 December 2015, this is expected to result in the award of a total of 26,128 nil cost options or conditional share awards.

Other than in exceptional circumstances, any deferred awards will not vest earlier than three years from the date of the grant of the nil cost option or award of conditional shares and such vesting will be conditional on the beneficiary being in employment for that period. If, before that period has expired, a participant leaves employment as a good leaver or, in the event of a takeover or change of control, the award will vest in full (or, if the Board should so decide, on a time pro-rated basis).

The Plan contains "malus" provisions such that, if, prior to the date on which an award vests, the annual bonus from which it was determined is found to be incorrect, as a result of either a material misstatement in the audited accounts of the Group or the conduct of a beneficiary amounting to fraud or gross misconduct, then the Board may reduce, to nil, the number of shares awarded.

## 2015 performance targets

The performance targets for the period ended 2 January 2016 were set using a combination of targets for both (i) revenue growth and (ii) year on year operating profit growth.

By way of example, assuming a constant return on sales of 7.9%, then a 15% increase in year on year operating profit growth would result in a bonus percentage of 50% of base salary.

The maximum percentage of salary that can be awarded as bonus is 100%.

## Board of Directors

Mr. J. W. Poulter relinquished his executive duties with effect from 30 September 2015, when he became Non-Executive Chairman. His 2015 salary has remained at its previous level of £120,000. In January 2016 the Remuneration Committee awarded him a bonus of 50% of annual salary, payable in cash for 2015, but this will be paid only in respect of the period when he was Executive Chairman.

Mr. S.J. Gray retired from the Board with effect from 30 September 2015.

Ms. G. Davies stepped down as a Director with effect from 31 March 2015.

Mr. C.J. Brady was appointed as a Non-Executive Director with effect from 11 June 2015. Mr. Brady is Chairman of the Remuneration Committee and the Nomination Committee.

Mr. K. Lyons-Tarr was appointed Chief Executive Officer of the Group with effect from 31 March 2015. To reflect the additional duties and responsibilities of that appointment, his annual salary was increased, with effect from that date, from \$365,000 to \$400,000. In January 2016 the Remuneration Committee awarded him a bonus of 60% of his revised annual salary for 2015, half of which will be paid in cash and half of which will be used for an award of conditional share options pursuant to the Plan. The number of options to be awarded is 6,376.

Mr. D. J. E. Seekings was appointed Chief Financial Officer with effect from 31 March 2015. To reflect the additional duties and responsibilities of that appointment, his annual salary was increased, with effect from that date from \$223,210 to \$275,000. In January 2016 the Remuneration Committee awarded him a bonus of 60% of his revised annual salary for 2015, half of which will be paid in cash and half of which is to be used for an award of conditional share options pursuant to the Plan. The number of options to be awarded is 4,383.

Given its focus on the Directors and Senior Managers in North America, Mr. A.J. Scull, the remaining UK based Executive Director will not participate in the Plan. His 2015 salary has remained at its previous level of £185,000. In January 2016 the Remuneration Committee awarded him a bonus of 50% of annual salary payable in cash for 2015.

The Committee reserves the right to make payments outside its approved policy but only in exceptional circumstances. The Committee would only use this right where it believes that this is in the best interests of the Company and when it would be disproportionate to seek specific approval from a general meeting. No such payments have been made during the period.

Remuneration is a topic upon which Shareholders have differing views, but I hope that the Group's principles of clarity, relative simplicity and balance will help to explain what the Committee does and to enable Shareholders to understand the Remuneration Policy. In this context, I am pleased to note that at the 2015 Annual General Meeting the Remuneration Report was approved by 94.16% of Shareholders who voted (which excluded 344,643 votes withheld) and the Remuneration Policy by 82.47% of Shareholders who voted (which excluded 1,164,177 withheld votes).

**C.J. Brady**  
Chairman of the Remuneration Committee  
9 March 2016

# Remuneration Report

This report sets out the information required by the Companies Act 2006, Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the Financial Conduct Authority. This report is unaudited, except where otherwise stated. An ordinary resolution to approve this report will be put to the AGM on 10 May 2016.

## Remuneration governance

### Remuneration Committee composition

The Remuneration Committee is a committee whose membership is comprised solely of Independent Non-Executive Directors, being Mr. C.J. Brady (Chairman of the Committee), Mr. J.A. Warren and Mr. P. S. Moody (from February 2016). The Committee meets at least once a year and may invite other attendees as it sees fit. Until his retirement from the Board on 30 September 2015, Mr. S.J. Gray was Chairman of the Remuneration Committee.

During the period ended 2 January 2016, the Committee took advice from PricewaterhouseCoopers LLP on the design of the proposed share-based long term incentive plan which was approved by Shareholders at the 2015 AGM. The Committee remains mindful of the remuneration of employees when reviewing changes in executive pay.

### Remuneration Committee responsibilities

The principal duties of the Remuneration Committee are reflected in its terms of reference and include the following:

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

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

### Remuneration Committee activities in the period ended 2 January 2016

The Remuneration Committee met twice during the period ended 2 January 2016 and the following matters were considered:

#### Salaries

Approving the salaries of the Executive Directors for 2015 and monitoring and reviewing the level and structure of salaries for senior management for 2015.

#### Bonuses

Approving the bonuses for the Executive Directors for 2014 and monitoring and reviewing the level and structure of bonuses for senior management for 2014.

Approving the structure of the bonus criteria for Executive Directors and monitoring and reviewing the level and structure of bonuses for senior management for 2015. These were as follows:

The performance targets for the period ended 2 January 2016 were set using a combination of targets for both (i) sales growth and (ii) year on year operating profit growth.

By way of example, assuming a constant return on sales of 7.9%, then a 15% increase in year on year operating profit growth would result in a bonus percentage of 50% of base salary.

The maximum percentage of salary that can be awarded as bonus is 100%.

#### Other matters

Approving the 2015 Incentive Plan for consideration at the 2015 AGM.

Approving the terms of redundancy and contract termination for Ms. G. Davies.

### Future remuneration policy

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

At the 2015 AGM Shareholders approved the remuneration policy, which can be found on the corporate website at <http://investors.4imprint.com/investors/shareholder-information/agm-company-documents>.

### Elements of remuneration

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

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

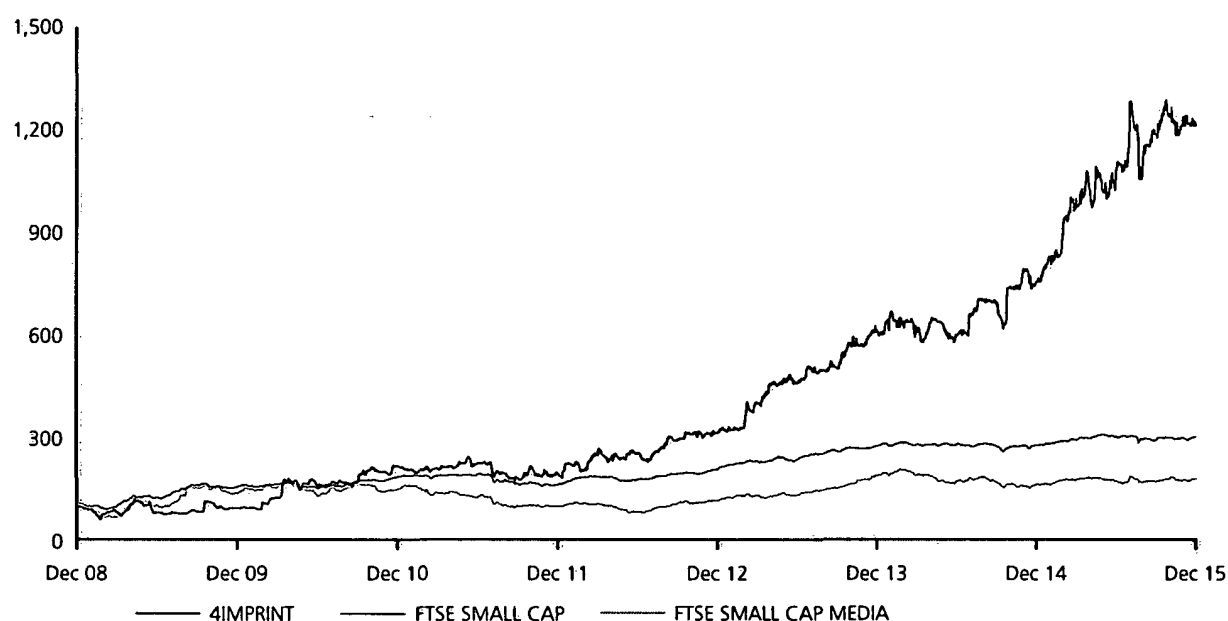
The targets for the annual bonus, which is capped at a maximum of 100% of annual base salary, except in the case of the remaining UK based Executive Director, where the maximum is 50%, are set by the Remuneration Committee each year and evolve with the growth objectives of the Group.

### Statement of voting at general meeting

At the Annual General Meeting held on 6 May 2015, the Directors' Remuneration Report received the following votes from Shareholders: For 94.16%; Against 5.84% and 344,643 votes withheld.

### Total Shareholder Return

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



### Change in Executive Chairman/Chief Executive Officer's total remuneration

|                                   | 2009<br>£'000 | 2010<br>£'000 | 2011<br>£'000 | 2012<br>£'000 | 2013<br>£'000 | 2014<br>£'000 | 2015<br>£'000 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| K. Lyons-Tarr                     |               |               |               |               |               |               | <b>326</b>    |
| J.W. Poulter                      |               | 40            | 120           | 738           | 1,380         | 180           | <b>45</b>     |
| K.J. Minton                       | 55            | 172           |               |               |               |               |               |
| <b>Total remuneration</b>         | <b>55</b>     | <b>212</b>    | <b>120</b>    | <b>738</b>    | <b>1,380</b>  | <b>180</b>    | <b>371</b>    |
| <b>Annual variable award</b>      |               |               |               |               |               |               |               |
| Percentage versus max opportunity | n/a           | 100%          | n/a           | n/a           | n/a           | 100%          | <b>60%</b>    |
| <b>Long term incentive</b>        |               |               |               |               |               |               |               |
| Vesting rate                      | –             | –             | –             | 33.30%        | 66.70%        | –             | –             |

Mr. K. Lyons-Tarr was appointed Group Chief Executive Officer on 31 March 2015, prior to that the Executive Chairman, Mr. J.W. Poulter, fulfilled the role.

# Remuneration Report continued

## Percentage change in remuneration of Executive Chairman/Chief Executive Officer and employees

The table below shows the percentage change in remuneration of the Director undertaking the role of Group Chief Executive Officer and the Company's employees as a whole between 2015 and 2014.

|              | Percentage increase in remuneration in 2015 compared with remuneration in 2014 |                                    |
|--------------|--------------------------------------------------------------------------------|------------------------------------|
|              | Chief Executive Officer                                                        | Average pay based on all employees |
| Salary       | 10%                                                                            | 1%                                 |
| Benefits     | -19%                                                                           | -8%                                |
| Annual bonus | 32%                                                                            | -38%                               |

The figures for the Chief Executive Officer percentage increase are those for Mr. K. Lyons-Tarr and reflect the change in his remuneration package upon being appointed as Chief Executive Officer on 31 March 2015. His annual bonus includes a deferred element in the form of an award of conditional share options. Without this deferred element his annual bonus would have reduced by 34%.

## Relative Importance of spend on pay

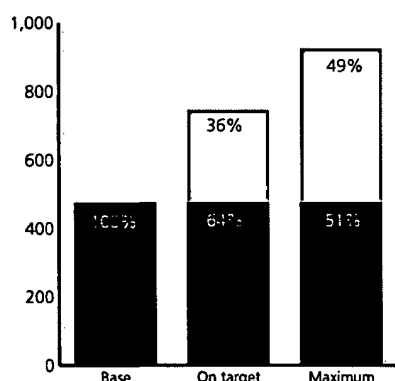
The table below shows the Group's actual spend on pay (for all employees within continuing operations) relative to dividends:

|                    | 2015<br>\$m | 2014<br>\$m | Percentage<br>change |
|--------------------|-------------|-------------|----------------------|
| Wages and salaries | 38.04       | 33.20       | 14.6                 |
| Dividends paid     | 9.60        | 7.92        | 21.2                 |

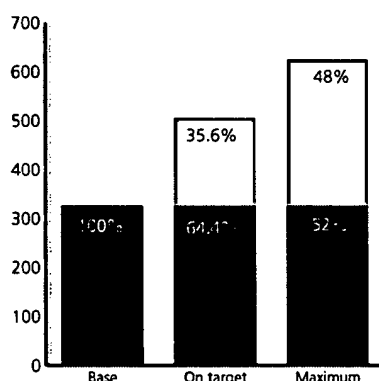
## Reward scenarios

The chart below shows how the composition of the Executive Directors' remuneration packages for 2016 may vary at different levels of performance under the policy set out in this report as a percentage of total remuneration opportunity.

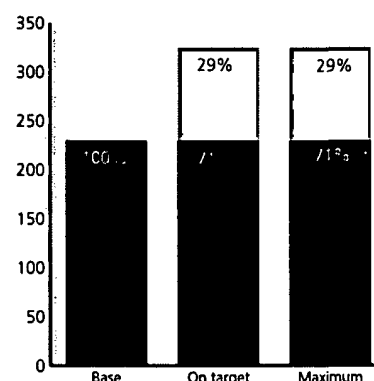
**Kevin Lyons-Tarr (\$'000)**



**David Seekings (\$'000)**



**Andrew Scull (£'000)**



Base remuneration comprises fixed elements of pay being base salary, benefits in kind and pension contributions or pay in lieu of pension contributions. The base salaries are those approved at the Remuneration Committee meeting in January 2016; pension contributions or pay in lieu of pension contributions are a fixed percentage of base salary and benefits in kind are based on 2015 figures.

On target includes base remuneration plus the bonus payable if budget is met. This results in bonus of 60% of base salary for the Chief Executive Officer and Chief Financial Officer, half of which is in the form of conditional share awards with a vesting period of three years from the award date and a bonus of 50% of base salary, payable in cash, for the Corporate Services Director.

Maximum shows the maximum bonus payable if targets set by the Remuneration Committee are met. In the case of the Chief Executive Officer and Chief Financial Officer this is 100% of base salary, again with half in the form of conditional share awards with a vesting period of three years from the award date. The Corporate Services Director's bonus, payable in cash, is capped at 50%.

## Remuneration implementation

### Current service agreements

Mr. A.J. Scull (the "UK-based Executive Director") has a rolling service contract which continues until terminated by the expiry of twelve months' written notice from the Company to the Director. The service contract provides for participation in a discretionary bonus scheme, the provision of a car (or car allowance) and pay in lieu of pension entitlements. The contractual termination payment in such circumstances would comprise up to twelve months' payments, equivalent to the notice period, in respect of salary, car allowance, pay in lieu of pension entitlements and contributions to healthcare and income protection schemes.

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

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

| Name          | Contract date   | Unexpired term at<br>2 January 2016 | Notice period<br>(i) from Company<br>(ii) from Director | Contractual termination payment                     |
|---------------|-----------------|-------------------------------------|---------------------------------------------------------|-----------------------------------------------------|
| K. Lyons-Tarr | 27 July 2009    | n/a                                 | (i) Twelve months<br>(ii) Six months                    | (i) Twelve months' contractual benefits<br>(ii) n/a |
| A.J. Scull    | 8 November 2004 | n/a                                 | (i) Twelve months<br>(ii) Six months                    | (i) Twelve months' contractual benefits<br>(ii) n/a |
| D. Seekings   | 27 July 2009    | n/a                                 | (i) Twelve months<br>(ii) Six months                    | (i) Twelve months' contractual benefits<br>(ii) n/a |

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

Mr. J.W. Poulter, the Chairman, has a letter of appointment dated 30 April 2013. The appointment is for a period of three years from 1 May 2013 after which it is renewable by mutual agreement subject to the provisions in respect of reappointment contained in the Company's Articles of Association.

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

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

The letter of appointment does not provide for: (i) any participation in an annual bonus scheme; (ii) any pension provision; or (iii) any car allowance. With effect from 1 January 2014, Mr. J.W. Poulter became entitled to the annual bonus whilst he was an Executive Director.

Mr. J.A. Warren has a letter of appointment dated 28 May 2015, Mr. C. Brady has a letter of appointment dated 11 June 2015 and Mr. P. S. Moody has a letter of appointment dated 1 February 2016. Their respective appointments are for three years, after which they are renewable by agreement with the Company, subject to the provisions in respect of re-appointment contained in the Company's Articles of Association. The letter of appointment indicates that the appointment will terminate, forthwith, without any entitlement to compensation, if, at any time (a), (b) or (c) above apply.

Mr. S.J. Gray retired from the Board with effect from 30 September 2015.

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

## Remuneration Report continued

### **Payment for loss of office**

Executive Directors are entitled to receive benefits on termination of employment in accordance with their contracts of employment. The Committee may consider other benefits within the remuneration policy. In addition to any contractual rights, all employees (including the Executive Directors) may have legal rights to certain additional payments e.g. in a redundancy situation.

It was announced on 18 December 2014, that, following the decision that the Group Finance Director should be based in the USA, Ms. G. Davies would cease to be a Director and employee of the Company on 31 March 2015.

The Remuneration Committee determined that Ms. G. Davies would continue to receive her salary and contractual benefits until 31 March 2015. It also determined the following:

#### **Payment in lieu of notice**

Ms. G. Davies would receive £223,350 in total, being the value of her base salary, car allowance, life assurance and pension contributions in respect of the twelve months' notice period that she is not required to serve. This sum was paid in the following instalments:

- one third within 14 days following 31 March 2015;
- one third within 14 days following 31 July 2015; and
- the remaining third in four equal monthly instalments commencing in December 2015.

Such instalments were to cease or be reduced if she commenced alternative employment.

#### **Annual bonus**

In January 2016, the Remuneration Committee awarded Ms. G. Davies an annual performance-related bonus for the 2015 financial year, payable in cash and pro-rated to reflect the period of her employment during 2015, of £23,125.

#### **Other benefits**

The Company will continue to provide health insurance for Ms. G. Davies until 31 March 2016.

#### **Sharesave scheme (the "SAYE Scheme")**

Any share options held by Ms. G. Davies under the UK Savings Related Share Option Scheme were treated in accordance with the rules of the Scheme.

No further payments or entitlements have been made to Ms. G. Davies either in connection with her loss of office or in relation to the cessation of her employment.

The following information on pages 39 and 40 has been subject to audit.

Apart from Mr. K. Lyons-Tarr and Mr. D. Seekings, Directors are paid in Sterling. It is therefore considered more appropriate to present the Directors' remuneration in Sterling. The US dollar remuneration amounts for Mr. K. Lyons-Tarr and Mr. D. Seekings are disclosed separately below.

#### Directors' remuneration – single total figure

|                      | Basic salary/fee<br>£ | Benefits in kind<br>£ | Annual bonus (a)<br>£ | Total emoluments<br>£ | Employers pension contributions/<br>pay in lieu (b)<br>£ | Total remuneration<br>2015<br>£ |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------------------------------------|---------------------------------|
| <b>2015</b>          |                       |                       |                       |                       |                                                          |                                 |
| <b>Executive</b>     |                       |                       |                       |                       |                                                          |                                 |
| J.W. Poulter         | 90,000                |                       | 45,000                | 135,000               |                                                          | 135,000                         |
| G. Davies (c)        | 46,250                | 3,514                 | 23,125                | 72,889                | 6,938                                                    | 79,827                          |
| K. Lyons-Tarr        | 261,191               | 10,610                | 157,017               | 428,818               | 6,035                                                    | 434,853                         |
| A.J. Scull           | 185,000               | 17,017                | 92,500                | 294,517               | 27,750                                                   | 322,267                         |
| D. Seekings          | 132,385               | 8,811                 | 80,756                | 221,952               | 4,394                                                    | 226,346                         |
| <b>Non-Executive</b> |                       |                       |                       |                       |                                                          |                                 |
| J.W. Poulter         | 30,000                |                       |                       | 30,000                |                                                          | 30,000                          |
| J.A. Warren          | 35,000                |                       |                       | 35,000                |                                                          | 35,000                          |
| C. Brady (d)         | 19,385                |                       |                       | 19,385                |                                                          | 19,385                          |
| S.J. Gray (e)        | 26,250                |                       |                       | 26,250                |                                                          | 26,250                          |
| <b>Total</b>         | <b>825,461</b>        | <b>39,952</b>         | <b>398,398</b>        | <b>1,263,811</b>      | <b>45,117</b>                                            | <b>1,308,928</b>                |

Benefits in kind include car allowance, medical insurance, life assurance and income protection.

- (a) For Mr. K. Lyons-Tarr and Mr. D. Seekings 50% of the annual bonus is payable in the form of conditional share options pursuant to the terms of the 2015 Incentive Plan.  
(b) Mr. A.J. Scull received £27,750 pay in lieu of pension contributions.  
(c) Ms. Davies was paid £186,208 compensation for loss of office and received benefits in kind of £1,038 after ceasing to be a Director.  
(d) For the period from 11 June 2015 when Mr. C.J. Brady was appointed.  
(e) For the period until 30 September 2015 when Mr. S.J. Gray retired.

|                      | Basic salary/fee<br>£ | Benefits in kind<br>£ | Annual bonus<br>£ | Total emoluments<br>£ | Employers pension contributions/<br>pay in lieu (b)<br>£ | Total remuneration<br>2014<br>£ |
|----------------------|-----------------------|-----------------------|-------------------|-----------------------|----------------------------------------------------------|---------------------------------|
| <b>2014</b>          |                       |                       |                   |                       |                                                          |                                 |
| <b>Executive</b>     |                       |                       |                   |                       |                                                          |                                 |
| J.W. Poulter         | 120,000               |                       | 60,000            | 180,000               |                                                          | 180,000                         |
| G. Davies            | 185,000               | 13,796                | 92,500            | 291,296               | 27,750                                                   | 319,046                         |
| A.J. Scull           | 185,000               | 16,033                | 92,500            | 293,533               | 27,750                                                   | 321,283                         |
| K. Lyons-Tarr        | 221,037               | 12,175                | 110,693           | 343,905               | 5,520                                                    | 349,425                         |
| <b>Non-Executive</b> |                       |                       |                   |                       |                                                          |                                 |
| J.A. Warren          | 35,000                |                       |                   | 35,000                |                                                          | 35,000                          |
| S.J. Gray            | 35,000                |                       |                   | 35,000                |                                                          | 35,000                          |
| <b>Total</b>         | <b>781,037</b>        | <b>42,004</b>         | <b>355,693</b>    | <b>1,178,734</b>      | <b>61,020</b>                                            | <b>1,239,754</b>                |

#### K. Lyons-Tarr and D. Seekings US dollar remuneration

|               | Basic salary/fee<br>\$ | Benefits in kind<br>\$ | Annual bonus<br>\$ | Total emoluments<br>\$ | Employers pension contributions/<br>pay in lieu<br>\$ | Total remuneration<br>\$ |
|---------------|------------------------|------------------------|--------------------|------------------------|-------------------------------------------------------|--------------------------|
| <b>2015</b>   |                        |                        |                    |                        |                                                       |                          |
| K. Lyons-Tarr | 399,231                | 16,216                 | 240,000            | 655,447                | 9,225                                                 | 664,672                  |
| D. Seekings   | 202,867                | 13,502                 | 123,750            | 340,119                | 6,733                                                 | 346,852                  |
| <b>2014</b>   |                        |                        |                    |                        |                                                       |                          |
| K. Lyons-Tarr | 364,424                | 20,073                 | 182,500            | 566,997                | 9,100                                                 | 576,097                  |

## Governance

# Remuneration Report continued

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

Details of the beneficial interests in the number of ordinary shares held in the Company by each Director and their connected persons are set out below:

|               | Holding at<br>2 January<br>2016 | Holding at<br>27 December<br>2014* |
|---------------|---------------------------------|------------------------------------|
| J.W. Poulter  | 120,000                         | 120,000                            |
| K. Lyons-Tarr | 251,827                         | 249,432                            |
| A.J. Scull    | 121,617                         | 140,000                            |
| D. Seekings   | 176,269                         | 176,269                            |
| J.A. Warren   | 5,000                           | 5,000                              |
| C. Brady      | Nil                             | Nil                                |

\* or date of appointment

There has been no change in the Directors' interests in the share capital of the Company since 2 January 2016 to the date of this report.

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

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

|                      | Holding at<br>27 Dec<br>2014 | Exercised<br>during the<br>period | Holding at<br>2 Jan<br>2016 | Date<br>of<br>grant | Exercise<br>price | Exercisable |             |
|----------------------|------------------------------|-----------------------------------|-----------------------------|---------------------|-------------------|-------------|-------------|
|                      |                              |                                   |                             |                     |                   | From        | To          |
| <b>J.W. Poulter</b>  |                              |                                   |                             |                     |                   |             |             |
| – 2012 SAYE          | 3,383                        | –                                 | 3,383                       | 31 Oct 2012         | 266p              | 1 Jan 2016  | 30 Jun 2016 |
| <b>K. Lyons-Tarr</b> |                              |                                   |                             |                     |                   |             |             |
| – 2012 US Sharesave  | 2,395                        | 2,395                             | –                           | 31 Oct 2012         | \$4.76            | –           | –           |
| <b>A.J. Scull</b>    |                              |                                   |                             |                     |                   |             |             |
| – 2012 SAYE          | 3,383                        | –                                 | 3,383                       | 31 Oct 2012         | 266p              | 1 Jan 2016  | 30 Jun 2016 |

Gains on exercise of options in the period were £12,729 for Mr. K. Lyons-Tarr.

During 2015 the middle-market value of the share price ranged from £7.90 to £13.49 and was £12.70 at the close of business on 2 January 2016.

During the period no awards were made under the Plan. The intention is to make awards in 2016 in accordance with the rules of the Plan.

Details of share options granted by 4imprint Group plc as at 2 January 2016 are given in note 23. None of the terms and conditions of the share options was varied during the period. The performance criteria for all Directors' options were consistent with the remuneration policy. Once an award has vested, the exercise of share options is unconditional, subject to the Rules of the option grant.

On behalf of the Board

**C. J. Brady**

Chairman of the Remuneration Committee  
9 March 2016

# Statement of Directors' Responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 20 and 21 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report, Chief Executive's Review, Financial Review and Directors' Report contained on pages 6 to 24 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  
9 March 2016

## Financial Statements

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

### Report on the Group financial statements

#### Our opinion

In our opinion, 4imprint Group plc's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 2 January 2016 and of its profit and cash flows for the 53 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

#### What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

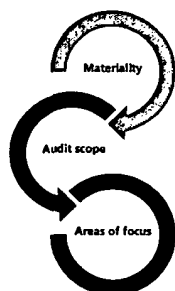
- the Group balance sheet as at 2 January 2016;
- the Group income statement and statement of comprehensive income for the period then ended;
- the Group statement of changes in Shareholders' equity for the period then ended;
- the Group cash flow statement for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross referenced from the financial statements and are identified as audited.

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

#### Our audit approach

##### Overview



- Overall Group materiality: \$1,622,000 which represents 5% of profit from continuing operations before tax and exceptional items.
- We conducted audit work over 4imprint Group plc (the parent Company of the Group), 4imprint, Inc. and 4imprint Direct Marketing Limited which accounted for 100% of revenue and profit from continuing operations before tax and exceptional items.
- Accounting for defined benefit pension scheme liabilities.
- Accounting for supplier arrangements.

##### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table following. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

#### Area of focus

#### How our audit addressed the area of focus

##### Accounting for defined benefit pension scheme liabilities

Refer to page 30 of the Statement on Corporate Governance, page 55 of the statement of accounting policies and note 18 of the consolidated financial statements.

The Group operates a defined benefit pension scheme which, although now closed to future accrual and entrants, had a deficit of \$23.1m (2014: \$24.0m) as at 2 January 2016. The Group engage independent actuarial specialists to calculate the valuation of scheme liabilities.

The valuation of pension scheme liabilities is impacted by the actuarial assumptions adopted by the Directors which are subjective and require estimation and judgement to be applied in their determination. If alternative assumptions had been adopted and applied these could have materially impacted the valuation of the pension scheme liabilities as at 2 January 2016. We focussed our work on the assumptions to which the valuation was most sensitive, namely the discount rate, inflation rate and mortality assumptions.

We compared the discount rate, inflation rate and mortality assumptions to externally derived data, as well as our own independently formed assessments, in relation to these key inputs in order to assess whether the assumptions used were reasonable. We noted that all assumptions applied were in line with our independently formed assessments, within an acceptable range.

We also assessed whether the disclosures reflect the risks inherent in the accounting for the pension scheme and determined that the disclosures were sufficient and reflected the period end position of the pension scheme.

##### Accounting for supplier arrangements

Refer to page 30 of the Statement on Corporate Governance and page 53 of the statement of accounting policies.

The Group, primarily through 4imprint, Inc., receives significant rebates from its suppliers. These relate to volume based rebates on purchases made from key product suppliers throughout the financial period.

The rebates received are determined by formal signed agreements with suppliers and depend on the level of spend within the financial period, with which all agreements are coterminous. The percentage of purchases paid as a rebate from certain suppliers increases based on predetermined thresholds within supplier agreements.

We have focussed on this area because the quantum of income recorded under these arrangements is material in relation to the result in the period. Furthermore, given the number of different rebate contracts the Group has entered into and the range of different rebate rates used, including stepped rebates, in the calculations there is an inherent risk of error in the calculation of these amounts.

We obtained supplier agreements and inspected them to assess whether all rebates received, and receivable, by the Group have been accounted for in the correct financial period and in accordance with specific terms agreed with suppliers. From inspection of these agreements we determined that the terms and conditions, including the financial periods over which rebate income could be earned, had been appropriately reflected in the calculations of rebates receivable.

We confirmed directly with a sample of suppliers the rebate income which had been earned in the period, and also recalculated supplier rebate income and receivables based upon spend with suppliers in the period taking account of agreed rebate rates per signed agreements. We did not identify any material differences between either confirmed rebate income or our expectation and the amounts recognised.

We compared actual receipts from suppliers in the period to amounts recorded as receivable at the prior period end in order to assess the historical accuracy of the estimation process. We determined that the level of current year receipts supported the assumptions around collectability of prior period rebates receivable, and therefore the estimation process was reasonable in this regard.

We tested purchase transactions around the period end to confirm whether purchases upon which rebate income and receivables are based had been recorded in the correct accounting period and we noted no material exceptions from this testing.

We tested the carrying value of rebate receivable balances at the period end by vouching them to subsequent cash receipts from suppliers. We determined the proportions of these balances collected as at the date of this report and noted no evidence to suggest material doubts over collectability.

#### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

## Financial Statements

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

### Report on the Group financial statements continued

The Group comprises the following entities:

- 4imprint, Inc. and 4imprint Direct Marketing Limited, trading entities that form the Direct Marketing operating segment and are based in the United States and United Kingdom respectively;
- 4imprint Group plc, parent company of the Group; and
- Four non trading entities.

The Group audit team in the UK performed an audit of the complete financial information of 4imprint, Inc. (which included visiting the businesses operations in Oshkosh, Wisconsin), 4imprint Direct Marketing Limited and 4imprint Group plc, which we regarded as financially significant components of the Group. These components accounted for 100% of the Group's revenue and profit from continuing operations before tax and exceptional items for the period.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|                                        |                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Overall Group materiality</b>       | \$1,622,000 (2014: \$1,285,000).                                                                                                                                                                                                                                                                                                         |
| <b>How we determined it</b>            | 5% of profit from continuing operations before tax and exceptional items.                                                                                                                                                                                                                                                                |
| <b>Rationale for benchmark applied</b> | We note that profit from continuing operations before tax and exceptional items is the key measure used both by the Board and, we believe, externally by Shareholders in evaluating the performance of the Group. It also represents a consistent measure of the performance year on year by removing the impact of non-recurring items. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$80,000 (2014: \$65,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

### Other required reporting

#### Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| <ul style="list-style-type: none"> <li>information in the Annual Report is: <ul style="list-style-type: none"> <li>– materially inconsistent with the information in the audited financial statements; or</li> <li>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>– otherwise misleading.</li> </ul> </li> </ul>                                                                                           | We have no exceptions to report. |
| <ul style="list-style-type: none"> <li>the statement given by the Directors on page 41, in accordance with provision C.1.1 of the UK Corporate Governance Code (the “Code”), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group’s position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.</li> </ul> | We have no exceptions to report. |
| <ul style="list-style-type: none"> <li>the section of the Annual Report on pages 29 to 31, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</li> </ul>                                                                                                                                                                                                                                                  | We have no exceptions to report. |

## The Directors’ assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <ul style="list-style-type: none"> <li>the Directors’ confirmation on page 25 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.</li> </ul>                                                                                                                                                                                                                                                                           | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> <li>the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                               | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> <li>the Directors’ explanation on pages 15 and 16 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul> | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the Directors’ statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors’ statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors’ process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

## Adequacy of information and explanations received

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

## Directors’ remuneration

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

## Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

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

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

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

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

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

### **What an audit of financial statements involves**

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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

### **Other matter**

We have reported separately on the Company financial statements of 4imprint Group plc for the 53 week period ended 2 January 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

### **Ian Marsden (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
9 March 2016

# Group income statement

for the 53 weeks ended 2 January 2016

|                                                         | Note | 2015<br>53 weeks<br>\$'000 | 2014<br>52 weeks<br>\$'000 |
|---------------------------------------------------------|------|----------------------------|----------------------------|
| <b>Continuing operations</b>                            |      |                            |                            |
| Revenue                                                 | 1    | 497,219                    | 415,773                    |
| Operating expenses                                      | 2    | (465,256)                  | (391,631)                  |
| Operating profit before exceptional items               |      | 32,821                     | 26,549                     |
| Exceptional items                                       | 4    | (858)                      | (2,407)                    |
| <b>Operating profit</b>                                 | 1    | <b>31,963</b>              | 24,142                     |
| Finance income                                          |      | 37                         | 107                        |
| Finance costs                                           |      | (7)                        | (7)                        |
| Pension finance charge                                  |      | (836)                      | (903)                      |
| Net finance cost                                        | 5    | (806)                      | (803)                      |
| <b>Profit before tax</b>                                |      | <b>31,157</b>              | 23,339                     |
| Taxation                                                | 6    | (8,462)                    | (6,982)                    |
| <b>Profit for the period from continuing operations</b> |      | <b>22,695</b>              | 16,357                     |
| <b>Discontinued operations</b>                          |      |                            |                            |
| Profit from discontinued operations                     | 9    | –                          | 1,381                      |
| <b>Profit for the period</b>                            |      | <b>22,695</b>              | 17,738                     |
|                                                         |      | Cents                      | Cents                      |
| <b>Earnings per share</b>                               |      |                            |                            |
| <b>Basic</b>                                            |      |                            |                            |
| From continuing operations                              | 7    | 81.26                      | 59.73                      |
| From continuing and discontinued operations             | 7    | 81.26                      | 64.78                      |
| <b>Diluted</b>                                          |      |                            |                            |
| From continuing operations                              | 7    | 80.76                      | 58.16                      |
| From continuing and discontinued operations             | 7    | 80.76                      | 63.08                      |
| <b>Underlying basic</b>                                 |      |                            |                            |
| From continuing operations                              | 7    | 88.04                      | 73.48                      |

## Financial Statements

# Group statement of comprehensive income

for the 53 weeks ended 2 January 2016

|                                                                                       | Note | 2015<br>53 weeks<br>\$'000 | 2014<br>52 weeks<br>\$'000 |
|---------------------------------------------------------------------------------------|------|----------------------------|----------------------------|
| <b>Profit for the period</b>                                                          |      | <b>22,695</b>              | <b>17,738</b>              |
| <b>Other comprehensive income/(expense)</b>                                           |      |                            |                            |
| <i>Items that may be reclassified subsequently to the income statement:</i>           |      |                            |                            |
| Currency translation differences                                                      | 24   | 417                        | 529                        |
| Currency translation differences recycled to income statement on disposal of business | 24   | –                          | (1,347)                    |
| <i>Items that will not be reclassified subsequently to the income statement:</i>      |      |                            |                            |
| Remeasurement gains/(losses) on post employment obligations                           | 18   | 5,597                      | (15,128)                   |
| Return on Scheme assets (excluding interest income)                                   | 18   | (4,832)                    | 6,047                      |
| Remeasurement loss on buy-in                                                          | 18   | –                          | (12,622)                   |
| Tax relating to components of other comprehensive income                              |      | (156)                      | (645)                      |
| Effect of change in UK tax rate                                                       |      | (235)                      | 33                         |
| <b>Total other comprehensive income/(expense) net of tax</b>                          |      | <b>791</b>                 | <b>(23,133)</b>            |
| <b>Total comprehensive income/(expense) for the period</b>                            |      | <b>23,486</b>              | <b>(5,395)</b>             |
|                                                                                       |      |                            |                            |
|                                                                                       |      |                            |                            |
| <b>Total comprehensive income/(expense) attributable to equity</b>                    |      |                            |                            |
| <b>Shareholders arising from</b>                                                      |      |                            |                            |
| – Continuing operations                                                               |      | 23,486                     | (5,429)                    |
| – Discontinued operations                                                             |      | –                          | 34                         |
|                                                                                       |      | <b>23,486</b>              | <b>(5,395)</b>             |

# Group balance sheet

at 2 January 2016

|                                              | Note | 2015<br>\$'000  | 2014<br>\$'000 |
|----------------------------------------------|------|-----------------|----------------|
| <b>Non current assets</b>                    |      |                 |                |
| Property, plant and equipment                | 10   | 18,154          | 9,105          |
| Intangible assets                            | 11   | 1,211           | 1,298          |
| Deferred tax assets                          | 12   | 4,388           | 4,794          |
|                                              |      | <b>23,753</b>   | 15,197         |
| <b>Current assets</b>                        |      |                 |                |
| Inventories                                  | 13   | 4,460           | 4,353          |
| Trade and other receivables                  | 14   | 42,506          | 36,810         |
| Current tax                                  |      | 688             | –              |
| Cash and cash equivalents                    | 15   | 18,381          | 18,301         |
|                                              |      | <b>66,035</b>   | 59,464         |
| <b>Current liabilities</b>                   |      |                 |                |
| Trade and other payables                     | 16   | (37,254)        | (36,038)       |
| Current tax                                  |      | –               | (11)           |
| Provisions for other liabilities and charges | 20   | –               | (229)          |
|                                              |      | <b>(37,254)</b> | (36,278)       |
| <b>Net current assets</b>                    |      | <b>28,781</b>   | 23,186         |
| <b>Non current liabilities</b>               |      |                 |                |
| Retirement benefit obligations               | 18   | (23,114)        | (24,015)       |
| Deferred tax liability                       | 19   | (808)           | (298)          |
| Provisions for other liabilities and charges | 20   | (160)           | –              |
|                                              |      | <b>(24,082)</b> | (24,313)       |
| <b>Net assets</b>                            |      | <b>28,452</b>   | 14,070         |
| <b>Shareholders' equity</b>                  |      |                 |                |
| Share capital                                | 22   | 18,777          | 18,777         |
| Share premium reserve                        |      | 68,451          | 68,451         |
| Other reserves                               | 24   | 5,428           | 5,011          |
| Retained earnings                            |      | (64,204)        | (78,169)       |
| <b>Total Shareholders' equity</b>            |      | <b>28,452</b>   | 14,070         |

The financial statements on pages 47 to 74 were approved by the Board of Directors on 9 March 2016 and were signed on its behalf by:

**Kevin Lyons-Tarr**  
Chief Executive Officer

  
**David Seekings**  
Chief Financial Officer

## Financial Statements

# Group statement of changes in Shareholders' equity

for the 53 weeks ended 2 January 2016

|                                                                                      | Share capital<br>\$'000 | Share<br>premium<br>reserve<br>\$'000 | Other<br>reserves<br>(note 24)<br>\$'000 | Retained earnings    |                              | Total<br>equity<br>\$'000 |
|--------------------------------------------------------------------------------------|-------------------------|---------------------------------------|------------------------------------------|----------------------|------------------------------|---------------------------|
|                                                                                      |                         |                                       |                                          | Own shares<br>\$'000 | Profit<br>and loss<br>\$'000 |                           |
| Balance at 28 December 2013                                                          | 17,988                  | 68,451                                | 5,829                                    | (1,320)              | (63,279)                     | 27,669                    |
| Profit for the period                                                                |                         |                                       |                                          |                      | 17,738                       | 17,738                    |
| <i>Other comprehensive (expense)/income</i>                                          |                         |                                       |                                          |                      |                              |                           |
| Currency translation differences                                                     |                         |                                       | 529                                      |                      |                              | 529                       |
| Currency translation difference recycled to income statement on disposal of business |                         |                                       | (1,347)                                  |                      |                              | (1,347)                   |
| Remeasurement losses on post employment obligations                                  |                         |                                       |                                          |                      | (21,703)                     | (21,703)                  |
| Tax relating to components of other comprehensive income                             |                         |                                       |                                          |                      | (645)                        | (645)                     |
| Effect of change in UK tax rate                                                      |                         |                                       |                                          |                      | 33                           | 33                        |
| <b>Total comprehensive expense</b>                                                   |                         |                                       | (818)                                    |                      | (4,577)                      | (5,395)                   |
| Shares issued                                                                        | 789                     |                                       |                                          |                      |                              | 789                       |
| Own shares utilised                                                                  |                         |                                       |                                          | 2,033                | (2,033)                      | –                         |
| Own shares purchased                                                                 |                         |                                       |                                          | (2,105)              |                              | (2,105)                   |
| Share-based payment charge                                                           |                         |                                       |                                          |                      | 653                          | 653                       |
| Tax relating to share options                                                        |                         |                                       |                                          |                      | 383                          | 383                       |
| Dividends                                                                            |                         |                                       |                                          |                      | (7,924)                      | (7,924)                   |
| Balance at 27 December 2014                                                          | 18,777                  | 68,451                                | 5,011                                    | (1,392)              | (76,777)                     | 14,070                    |
| Profit for the period                                                                |                         |                                       |                                          |                      | 22,695                       | 22,695                    |
| <i>Other comprehensive income/(expense)</i>                                          |                         |                                       |                                          |                      |                              |                           |
| Currency translation differences                                                     |                         |                                       | 417                                      |                      |                              | 417                       |
| Remeasurement gains on post employment obligations                                   |                         |                                       |                                          |                      | 765                          | 765                       |
| Tax relating to components of other comprehensive income                             |                         |                                       |                                          |                      | (156)                        | (156)                     |
| Effect of change in UK tax rate                                                      |                         |                                       |                                          |                      | (235)                        | (235)                     |
| <b>Total comprehensive income</b>                                                    |                         |                                       | 417                                      |                      | 23,069                       | 23,486                    |
| Proceeds from options exercised                                                      |                         |                                       |                                          |                      | 900                          | 900                       |
| Own shares utilised                                                                  |                         |                                       |                                          | 1,430                | (1,430)                      | –                         |
| Own shares purchased                                                                 |                         |                                       |                                          | (750)                |                              | (750)                     |
| Share-based payment charge                                                           |                         |                                       |                                          |                      | 222                          | 222                       |
| Deferred tax relating to share options                                               |                         |                                       |                                          |                      | 128                          | 128                       |
| Dividends                                                                            |                         |                                       |                                          |                      | (9,604)                      | (9,604)                   |
| <b>Balance at 2 January 2016</b>                                                     | <b>18,777</b>           | <b>68,451</b>                         | <b>5,428</b>                             | <b>(712)</b>         | <b>(63,492)</b>              | <b>28,452</b>             |

# Group cash flow statement

for the 53 weeks ended 2 January 2016

|                                                         | Note | 2015<br>53 weeks<br>\$'000 | 2014<br>52 weeks<br>\$'000 |
|---------------------------------------------------------|------|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>             |      |                            |                            |
| Cash generated from operations                          | 25   | 29,797                     | 686                        |
| Net tax paid                                            |      | (8,730)                    | (6,187)                    |
| Finance income                                          |      | 37                         | 120                        |
| Finance costs                                           |      | (7)                        | –                          |
| Net cash generated from/(used in) operating activities  |      | 21,097                     | (5,381)                    |
| <b>Cash flows from investing activities</b>             |      |                            |                            |
| Purchases of property, plant and equipment              |      | (10,585)                   | (1,601)                    |
| Purchases of intangible assets                          |      | (438)                      | (496)                      |
| Net proceeds from sale of property, plant and equipment |      | 111                        | 5                          |
| Net proceeds from sale of business                      | 9    | –                          | 9,717                      |
| Net cash (used in)/generated from investing activities  |      | (10,912)                   | 7,625                      |
| <b>Cash flows from financing activities</b>             |      |                            |                            |
| Transfer from other financial assets                    |      | –                          | 8,161                      |
| Proceeds from issue of ordinary shares                  | 22   | –                          | 789                        |
| Purchase of own shares                                  |      | –                          | (2,105)                    |
| Dividends paid to Shareholders                          | 8    | (9,604)                    | (7,924)                    |
| Net cash used in financing activities                   |      | (9,604)                    | (1,079)                    |
| <b>Net movement in cash and cash equivalents</b>        |      | <b>581</b>                 | <b>1,165</b>               |
| Cash and cash equivalents at beginning of the period    |      | 18,301                     | 17,825                     |
| Exchange losses on cash and cash equivalents            |      | (501)                      | (689)                      |
| <b>Cash and cash equivalents at end of the period</b>   |      | <b>18,381</b>              | <b>18,301</b>              |
| <b>Analysis of cash and cash equivalents</b>            |      |                            |                            |
| Cash at bank and in hand                                | 15   | 5,463                      | 12,466                     |
| Short term deposits                                     | 15   | 12,918                     | 5,835                      |
|                                                         |      | <b>18,381</b>              | <b>18,301</b>              |

# 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. These financial statements have been prepared in US dollars.

## 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. Accounting standards effective for the first time in the period have had no impact on the Group's financial statements.

The Group presents the consolidated financial statements in US dollars. Numbers are shown in US dollars thousands.

## Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these financial statements (March 2016).

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue to operate for a period of at least twelve months from the date these financial statements were approved. 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. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries, as amended to conform to Group accounting policies, are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

## 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, 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. The key estimates are in respect of the present value of the pension scheme obligations. The assumptions used are disclosed in note 18.

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

## Pensions

As disclosed in note 18, 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 rate, 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. Sensitivities to changes in these assumptions are disclosed in note 18.

## Other accounting policies

### Revenue

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

### Supplier rebates

Amounts due under rebate agreements are recognised based upon volumes of products purchased during the period to which the rebates relate at the relevant rebate rates, per supplier agreements. Amounts are credited to the cost of purchase of goods for resale and any accrued income is included in other receivables. Provision is made against such receivables to the extent it is considered that the amounts are not recoverable.

### Segmental reporting

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

### 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 estimated to be paid to tax authorities.

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

# Notes to the financial statements continued

## Other accounting policies continued

### Taxation continued

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

### Dividends

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

### Foreign currency

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

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 Sterling enterprises are translated into US dollars at the exchange rate ruling at the balance sheet date and income statements are translated at average rates for the period under review. One off material transactions are translated at the spot rate on the transaction date. The resulting exchange differences are taken to the cumulative translation differences reserve and are reported in the statement of comprehensive income.

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

### Derivative instruments

The Group uses derivative forward foreign exchange contracts to hedge highly probable cash flows.

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

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

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

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

### Property, plant and equipment

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

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

The principal useful lives currently fall within the following ranges:

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

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.

|          |                  |            |                      |                        |
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## 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 three to five years). Internal costs and non-development costs are expensed to operating expenses as incurred.

An expense is recognised in operating expenses for catalogues and other related marketing expenses when the business has access to them.

## Impairment of assets

All property, plant and equipment and intangible assets are reviewed for impairment in accordance with IAS 36 "Impairment of Assets" if there is an indication that the carrying value of the asset may have been impaired. Where an impairment review is required, the carrying value of the assets is measured against their value in use based on future estimated cash flows, discounted by the appropriate cost of capital, resulting from the use of those assets. Assets are grouped at the lowest level for which there is a separately identifiable cash flow (cash generating unit). An impairment loss is recognised for the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## Discontinued operations and assets held for sale

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

## Inventories

Inventories are valued at the lower of cost, net of provisions for slow moving and discontinued items, and net realisable value using the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. 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 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 receivables are discounted when the time value of money is considered material.

## Cash and cash equivalents

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

## Trade payables

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

## Pensions

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

The Group sponsors a defined benefit scheme, which is closed to new members and future accruals. The Group accounts for the defined benefit scheme under IAS 19 "Employee Benefits". The deficit of the defined benefit pension scheme is recognised in full on the balance sheet and represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. A full actuarial valuation is carried out at least every three years and the defined benefit obligation is updated on an annual basis, by independent actuaries, using the projected unit credit method.

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

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

# Notes to the financial statements continued

## **Other accounting policies continued**

### **Borrowings**

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

### **Provision for future lease costs**

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

### **Own shares held by employee share trusts**

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

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

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

The IASB and IFRS IC have issued new or amended standards and interpretations which are effective for accounting periods as noted below. The impact of IFRS 15 is still being assessed, but the net impact on Group's results is not expected to be material. 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 2018)

IFRS 15, "Revenue from contracts with customers" (effective 1 January 2018)

IFRS 16, "Leases" (effective 1 January 2019)

Amendment to IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets", on depreciation and amortisation (effective 1 January 2016)

Amendment to IAS 19, "Employee benefits", on defined benefit plans (effective 1 July 2014) (endorsed for 1 Feb 2015)

Annual improvements 2010-2012 cycle (effective 1 July 2014) (endorsed for 1 Feb 2015)

Annual improvements 2011-2013 cycle (effective 1 July 2014) (endorsed for 1 Jan 2015)

Amendments to IAS 27, "Separate financial statements" on equity accounting (effective 1 January 2016)

Amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures" on sale or contribution of assets (effective 1 January 2016)

Amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures" on applying the consolidation exemption (effective 1 January 2016)

Annual improvements (2014) (effective 1 January 2016)

Amendments to IAS 1, "Presentation of financial statements" disclosure initiative (effective 1 January 2016)

Amendments to IAS 7, "Statement of cash flows" (effective 1 January 2017)

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## 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 2 January 2016, the Group is reported as one primary operating segment and the costs of the Head Office:

### Revenue – continuing operations

|                                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| 4imprint Direct Marketing                              |                |                |
| North America                                          | 479,235        | 398,991        |
| UK and Ireland                                         | 17,984         | 16,782         |
| <b>Total revenue from sale of promotional products</b> | <b>497,219</b> | <b>415,773</b> |

### Profit – continuing operations

|                                                               | Underlying     |                | Total          |                |
|---------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                               | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| 4imprint Direct Marketing                                     | 37,044         | 31,927         | 37,044         | 31,927         |
| Head Office                                                   | (3,525)        | (4,168)        | (3,525)        | (4,168)        |
| <b>Underlying operating profit</b>                            | <b>33,519</b>  | <b>27,759</b>  | <b>33,519</b>  | <b>27,759</b>  |
| Exceptional items (note 4)                                    |                |                | (858)          | (2,407)        |
| Share option related charges (note 23)                        |                |                | (304)          | (666)          |
| Defined benefit pension scheme administration costs (note 18) |                |                | (394)          | (544)          |
| <b>Operating profit</b>                                       | <b>33,519</b>  | <b>27,759</b>  | <b>31,963</b>  | <b>24,142</b>  |
| Net finance income (note 5)                                   | 30             | 100            | 30             | 100            |
| Pension finance charge (note 5)                               |                |                | (836)          | (903)          |
| <b>Profit before tax</b>                                      | <b>33,549</b>  | <b>27,859</b>  | <b>31,157</b>  | <b>23,339</b>  |
| Taxation                                                      | (8,962)        | (7,738)        | (8,462)        | (6,982)        |
| <b>Profit after tax</b>                                       | <b>24,587</b>  | <b>20,121</b>  | <b>22,695</b>  | <b>16,357</b>  |

### Other segmental information

|                           | Assets         |                | Liabilities     |                 | Capital expenditure |                | Depreciation   |                | Amortisation   |                |
|---------------------------|----------------|----------------|-----------------|-----------------|---------------------|----------------|----------------|----------------|----------------|----------------|
|                           | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000  | 2014<br>\$'000  | 2015<br>\$'000      | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| 4imprint Direct Marketing | 65,930         | 51,071         | (35,872)        | (34,408)        | 11,023              | 2,062          | (1,417)        | (1,127)        | (510)          | (535)          |
| Head Office items         | 5,477          | 5,289          | (25,464)        | (26,183)        | –                   | 3              | (32)           | (35)           | –              | (7)            |
| Cash                      | 18,381         | 18,301         | –               | –               | –                   | –              | –              | –              | –              | –              |
|                           | <b>89,788</b>  | <b>74,661</b>  | <b>(61,336)</b> | <b>(60,591)</b> | <b>11,023</b>       | <b>2,065</b>   | <b>(1,449)</b> | <b>(1,162)</b> | <b>(510)</b>   | <b>(542)</b>   |
| Discontinued operations*  | –              | –              | –               | –               | –                   | –              | –              | (114)          | –              | (10)           |
| <b>Total</b>              | <b>89,788</b>  | <b>74,661</b>  | <b>(61,336)</b> | <b>(60,591)</b> | <b>11,023</b>       | <b>2,065</b>   | <b>(1,449)</b> | <b>(1,276)</b> | <b>(510)</b>   | <b>(552)</b>   |

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

\* Discontinued operations relate to SPS.

## Financial Statements

# Notes to the financial statements continued

### 1 Segmental reporting continued

#### Geographical analysis of revenue and non current assets

|                                     | North America<br>\$'000 | UK<br>\$'000 | All other countries<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|-------------------------|--------------|-------------------------------|-----------------|
| <b>2015 – continuing operations</b> |                         |              |                               |                 |
| Total revenue by destination        | 479,310                 | 17,082       | 827                           | 497,219         |
| Property, plant and equipment       | 16,877                  | 1,277        | –                             | 18,154          |
| Intangible assets                   | 1,134                   | 77           | –                             | 1,211           |
| <b>2014 – continuing operations</b> |                         |              |                               |                 |
| Total revenue by destination        | 399,057                 | 16,024       | 692                           | 415,773         |
| Property, plant and equipment       | 7,638                   | 1,467        | –                             | 9,105           |
| Intangible assets                   | 1,206                   | 92           | –                             | 1,298           |

### 2 Operating expenses

| Continuing operations                                                                    | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------------------------------------------|------|----------------|----------------|
| <b>The following items have been charged/(credited) in arriving at operating profit:</b> |      |                |                |
| Purchase of goods for resale and consumables                                             |      | 308,133        | 257,262        |
| Changes in inventories                                                                   |      | (107)          | (668)          |
| Increase in stock provision                                                              |      | 56             | 77             |
| Increase in trade receivables provision                                                  |      | 167            | 164            |
| Staff costs                                                                              | 3    | 42,297         | 37,396         |
| Marketing expenditure (excluding staff costs)                                            |      | 78,324         | 63,756         |
| Depreciation of property, plant and equipment                                            |      | 1,449          | 1,162          |
| Amortisation of intangible assets                                                        |      | 510            | 542            |
| Profit on sale of property, plant and equipment                                          |      | (81)           | –              |
| Operating lease payments                                                                 |      | 1,669          | 1,432          |
| Exceptional items                                                                        | 4    | 858            | 2,407          |
| Defined benefit pension scheme administration costs                                      | 18   | 394            | 544            |
| Net exchange losses                                                                      |      | 350            | 292            |
| Other operating expenses                                                                 |      | 31,237         | 27,265         |
|                                                                                          |      | <b>465,256</b> | <b>391,631</b> |

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

|                                                                                                                                                                          | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Continuing operations</b>                                                                                                                                             |                |                |
| Fees payable to the Company's auditors for the audit of the parent company, non statutory audits of overseas subsidiaries and audit of consolidated financial statements | 206            | 199            |
| Fees payable to the Company's auditors and its associates for other services:                                                                                            |                |                |
| – the audit of Company's subsidiaries pursuant to legislation                                                                                                            | 15             | 16             |
| – pensions advice                                                                                                                                                        | 200            | 529            |
| – share scheme advice                                                                                                                                                    | 22             | 39             |
| – all other services                                                                                                                                                     | –              | 45             |
|                                                                                                                                                                          | <b>443</b>     | <b>828</b>     |
| <b>Discontinued operations</b>                                                                                                                                           |                |                |
| – audit of Company's subsidiaries included in discontinued operations                                                                                                    | –              | 8              |
|                                                                                                                                                                          | <b>443</b>     | <b>836</b>     |

The 4imprint defined benefit pension scheme has paid the auditors \$14,750 (2014: \$16,000) for audit services.

### 3 Employees

| Staff costs                                       | Note | 2015                         |                                | 2014                         |                                |
|---------------------------------------------------|------|------------------------------|--------------------------------|------------------------------|--------------------------------|
|                                                   |      | Continuing operations \$'000 | Discontinued operations \$'000 | Continuing operations \$'000 | Discontinued operations \$'000 |
| Wages and salaries                                |      | 38,041                       | –                              | 33,201                       | 826                            |
| Social security costs                             |      | 2,993                        | –                              | 2,674                        | 87                             |
| Pension costs – defined contribution              | 18   | 959                          | –                              | 855                          | 15                             |
| Share option charges                              | 23   | 222                          | –                              | 633                          | 20                             |
| Social security costs in respect of share options | 23   | 82                           | –                              | 33                           | –                              |
|                                                   |      | 42,297                       | –                              | 37,396                       | 948                            |

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

|                             | 2015 Number | 2014 Number |
|-----------------------------|-------------|-------------|
| Continuing operations       |             |             |
| Distribution and production | 240         | 181         |
| Sales and marketing         | 389         | 342         |
| Administration              | 155         | 138         |
|                             | 784         | 661         |

In 2014, for the period prior to disposal, discontinued operations had an average headcount of 216.

#### Key management compensation

|                                                   | 2015 \$'000 | 2014 \$'000 |
|---------------------------------------------------|-------------|-------------|
| Salaries, fees and short-term employee benefits   | 1,974       | 1,989       |
| Social security costs                             | 152         | 199         |
| Pension costs – defined contribution              | 27          | 55          |
| Share option charges                              | 39          | 286         |
| Social security costs in respect of share options | 1           | 35          |
|                                                   | 2,193       | 2,564       |

Key management compensation in the period comprised the emoluments of all Directors (which are disclosed separately in the Remuneration Report).

#### Directors' remuneration

|                                      | 2015 \$'000 | 2014 \$'000 |
|--------------------------------------|-------------|-------------|
| Aggregate emoluments                 | 1,974       | 1,989       |
| Pension costs – defined contribution | 27          | 55          |

### 4 Exceptional items

| Continuing operations                                               | 2015 \$'000 | 2014 \$'000 |
|---------------------------------------------------------------------|-------------|-------------|
| Pension flexible retirement option costs                            | 276         | –           |
| Pension flexible early retirement offer costs and settlement charge | –           | 697         |
| Pension buy-out costs (2014: pension buy-in costs)                  | 582         | 1,710       |
|                                                                     | 858         | 2,407       |

Exceptional items include \$610,000 (2014: \$1,078,000) incurred and paid by the defined benefit pension scheme, in respect of the buy-out and flexible retirement option.

Cash expenditure in respect of the continuing Group's exceptional items in 2015 was \$248,000 (2014: \$893,000).

## Financial Statements

# Notes to the financial statements continued

### 5 Net finance income and costs

|                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------|----------------|----------------|
| <b>Continuing operations</b>     |                |                |
| <b>Finance income</b>            |                |                |
| Bank and other interest          | 37             | 107            |
| <b>Finance costs</b>             |                |                |
| Other interest payable           | (7)            | (7)            |
| <b>Other financing costs</b>     |                |                |
| Pension finance charge (note 18) | (836)          | (903)          |
| <b>Net finance costs</b>         | <b>(806)</b>   | <b>(803)</b>   |

### 6 Taxation

|                                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------|----------------|----------------|
| <b>Continuing operations</b>                      |                |                |
| <b>Current tax</b>                                |                |                |
| UK tax – current                                  | –              | –              |
| Overseas tax – current                            | 7,865          | 6,751          |
| Overseas tax – prior periods                      | 167            | 868            |
| <b>Total current tax</b>                          | <b>8,032</b>   | <b>7,619</b>   |
| <b>Deferred tax</b>                               |                |                |
| Origination and reversal of temporary differences | 590            | (56)           |
| Adjustment in respect of prior periods            | (160)          | (581)          |
| <b>Total deferred tax (notes 12 and 19)</b>       | <b>430</b>     | <b>(637)</b>   |
| <b>Taxation – continuing operations</b>           | <b>8,462</b>   | <b>6,982</b>   |

The tax for the period is different to the standard rate of corporation tax in the respective countries of operation. The differences are explained below:

|                                                                                                                              | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Profit before tax – continuing operations                                                                                    | 31,157         | 23,339         |
| Profit before tax from discontinued operations (note 9)                                                                      | –              | 1,381          |
| <b>Profit before tax – total operations</b>                                                                                  | <b>31,157</b>  | <b>24,720</b>  |
| Profit before tax for each country of operation multiplied by rate of corporation tax applicable in the respective countries | 10,232         | 9,029          |
| Effects of:                                                                                                                  |                |                |
| Adjustments in respect of prior periods                                                                                      | 7              | 251            |
| Expenses not deductible for tax purposes and non taxable income                                                              | (1,560)        | (1,685)        |
| Non taxable profit on disposal of business                                                                                   | –              | (296)          |
| Other differences                                                                                                            | (208)          | (278)          |
| Utilisation of tax losses not previously recognised                                                                          | (9)            | (39)           |
| <b>Taxation – total operations</b>                                                                                           | <b>8,462</b>   | <b>6,982</b>   |
| Taxation – continuing operations                                                                                             | 8,462          | 6,982          |
| Taxation – discontinued operations (note 9)                                                                                  | –              | –              |
| <b>Taxation – total operations</b>                                                                                           | <b>8,462</b>   | <b>6,982</b>   |

The main rate of UK corporation tax was reduced to 20% from 1 April 2015. Further reductions to 19% from 1 April 2017 and 18% from 1 April 2020 have been enacted. The net deferred tax asset at 2 January 2016 has been calculated at a tax rate of 19% in respect of UK deferred tax items and 34% in respect of US deferred tax items.

The amount of current tax recognised directly in Shareholders' equity in 2015 was \$nil (2014: \$1,467,000).

No current tax was recognised in other comprehensive income (2014: \$nil).

## 7 Earnings per share

### Basic, diluted and underlying

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

|                                                                        | 2015<br>\$'000         | 2014<br>\$'000         |
|------------------------------------------------------------------------|------------------------|------------------------|
| Profit after tax – continuing operations                               | 22,695                 | 16,357                 |
| Profit after tax – discontinued operations                             | –                      | 1,381                  |
| <b>Profit after tax</b>                                                | <b>22,695</b>          | <b>17,738</b>          |
|                                                                        | 2015<br>Number<br>'000 | 2014<br>Number<br>'000 |
| Basic weighted average number of shares                                | 27,928                 | 27,383                 |
| Adjustment for employee share options                                  | 173                    | 739                    |
| Diluted weighted average number of shares                              | 28,101                 | 28,122                 |
|                                                                        | 2015<br>cents          | 2014<br>cents          |
| Basic earnings per share from continuing operations                    | 81.26                  | 59.73                  |
| Basic earnings per share from discontinued operations                  | –                      | 5.05                   |
|                                                                        | <b>81.26</b>           | <b>64.78</b>           |
| Diluted earnings per share from continuing operations                  | 80.76                  | 58.16                  |
| Diluted earnings per share from discontinued operations                | –                      | 4.92                   |
|                                                                        | <b>80.76</b>           | <b>63.08</b>           |
|                                                                        | 2015<br>\$'000         | 2014<br>\$'000         |
| <b>Profit before tax – continuing operations</b>                       | <b>31,157</b>          | <b>23,339</b>          |
| Adjustments:                                                           |                        |                        |
| Share option charges (note 23)                                         | 222                    | 633                    |
| Social security charges on share options (note 23)                     | 82                     | 33                     |
| Exceptional items (note 4)                                             | 858                    | 2,407                  |
| Defined benefit pension scheme administration costs (note 18)          | 394                    | 544                    |
| Pension finance charge (note 18)                                       | 836                    | 903                    |
| <b>Underlying profit before tax – continuing operations</b>            | <b>33,549</b>          | <b>27,859</b>          |
| Taxation – continuing operations (note 6)                              | (8,462)                | (6,982)                |
| Tax relating to above adjustments                                      | (500)                  | (756)                  |
| <b>Underlying profit after tax – continuing operations</b>             | <b>24,587</b>          | <b>20,121</b>          |
|                                                                        | 2015<br>cents          | 2014<br>cents          |
| Underlying basic earnings per share from continuing operations         | 88.04                  | 73.48                  |
| Underlying diluted basic earnings per share from continuing operations | 87.50                  | 71.55                  |

The basic weighted average number of shares excluded shares held in the 4imprint Group plc employee share trusts. The effect of this is to reduce the average by 37,998 (2014: 146,474).

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

For diluted earnings per share, the basic weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. The potential dilutive ordinary shares relate to those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares and are likely to vest at the balance sheet date. The Performance Share Plan had met vesting conditions for 120,000 options at the balance sheet date.

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

## Notes to the financial statements continued

## 8 Dividends

| Equity dividends – ordinary shares |        |        |
|------------------------------------|--------|--------|
|                                    | 2015   | 2014   |
|                                    | \$'000 | \$'000 |
| Interim paid:                      | 3,336  | 2,806  |
| Final paid:                        | 6,268  | 5,118  |
|                                    | 9,604  | 7,924  |

In addition, the Directors are proposing a final dividend in respect of the period ended 2 January 2016 of 26.80c (18.82p) per share, which will absorb an estimated \$7.49m of Shareholders' funds. Subject to Shareholder approval at the AGM, the dividend is payable on 13 May 2016 to Shareholders who are on the register of members at close of business on 8 April 2016. These financial statements do not reflect this proposed dividend.

## 9 Discontinued operations

On 10 February 2014, the Group completed the sale of SPS to the SPS senior management team, backed by Maven Capital Partners. The consideration was \$11.89m (increased by \$0.39m relating to the amounts of working capital, debt and cash at completion).

The results of discontinued operations for the prior period, to the date of disposal, were as follows:

|                                                                |                |
|----------------------------------------------------------------|----------------|
| Revenue                                                        | 2,618          |
| Operating expenses                                             | (2,736)        |
| Operating loss                                                 | (118)          |
| Profit on disposal of business                                 | 1,499          |
| Profit before tax                                              | 1,381          |
| Taxation                                                       | –              |
| Profit for the period from discontinued operations             | 1,381          |
| Profit on disposal of business                                 | 2014<br>\$'000 |
| Consideration                                                  | 11,890         |
| Adjustment for working capital and cash at date of sale        | 385            |
| Adjusted consideration                                         | 12,275         |
| Costs of disposal                                              | (2,089)        |
| Net assets sold, excluding cash and debt                       | 10,186         |
| Cash transferred with business sold                            | (15,219)       |
| Release of remeasurement provision on assets of disposal group | 5,698          |
| Recycled translation differences of business sold              | 1,347          |
| Profit on disposal of business                                 | 1,499          |

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

|                                              |         |
|----------------------------------------------|---------|
| Net cash used in operating activities        | (207)   |
| Cash flows from investing activities         | (7)     |
| Proceeds from sale of business:              |         |
| Consideration received                       | 12,275  |
| Cash costs of disposal                       | (2,045) |
| Cash in subsidiaries sold                    | (513)   |
| Net proceeds from sale of businesses         | 9,717   |
| Net cash generated from investing activities | 9,710   |
| Net movement in cash and cash equivalents    | 9,503   |

## 10 Property, plant and equipment

|                                         | Freehold land and buildings<br>\$'000 | Plant, machinery, fixtures & fittings<br>\$'000 | Computer hardware<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------|---------------------------------------|-------------------------------------------------|-----------------------------|-----------------|
| Cost:                                   |                                       |                                                 |                             |                 |
| At 28 December 2014                     | 5,795                                 | 7,705                                           | 1,749                       | 15,249          |
| Additions                               | 7,611                                 | 2,735                                           | 250                         | 10,596          |
| Disposals                               | –                                     | (218)                                           | (305)                       | (523)           |
| Exchange                                | (48)                                  | (38)                                            | (7)                         | (93)            |
| <b>At 2 January 2016</b>                | <b>13,358</b>                         | <b>10,184</b>                                   | <b>1,687</b>                | <b>25,229</b>   |
| Depreciation:                           |                                       |                                                 |                             |                 |
| At 28 December 2014                     | 713                                   | 4,280                                           | 1,151                       | 6,144           |
| Charge for the period                   | 204                                   | 881                                             | 364                         | 1,449           |
| Disposals                               | –                                     | (188)                                           | (305)                       | (493)           |
| Exchange                                | (2)                                   | (19)                                            | (4)                         | (25)            |
| <b>At 2 January 2016</b>                | <b>915</b>                            | <b>4,954</b>                                    | <b>1,206</b>                | <b>7,075</b>    |
| <b>Net book value at 2 January 2016</b> | <b>12,443</b>                         | <b>5,230</b>                                    | <b>481</b>                  | <b>18,154</b>   |

Freehold land with a value of \$771,000 (2014: \$786,000) has not been depreciated.

No assets are held under finance leases (2014: nil).

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

|                                           | Freehold land and buildings<br>\$'000 | Plant, machinery, fixtures & fittings<br>\$'000 | Computer hardware<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------|---------------------------------------|-------------------------------------------------|-----------------------------|-----------------|
| Cost:                                     |                                       |                                                 |                             |                 |
| At 29 December 2013                       | 5,852                                 | 8,080                                           | 1,635                       | 15,567          |
| Additions                                 | –                                     | 1,172                                           | 397                         | 1,569           |
| Disposals                                 | –                                     | (1,499)                                         | (274)                       | (1,773)         |
| Exchange                                  | (57)                                  | (48)                                            | (9)                         | (114)           |
| At 27 December 2014                       | 5,795                                 | 7,705                                           | 1,749                       | 15,249          |
| Depreciation:                             |                                       |                                                 |                             |                 |
| At 29 December 2013                       | 605                                   | 5,052                                           | 1,107                       | 6,764           |
| Charge for the period                     | 140                                   | 704                                             | 318                         | 1,162           |
| Disposals                                 | (30)                                  | (1,456)                                         | (269)                       | (1,755)         |
| Exchange                                  | (2)                                   | (20)                                            | (5)                         | (27)            |
| At 27 December 2014                       | 713                                   | 4,280                                           | 1,151                       | 6,144           |
| <b>Net book value at 27 December 2014</b> | <b>5,082</b>                          | <b>3,425</b>                                    | <b>598</b>                  | <b>9,105</b>    |

## Notes to the financial statements continued

## 11 Intangible assets

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| <b>Computer software</b>               |                |                |
| Cost:                                  |                |                |
| At start of period                     | 2,873          | 2,862          |
| Additions                              | 427            | 496            |
| Disposals                              | (356)          | (467)          |
| Exchange                               | (13)           | (18)           |
| <b>At end of period</b>                | <b>2,931</b>   | <b>2,873</b>   |
| Amortisation:                          |                |                |
| At start of period                     | 1,575          | 1,513          |
| Charge for the period                  | 510            | 542            |
| Disposals                              | (356)          | (467)          |
| Exchange                               | (9)            | (13)           |
| <b>At end of period</b>                | <b>1,720</b>   | <b>1,575</b>   |
| <b>Net book value at end of period</b> | <b>1,211</b>   | <b>1,298</b>   |

The average remaining life of intangible assets is 2.4 years (2014: 2.9 years).

## 12 Deferred tax assets

|                                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------|----------------|----------------|
| At start of period                                                  | 4,794          | 6,324          |
| Reclassified between deferred tax assets and deferred tax liability | –              | 479            |
| Income statement credit/(charge) – continuing operations            | 208            | (183)          |
| Prior period adjustment – income statement – continuing operations  | –              | 581            |
| Deferred tax debited to other comprehensive income                  | (156)          | (645)          |
| Deferred tax charged to equity                                      | –              | (1,503)        |
| Effect of change in UK tax rate – other comprehensive income        | (235)          | 33             |
| Exchange                                                            | (223)          | (292)          |
| <b>At end of period</b>                                             | <b>4,388</b>   | <b>4,794</b>   |

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

\$0.6m (2014: \$nil) of the deferred tax asset is expected to reverse within the next twelve months.

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

## Deferred tax analysis

|                                                    | Depreciation/<br>capital<br>allowances<br>\$'000 | Pension<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------|--------------------------------------------------|-------------------|-----------------|
| At start of period                                 | (7)                                              | 4,801             | 4,794           |
| Income statement credit – continuing operations    | 4                                                | 204               | 208             |
| Deferred tax charged to other comprehensive income | –                                                | (391)             | (391)           |
| Exchange                                           | –                                                | (223)             | (223)           |
| <b>At end of period</b>                            | <b>(3)</b>                                       | <b>4,391</b>      | <b>4,388</b>    |

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

No provision has been made for deferred tax assets relating to losses carried forward in holding companies of \$40.0m (2014: \$36.4m). These losses have no expiry date and may be available for offset against future profits in these companies.

### 13 Inventories

|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Finished goods and goods for resale | 4,460          | 4,353          |

During both the current and previous period, 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 \$201,000 (2014: \$145,000).

During the period a net amount of \$56,000 has been charged in respect of continuing operations in the income statement in respect of provisions for slow moving and obsolete stock (2014: \$77,000).

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

### 14 Trade and other receivables

|                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------|----------------|----------------|
| Trade receivables                                   | 26,530         | 23,903         |
| Less: Provision for impairment of trade receivables | (167)          | (172)          |
| Trade receivables – net                             | 26,363         | 23,731         |
| Other receivables                                   | 12,600         | 9,708          |
| Prepayments and accrued income                      | 3,543          | 3,371          |
|                                                     | 42,506         | 36,810         |

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

The impairment of trade receivables charged to continuing operations in the income statement was \$167,000 (2014: \$164,000). There is no impairment of any receivables other than trade receivables.

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

| Time past due date | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------|----------------|----------------|
| Up to 3 months     | 2,995          | 3,375          |
| 3 to 6 months      | 61             | 17             |
|                    | 3,056          | 3,392          |

The ageing of impaired trade receivables is as follows:

| Time past due date | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------|----------------|----------------|
| Up to 3 months     | –              | –              |
| 3 to 6 months      | 158            | 166            |
| Over 6 months      | 9              | 6              |
|                    | 167            | 172            |

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

|                  | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------|----------------|----------------|
| Sterling         | 2,520          | 2,615          |
| US dollars       | 37,768         | 32,034         |
| Euros            | 52             | 62             |
| Canadian dollars | 2,166          | 2,099          |
|                  | 42,506         | 36,810         |

## Financial Statements

# Notes to the financial statements continued

### 14 Trade and other receivables continued

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

|                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------|----------------|----------------|
| At start of period      | 172            | 117            |
| Utilised                | (171)          | (108)          |
| Released                | –              | (8)            |
| Provided                | 167            | 172            |
| Exchange translation    | (1)            | (1)            |
| <b>At end of period</b> | <b>167</b>     | <b>172</b>     |

### 15 Cash and cash equivalents

|                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------|----------------|----------------|
| Cash at bank and in hand         | 5,463          | 12,466         |
| Short term deposits              | 12,918         | 5,835          |
| <b>Cash and cash equivalents</b> | <b>18,381</b>  | <b>18,301</b>  |

### 16 Trade and other payables – current

|                                       | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Trade payables                        | 29,370         | 26,855         |
| Other tax and social security payable | 879            | 793            |
| Other payables                        | 315            | 130            |
| Accruals                              | 6,690          | 8,260          |
|                                       | <b>37,254</b>  | <b>36,038</b>  |

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

### 17 Borrowings

The Group had no drawdown on its borrowing facilities at 2 January 2016 (2014: no drawdown).

The Group had the following undrawn committed borrowing facilities available at 2 January 2016:

|                                | Floating rate  |                |
|--------------------------------|----------------|----------------|
|                                | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Borrowing facilities</b>    |                |                |
| Expiring within one year       | 1,482          | –              |
| Expiring in more than one year | 13,000         | 14,556         |

Facilities comprised an unsecured US\$13.0m line of credit, for 4imprint, Inc., which expires on 31 August 2017 and an unsecured UK overdraft facility of £1.0m, for the Company, which expires on 31 December 2016.

## 18 Employee pension schemes

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

|                                                                | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------|----------------|----------------|
| Continuing operations                                          |                |                |
| Defined contribution plans – employers' contributions (note 3) | <b>959</b>     | 855            |

Pension charges for defined contribution schemes in respect of discontinued operations in 2014 were \$15,000 for the period prior to disposal.

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

The amounts recognised in the income statement are as follows:

|                                                                                              | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------------------------------------|----------------|----------------|
| Administration costs paid by the Scheme                                                      | <b>394</b>     | 544            |
| Pension finance charge                                                                       | <b>836</b>     | 903            |
| Exceptional items – buy-in (2014: buy-in) and flexible retirement offer costs paid by Scheme | <b>610</b>     | 1,078          |
| Total defined benefit pension charge – continuing operations                                 | <b>1,840</b>   | 2,525          |

The amounts recognised in the balance sheet comprise:

|                                               | 2015<br>\$'000   | 2014<br>\$'000 |
|-----------------------------------------------|------------------|----------------|
| Present value of funded obligations           | <b>(139,248)</b> | (154,918)      |
| Fair value of Scheme assets                   | <b>116,134</b>   | 130,903        |
| Net liability recognised in the balance sheet | <b>(23,114)</b>  | (24,015)       |

The funds of the Scheme are held in trust and administered by a Trustee body to meet pension liabilities for around 1,600 past employees of the Group. The level of retirement benefit is principally based on salary earned in the best three consecutive tax years in the ten years prior to leaving active service and is linked to changes in inflation both pre and post retirement.

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

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

The Scheme typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to Scheme liabilities. This would detrimentally impact the balance sheet position, require an increase in future cash contributions from the Company and may give rise to increased charges in future income statements. This effect would be offset by an increase in the value of the Scheme's insurance annuities covering the bulk of the pensioner liabilities. Additionally, caps on inflationary increases are in place to protect the Scheme against extreme inflation. Assets other than the insurance annuities are held in a global absolute return fund. This is a multi-asset fund designed to provide positive returns in all market conditions. The fund uses derivatives to reduce risk.

A full actuarial valuation was undertaken as at 5 April 2013 in accordance with the Scheme funding requirements of the Pensions Act 2004. This Scheme actuarial valuation showed a deficit of £30.6m. The Company agreed a schedule of contributions with the Trustee. The recovery plan period is 6.3 years and takes into account the material funding improvement between the date of valuation and date of the recovery plan (December 2013), as agreed with the Scheme actuary. The improvement was principally due to an increase in UK gilt rates during that period. In 2014 accelerated contributions of \$22.4m (£13.7m) were paid to the Scheme to facilitate the purchase of the buy-in policy. A further £10.0m will be paid to the Scheme if the policy is converted to a buy-out, which the Scheme Trustee is targeting to complete in the first half of 2016.

For the purposes of IAS 19 the actuarial valuation as at 5 April 2013, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 2 January 2016. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

## Financial Statements

# Notes to the financial statements continued

### 18 Employee pension schemes continued

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

|                                         | 2015  | 2014  |
|-----------------------------------------|-------|-------|
| Rate of increase in pensions in payment | 2.66% | 2.71% |
| Rate of increase in deferred pensions   | 1.56% | 1.71% |
| Discount rate                           | 3.52% | 3.47% |
| Inflation assumption – RPI              | 2.76% | 2.81% |
| – CPI                                   | 1.66% | 1.81% |

The mortality assumptions adopted at 2 January 2016 have been updated to reflect the most recent version of the tables used in the last triennial valuation. The assumptions imply the following life expectancies at age 65:

|                         | 2015     | 2014     |
|-------------------------|----------|----------|
| Male currently age 40   | 24.4 yrs | 24.7 yrs |
| Female currently age 40 | 26.5 yrs | 27.2 yrs |
| Male currently age 65   | 22.2 yrs | 22.5 yrs |
| Female currently age 65 | 24.2 yrs | 24.8 yrs |

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

|                                                                                     | Present value of obligations*<br>\$'000 | Fair value of Scheme assets<br>\$'000 | Net obligation<br>\$'000 |
|-------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------|--------------------------|
| Balance at 29 December 2013                                                         | (158,986)                               | 131,588                               | (27,398)                 |
| Administration costs paid by the Scheme                                             | (544)                                   | –                                     | (544)                    |
| Exceptional items – buy-in and flexible early retirement costs paid by the Scheme   | (1,078)                                 | –                                     | (1,078)                  |
| Interest (expense)/income                                                           | (6,751)                                 | 5,848                                 | (903)                    |
| Liabilities/(assets) removed on settlement re flexible early retirement             | 8,629                                   | (9,101)                               | (472)                    |
| Return on Scheme assets (excluding interest income)                                 | –                                       | 6,047                                 | 6,047                    |
| Remeasurement loss on buy-in                                                        | –                                       | (12,622)                              | (12,622)                 |
| Remeasurement losses due to changes in financial assumptions                        | (15,128)                                | –                                     | (15,128)                 |
| Contributions by employer                                                           | –                                       | 26,544                                | 26,544                   |
| Benefits paid                                                                       | 9,643                                   | (9,643)                               | –                        |
| Exchange gain/(loss)                                                                | 9,297                                   | (7,758)                               | 1,539                    |
| Balance at 27 December 2014                                                         | (154,918)                               | 130,903                               | (24,015)                 |
| Administration costs paid by the Scheme                                             | (394)                                   | –                                     | (394)                    |
| Exceptional items – buy-out and flexible retirement option costs paid by the Scheme | (610)                                   | –                                     | (610)                    |
| Interest (expense)/income                                                           | (5,226)                                 | 4,390                                 | (836)                    |
| Return on Scheme assets (excluding interest income)                                 | –                                       | (4,832)                               | (4,832)                  |
| Remeasurement gains due to changes in demographic assumptions                       | 4,321                                   | –                                     | 4,321                    |
| Remeasurement gains due to changes in financial assumptions                         | 1,276                                   | –                                     | 1,276                    |
| Contributions by employer                                                           | –                                       | 825                                   | 825                      |
| Benefits paid                                                                       | 9,188                                   | (9,188)                               | –                        |
| Exchange gain/(loss)                                                                | 7,115                                   | (5,964)                               | 1,151                    |
| <b>Balance at 2 January 2016</b>                                                    | <b>(139,248)</b>                        | <b>116,134</b>                        | <b>(23,114)</b>          |

\* At the period end \$108,410,000 (2014: \$121,852,000) of the obligations are covered by insured annuities.

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

|                               | 2015    |      | 2014    |      |
|-------------------------------|---------|------|---------|------|
|                               | \$'000  | %    | \$'000  | %    |
| Global absolute returns funds | 7,386   | 6.4  | –       | –    |
| Insured annuities             | 108,410 | 93.3 | 121,852 | 93.1 |
| Cash                          | 338     | 0.3  | 9,051   | 6.9  |

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

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

Of the total obligations 78% are matched by insured annuities, thus the only risk in respect of these obligations is if the insurer fails to meet its obligations. The balance of the assets were held in a quoted global absolute returns fund, designed to give positive investment returns in all market conditions.

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

|                   | Change in assumption                    | Change in defined benefit obligation |
|-------------------|-----------------------------------------|--------------------------------------|
| Discount rate     | Decrease of 0.25%                       | Increase by 3.0%                     |
| Rate of inflation | Increase of 0.25%                       | Increase by 1.0%                     |
| Rate of mortality | Increase in life expectancy of one year | Increase by 3.8%                     |

The sensitivities shown above are approximate. Each sensitivity considers each change in isolation and is calculated using the same methodology as used for the calculation of the defined benefit obligation at the end of the period. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. In practice it is unlikely that the changes would occur in isolation. As the value of the insured annuity assets match the value of the insured obligations, the overall impact of sensitivities is restricted to their impact on the uninsured portion of the obligations.

The weighted average duration of the defined benefit obligation at 2 January 2016 is 12 years.

## 19 Deferred tax liability

|                                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------|----------------|----------------|
| At start of period                                                  | 298            | 477            |
| Reclassified between deferred tax assets and deferred tax liability | –              | 479            |
| Charged/(credited) to the income statement – continuing operations  | 798            | (239)          |
| Prior period adjustment                                             | (160)          | –              |
| Deferred tax credited to equity                                     | (128)          | (419)          |
| <b>At end of period</b>                                             | <b>808</b>     | <b>298</b>     |

|                                                | Depreciation/<br>capital<br>allowances<br>\$'000 | Tax<br>losses<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|--------------------------------------------------|-------------------------|-----------------|-----------------|
| <b>Deferred tax analysis</b>                   |                                                  |                         |                 |                 |
| At start of period                             | 1,179                                            | (25)                    | (856)           | 298             |
| Prior period adjustment                        | (2)                                              | –                       | (158)           | (160)           |
| Income statement debit – continuing operations | 493                                              | 25                      | 280             | 798             |
| Deferred tax credited to equity                | –                                                | –                       | (128)           | (128)           |
| <b>At end of period</b>                        | <b>1,670</b>                                     | <b>–</b>                | <b>(862)</b>    | <b>808</b>      |

Included in "Other" in the table above are deferred tax assets in respect of timing differences and future deductions relating to share options for US employees, of which \$0.6m is expected to reverse in 2016.

## Notes to the financial statements continued

**20 Provisions for other liabilities and charges**

|                         | Leases         |                |
|-------------------------|----------------|----------------|
|                         | 2015<br>\$'000 | 2014<br>\$'000 |
| At start of period      | 229            | 242            |
| Utilised in period      | (60)           | –              |
| Exchange differences    | (9)            | (13)           |
| <b>At end of period</b> | <b>160</b>     | <b>229</b>     |

| Analysis of provisions |                |                |
|------------------------|----------------|----------------|
|                        | 2015<br>\$'000 | 2014<br>\$'000 |
| Current                | –              | 229            |
| Non current            | 160            | –              |
| <b>Total</b>           | <b>160</b>     | <b>229</b>     |

The lease provisions relate to dilapidation costs of property leased by the Group. This is expected to be paid within two to five years.

**21 Financial risk management**

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

**Currency risk**

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

The Group uses derivative financial instruments to partly hedge foreign currency cash flows arising from sales and purchases of goods, as well as remittances from its overseas subsidiaries. Contracts outstanding at the period end had no material impact on the financial statements. The Group does not hedge the currency exposure of profits and assets of its overseas subsidiaries or other financial transactions.

At 2 January 2016 the Group had forward currency contracts for the sale of US\$6m for Sterling up to September 2016. The fair value of the derivatives was not material when measured at 2 January 2016 and consequently no entries have been reflected in the financial statements.

The movement in the exchange rates compared to prior period increased profit by \$0.35m and increased net assets by \$0.22m. Closing rate was US\$1.48 (2014: US\$1.56) and the average rate used to translate profits was US\$1.53 (2014: US\$1.65).

A strengthening in the Sterling exchange rate by 10% (the approximate range of movement of the exchange rate during the year) would reduce profit in the period by \$0.49m and net assets at period end by \$0.36m.

**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 Chief Financial Officer or the Board based on the credit rating of the bank.

Apart from overseas subsidiaries working capital cash requirements, the Group seeks to hold any cash balances on deposit with its principal UK bank.

## Financial instruments

The table below sets out the Group's financial instruments by category:

|                                                                | 2015<br>\$'000  | 2014<br>\$'000 |
|----------------------------------------------------------------|-----------------|----------------|
| <b>Financial assets at amortised cost</b>                      |                 |                |
| Trade and other receivables (excluding prepayments)            | <b>38,963</b>   | 33,439         |
| Cash and cash equivalents                                      | <b>18,381</b>   | 18,301         |
| <b>Financial liabilities at amortised cost</b>                 |                 |                |
| Trade and other payables (excluding non financial liabilities) | <b>(37,254)</b> | (36,038)       |

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

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

|                           | 2015<br>Rating | 2015<br>Deposit<br>\$'000 | 2014<br>Rating | 2014<br>Deposit<br>\$'000 |
|---------------------------|----------------|---------------------------|----------------|---------------------------|
| Lloyds Bank               | <b>A1</b>      | <b>14,569</b>             | A1             | 7,083                     |
| JPMorgan Chase Bank, N.A. | <b>Aa2</b>     | <b>3,803</b>              | Aa3            | 11,208                    |
| Other                     |                | <b>9</b>                  |                | 10                        |
|                           |                | <b>18,381</b>             |                | 18,301                    |

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

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

## Liquidity risk

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

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

The Group monitors its levels of cash and indebtedness to ensure adequate liquid funds are available to meet the foreseeable requirements of the Group. The Group does not actively monitor a gearing ratio, but seeks to maintain an appropriate level of financial flexibility. Details of borrowing facilities are given in note 17.

At 2 January 2016 the net cash position (note 15) of the Group was \$18,381,000 (2014: \$18,301,000).

## Capital risk management

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

In 2015 the Company has provided returns to Shareholders in the form of dividends, details of which are included in note 8. Shares were purchased by an employee benefit trust, to cover the SAYE options maturing 1 January 2016.

## Financial Statements

# Notes to the financial statements continued

## 22 Share capital

|                                                                           | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------|----------------|----------------|
| <b>Issued and fully paid</b>                                              |                |                |
| 27,965,530 (2014: 27,965,530) ordinary shares of 38 $\frac{1}{13}$ p each | <b>18,777</b>  | 18,777         |

All shares have the same rights.

The Company issued no ordinary shares in the period (2014: 1,220,583 shares issued for a consideration of \$789,000).

At 2 January 2016 the following options have been granted and were outstanding under the Company's share option schemes:

| Scheme                 | Date of grant | Number of ordinary shares 2015 | Number of option holders 2015 | Number of ordinary shares 2014 | Subscription price | Date exercisable |          |
|------------------------|---------------|--------------------------------|-------------------------------|--------------------------------|--------------------|------------------|----------|
|                        |               |                                |                               |                                |                    | From             | to       |
| Performance Share Plan | 05/04/13      | <b>120,000</b>                 | <b>6</b>                      | 140,000                        | nil                | Apr 2016         | Apr 2023 |
| SAYE                   | 31/10/12      | <b>36,464</b>                  | <b>22</b>                     | 40,320                         | 266.0p             | Jan 2016         | Jun 2016 |
| US Sharesave           | 31/10/12      | –                              | –                             | 162,890                        | \$4.76             | Jan 2015         | Jan 2015 |
| <b>Total</b>           |               | <b>156,464</b>                 | <b>28</b>                     | 343,210                        |                    |                  |          |

The weighted average exercise price for options outstanding at 2 January 2016 was 61.99p (2014: 176.44p).

Details of share schemes are disclosed in note 23.

The vesting conditions of the 2013 award under the Performance Share Plan have been met in full.

## 2015 Incentive Plan

Under the 2015 Incentive Plan (the "Plan") 50% of the 2015 annual bonus of the Chief Executive Officer, Chief Financial Officer and seven senior managers will be deferred into shares as nil cost options or conditional shares, based on the share price at 31 December 2015. The awards will be made in a 42 day period following the announcement of the Group's 2015 full year results and the options will normally not be exercisable until three years from the date of the award, conditional upon the person still being in the employment of a Group company. It is expected that 26,128 options or conditional shares, with a total fair value of \$492,000, will be awarded in respect of the 2015 bonus.

## 23 Share-based payments

Share options may be granted to senior management and in addition a SAYE scheme exists for 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 five years and the risk-free rate is based on zero coupon government bond yields.

|                                                           | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------|----------------|----------------|
| <b>Continuing operations</b>                              |                |                |
| Charge resulting from spreading the fair value of options | <b>222</b>     | 633            |
| Social security costs in respect of share options         | <b>82</b>      | 33             |
| <b>Total</b>                                              | <b>304</b>     | 666            |

In addition, \$nil was charged in respect of discontinued operations (2014: \$20,000).

| Overview | Strategic Report | Governance | Financial Statements | Additional Information |
|----------|------------------|------------|----------------------|------------------------|
|----------|------------------|------------|----------------------|------------------------|

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

|                                                  | Performance Share Plan | UK SAYE Schemes |
|--------------------------------------------------|------------------------|-----------------|
| Grant date                                       | 05/04/13               | 31/10/12        |
| Share price at grant date                        | 438p                   | 349p            |
| Exercise price                                   | nil                    | 266p            |
| Number of employees                              | 6                      | 22              |
| Shares under option                              | 120,000                | 36,464          |
| Vesting period (years)                           | 3                      | 3               |
| Expected volatility                              | 35%                    | 38%             |
| Option life (years)                              | 10                     | 3.5             |
| Expected life (years)                            | 3.5                    | 3               |
| Risk free rate                                   | 0.26%                  | 0.5%            |
| Expected dividends expressed as a dividend yield | 3.5%                   | 4.5%            |
| Possibility of ceasing employment before vesting | 0%                     | 10%             |
| Expectations of meeting performance criteria     | n/a                    | 100%            |
| Fair value per option                            | 197p-272p              | 97.2p           |

The fair value of the expected 26,128 awards in respect of 2015 under the Plan have been based on the share price at 31 December 2015 and the option life is from date of first notification of the Plan at the end of March 2015 until expected exercise in early March 2019.

A reconciliation of option movements over the period to 2 January 2016 is shown below:

|                                     | 2015             |                                 | 2014             |                                 |
|-------------------------------------|------------------|---------------------------------|------------------|---------------------------------|
|                                     | Number of shares | Weighted average exercise price | Number of shares | Weighted average exercise price |
| Outstanding at start of period      | 343,210          | 176.44p                         | 1,791,045        | 38.45p                          |
| Granted                             | –                | –                               | –                | –                               |
| Forfeited/cancelled                 | (20,755)         | 9.68p                           | (17,016)         | 269.64p                         |
| Exercised                           | (165,991)        | 305.17p                         | (1,430,819)      | 4.57p                           |
| <b>Outstanding at end of period</b> | <b>156,464</b>   | <b>61.99p</b>                   | <b>343,210</b>   | <b>176.44p</b>                  |
| <b>Exercisable at end of period</b> | <b>36,464</b>    | <b>266.00p</b>                  | <b>–</b>         | <b>–</b>                        |

|                          | 2015                            |                  |                                         |             | 2014                            |                  |                                         |             |
|--------------------------|---------------------------------|------------------|-----------------------------------------|-------------|---------------------------------|------------------|-----------------------------------------|-------------|
|                          | Weighted average exercise price | Number of shares | Weighted average remaining life (years) |             | Weighted average exercise price | Number of shares | Weighted average remaining life (years) |             |
| Range of exercise prices |                                 |                  | Expected                                | Contractual |                                 |                  | Expected                                | Contractual |
| Nil                      | –                               | 120,000          | 0.3                                     | 7.3         | –                               | 140,000          | 1.3                                     | 8.3         |
| £2.01–3.00               | 266.00p                         | 36,464           | 0.0                                     | 0.5         | 266.00p                         | 40,320           | 1.0                                     | 1.5         |
| £3.01–4.00               | –                               | –                | –                                       | –           | 305.91p                         | 162,890          | 0.1                                     | 0.1         |

## 24 Other reserves

|                                                                                       | Capital redemption reserve \$'000 | Cumulative translation differences \$'000 | Total \$'000 |
|---------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------|--------------|
| Balance at 29 December 2013                                                           | 369                               | 5,460                                     | 5,829        |
| Currency translation differences                                                      | –                                 | 529                                       | 529          |
| Currency translation differences recycled to income statement on disposal of business | –                                 | (1,347)                                   | (1,347)      |
| Balance at 27 December 2014                                                           | 369                               | 4,642                                     | 5,011        |
| Currency translation differences                                                      | –                                 | 417                                       | 417          |
| <b>Balance at 2 January 2016</b>                                                      | <b>369</b>                        | <b>5,059</b>                              | <b>5,428</b> |

The capital redemption reserve arose on the redemption of preference shares in 2000. The currency translation difference represents the accumulated exchange movements on non US dollar functional currency subsidiaries from 29 December 2003 (transition date to IFRS) to the balance sheet date.

## Financial Statements

# Notes to the financial statements continued

### 25 Cash generated from operations

|                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| Operating profit/(loss) – continuing operations | 31,963         | 24,142         |
| – discontinued operations (note 9)              | –              | (118)          |
| <b>Adjustments for:</b>                         |                |                |
| Depreciation charge                             | 1,449          | 1,276          |
| Amortisation of intangibles                     | 510            | 552            |
| Profit on disposal of fixed assets              | (81)           | –              |
| Exceptional non cash items                      | 610            | 1,550          |
| Decrease in exceptional accrual/provisions      | (63)           | (24)           |
| Share option charges – continuing               | 222            | 633            |
| – discontinued                                  | –              | 20             |
| Defined benefit pension administration charge   | 394            | 544            |
| Contributions to defined benefit pension scheme | (825)          | (26,544)       |
| <b>Changes in working capital:</b>              |                |                |
| Increase in inventories                         | (107)          | (1,107)        |
| Increase in trade and other receivables         | (5,676)        | (6,838)        |
| Increase in trade and other payables            | 1,401          | 6,600          |
| <b>Cash generated from operations</b>           | <b>29,797</b>  | <b>686</b>     |

### 26 Financial commitments

At 2 January 2016, the Group was committed to make payments in respect of non-cancellable operating leases in the following periods:

|                      | 2015                            |                 | 2014                            |                 |
|----------------------|---------------------------------|-----------------|---------------------------------|-----------------|
|                      | Land and<br>buildings<br>\$'000 | Other<br>\$'000 | Land and<br>buildings<br>\$'000 | Other<br>\$'000 |
| In one year          | 1,399                           | 182             | 1,281                           | 170             |
| In two to five years | 4,743                           | 529             | 3,762                           | 593             |
|                      | <b>6,142</b>                    | <b>711</b>      | <b>5,043</b>                    | <b>763</b>      |

### 27 Contingent liabilities

The Group has no known contingent liabilities (2014: none).

### 28 Capital commitments

The Group had no capital commitments contracted for but not provided for in the financial statements at 2 January 2016 for property, plant and equipment (2014: \$nil).

### 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

## Report on the Company financial statements

### Our opinion

In our opinion, 4imprint Group plc's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 2 January 2016 and of its cash flows for the 53 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("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.

### What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Company balance sheet as at 2 January 2016;
- the Statement of changes in Company Shareholders' equity for the period then ended;
- the Company cash flow statement for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

### Other required reporting

#### Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

#### ISAs (UK & Ireland) reporting

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

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

We have no exceptions to report arising from this responsibility.

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

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

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

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Other Companies Act 2006 reporting

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. We have no exceptions to report arising from this responsibility.

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

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the Directors**

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

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

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

### **What an audit of financial statements involves**

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

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

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

### **Other matter**

We have reported separately on the Group financial statements of 4imprint Group plc for the 53 week period ended 2 January 2016.

### **Ian Marsden (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
9 March 2016

# Company balance sheet

at 2 January 2016

|                                              | Note | 2015<br>£'000   | 2014<br>£'000 |
|----------------------------------------------|------|-----------------|---------------|
| <b>Non current assets</b>                    |      |                 |               |
| Property, plant and equipment                | B    | 49              | 70            |
| Investments                                  | C    | 104,182         | 104,182       |
| Deferred tax assets                          | D    | 2,961           | 3,081         |
| Other receivables                            | E    | 60,733          | 57,841        |
|                                              |      | <b>167,925</b>  | 165,174       |
| <b>Current assets</b>                        |      |                 |               |
| Other receivables                            | E    | 594             | 853           |
| Cash and cash equivalents                    |      | 9,537           | 4,367         |
|                                              |      | <b>10,131</b>   | 5,220         |
| <b>Current liabilities</b>                   |      |                 |               |
| Other payables                               | F    | (1,512)         | (1,467)       |
| Provisions for other liabilities and charges | G    | –               | (147)         |
|                                              |      | <b>(1,512)</b>  | (1,614)       |
| <b>Net current assets</b>                    |      | <b>8,619</b>    | 3,606         |
| <b>Non current liabilities</b>               |      |                 |               |
| Retirement benefit obligations               | H    | (15,597)        | (15,434)      |
| Provisions for other liabilities and charges | G    | (108)           | –             |
| Amounts due to subsidiary companies          | J    | (60,733)        | (57,841)      |
|                                              |      | <b>(76,438)</b> | (73,275)      |
| <b>Net assets</b>                            |      | <b>100,106</b>  | 95,505        |
| <b>Shareholders' equity</b>                  |      |                 |               |
| Share capital                                | L    | 10,756          | 10,756        |
| Share premium reserve                        |      | 38,575          | 38,575        |
| Capital redemption reserve                   |      | 208             | 208           |
| Retained earnings                            | M    | 50,567          | 45,966        |
| <b>Total equity</b>                          |      | <b>100,106</b>  | 95,505        |

## Company's income statement

Under Section 408 of the Companies Act 2006 an income statement for the Company is not presented. Profit after tax and before external dividends payable for the period of £10,264,000 (2014: £13,226,000) is included in the financial statements of the Company.

The financial statements on pages 77 to 85 were approved by the Board of Directors on 9 March 2016 and were signed on its behalf by:

**Kevin Lyons-Tarr**  
Chief Executive Officer

  
**David Seekings**  
Chief Financial Officer

## Financial Statements

# Statement of changes in Company Shareholders' equity

for the 53 weeks ended 2 January 2016

|                                                      | Share capital<br>£'000 | Share<br>premium<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Retained earnings      |                                | Total<br>equity<br>£'000 |
|------------------------------------------------------|------------------------|--------------------------------------|-------------------------------------------|------------------------|--------------------------------|--------------------------|
|                                                      |                        |                                      |                                           | Own<br>shares<br>£'000 | Profit<br>and<br>loss<br>£'000 |                          |
| Balance at 29 December 2013                          | 10,286                 | 38,575                               | 208                                       | (851)                  | 52,868                         | 101,086                  |
| Profit for the period                                |                        |                                      |                                           |                        | 13,226                         | 13,226                   |
| <i>Other comprehensive (expense)/income</i>          |                        |                                      |                                           |                        |                                |                          |
| Remeasurement losses on post employment obligations  |                        |                                      |                                           |                        | (13,240)                       | (13,240)                 |
| Deferred tax relating to post employment obligations |                        |                                      |                                           |                        | (392)                          | (392)                    |
| Effect of change in UK tax rate                      |                        |                                      |                                           |                        | 19                             | 19                       |
| Total comprehensive expense                          |                        |                                      |                                           |                        | (387)                          | (387)                    |
| Shares issued                                        | 470                    |                                      |                                           |                        |                                | 470                      |
| Own shares purchased                                 |                        |                                      |                                           | (1,312)                |                                | (1,312)                  |
| Own shares utilised                                  |                        |                                      |                                           | 1,218                  | (1,218)                        | –                        |
| Share-based payment charge                           |                        |                                      |                                           |                        | 396                            | 396                      |
| Dividends                                            |                        |                                      |                                           |                        | (4,748)                        | (4,748)                  |
| Balance at 27 December 2014                          | 10,756                 | 38,575                               | 208                                       | (945)                  | 46,911                         | 95,505                   |
| Profit for the period                                |                        |                                      |                                           |                        | 10,264                         | 10,264                   |
| <i>Other comprehensive income/(expense)</i>          |                        |                                      |                                           |                        |                                |                          |
| Remeasurement gains on post employment obligations   |                        |                                      |                                           |                        | 501                            | 501                      |
| Deferred tax relating to post employment obligations |                        |                                      |                                           |                        | (102)                          | (102)                    |
| Effect of change in UK tax rate                      |                        |                                      |                                           |                        | (154)                          | (154)                    |
| Total comprehensive income                           |                        |                                      |                                           |                        | 10,509                         | 10,509                   |
| Proceeds from options exercised                      |                        |                                      |                                           |                        | 578                            | 578                      |
| Own shares purchased                                 |                        |                                      |                                           | (480)                  |                                | (480)                    |
| Own shares utilised                                  |                        |                                      |                                           | 970                    | (970)                          | –                        |
| Share-based payment charge                           |                        |                                      |                                           |                        | 145                            | 145                      |
| Dividends                                            |                        |                                      |                                           |                        | (6,151)                        | (6,151)                  |
| <b>Balance at 2 January 2016</b>                     | <b>10,756</b>          | <b>38,575</b>                        | <b>208</b>                                | <b>(455)</b>           | <b>51,022</b>                  | <b>100,106</b>           |

# Company cash flow statement

for the 53 weeks ended 2 January 2016

|                                                       | Note | 2015<br>53 weeks<br>£'000 | 2014<br>52 weeks<br>£'000 |
|-------------------------------------------------------|------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>           |      |                           |                           |
| Cash used in operations                               | K    | (1,891)                   | (17,583)                  |
| Finance income                                        |      | 4,755                     | 3,356                     |
| Finance costs                                         |      | (4,731)                   | (3,078)                   |
| Net cash used in operating activities                 |      | (1,867)                   | (17,305)                  |
| <b>Cash flows from investing activities</b>           |      |                           |                           |
| Purchase of property, plant and equipment             |      | –                         | (2)                       |
| Net cash used in investing activities                 |      | –                         | (2)                       |
| <b>Cash flows from financing activities</b>           |      |                           |                           |
| Transfer from other financial assets                  |      | –                         | 4,950                     |
| Proceeds from issue of shares                         |      | –                         | 470                       |
| Own shares purchased                                  |      | –                         | (1,312)                   |
| Dividends received                                    |      | 13,188                    | 16,678                    |
| Dividends paid to Shareholders                        |      | (6,151)                   | (4,748)                   |
| Net cash generated from financing activities          |      | 7,037                     | 16,038                    |
| <b>Net movement in cash and cash equivalents</b>      |      | <b>5,170</b>              | <b>(1,269)</b>            |
| Cash and cash equivalents at beginning of the period  |      | 4,367                     | 5,636                     |
| <b>Cash and cash equivalents at end of the period</b> |      | <b>9,537</b>              | <b>4,367</b>              |
| <b>Analysis of cash and cash equivalents</b>          |      |                           |                           |
| Cash at bank and in hand                              |      | 820                       | 617                       |
| Short term deposits                                   |      | 8,717                     | 3,750                     |
|                                                       |      | <b>9,537</b>              | <b>4,367</b>              |

# 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. The Company's financial statements are presented in Sterling. Numbers are shown in pounds thousands.

## 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 52 to 56 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 as adopted by the EU, IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements (March 2016).

After making enquiries, the Directors have reasonable expectations that the Company has adequate resources to continue to operate for a period of not less than twelve months from the date these financial statements were approved. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

## Use of assumptions and estimates

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

## Critical accounting policies

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

### Pensions

As disclosed in note 18 on pages 67 to 69, the Company sponsors a closed defined benefit scheme. Year end recognition of the liabilities under this scheme and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability in the balance sheet.

## Investments

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

## A. Employees

|                                                     | 2015<br>£'000 | 2014<br>£'000 |
|-----------------------------------------------------|---------------|---------------|
| Wages and salaries                                  | 972           | 1,216         |
| Social security costs                               | 110           | 154           |
| Pension costs – defined contribution plans          | 18            | 40            |
| Share option charges                                | 117           | 377           |
| Social security charges in respect of share options | 21            | 22            |
|                                                     | <b>1,238</b>  | <b>1,809</b>  |

The average number of people, including Executive Directors, employed by the Company during the period was 6 (2014: 8).

## B. Property, plant and equipment

|                                         | Fixtures & fittings<br>£'000 |
|-----------------------------------------|------------------------------|
| <b>Cost:</b>                            |                              |
| At 29 December 2013                     | 273                          |
| Additions                               | 2                            |
| Disposals                               | (14)                         |
| At 27 December 2014                     | 261                          |
| <b>At 2 January 2016</b>                | <b>261</b>                   |
| <b>Depreciation:</b>                    |                              |
| At 29 December 2013                     | 172                          |
| Charge for the period                   | 26                           |
| Disposals                               | (7)                          |
| At 27 December 2014                     | 191                          |
| Charge for the period                   | 21                           |
| <b>At 2 January 2016</b>                | <b>212</b>                   |
| <b>Net book value at 2 January 2016</b> | <b>49</b>                    |
| Net book value at 27 December 2014      | 70                           |

## C. Investments

|                                        | Shares in subsidiary undertakings<br>£'000 |
|----------------------------------------|--------------------------------------------|
| <b>Cost:</b>                           |                                            |
| At 2 January 2016 and 27 December 2014 | <b>104,182</b>                             |

### Subsidiary undertakings

The subsidiaries at 2 January 2016 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 |
| 4imprint UK Holdings Limited                  | England                                | Holding company      |
| 4imprint USA Limited                          | England                                | Holding company      |
| 4imprint North America Limited                | England                                | Holding company      |
| 4imprint US Group Inc.                        | USA                                    | Holding company      |
| 4imprint Limited                              | England                                | Dormant              |
| Cavendish Place Newco No.1 Limited            | England                                | Dormant              |
| 4imprint Pension Trustee Company Limited      | England                                | Dormant              |
| 4imprint 2016 Pension Trustee Company Limited | England                                | Dormant              |

The dormant companies are exempt from statutory audit. There is no requirement, in the USA, for statutory audits of the US subsidiaries.

## Financial Statements

# Notes to the Company's financial statements continued

### D. Deferred tax assets

|                                                    | 2015<br>£'000 | 2014<br>£'000 |
|----------------------------------------------------|---------------|---------------|
| At start of period                                 | 3,081         | 3,312         |
| Income statement credit                            | 136           | 142           |
| Deferred tax charged to other comprehensive income | (256)         | (373)         |
| <b>At end of period</b>                            | <b>2,961</b>  | <b>3,081</b>  |

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

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

|                                             | 2015<br>£'000 | 2014<br>£'000 |
|---------------------------------------------|---------------|---------------|
| Tax relating to post employment obligations | (102)         | (392)         |
| Effect of change in UK tax rate             | (154)         | 19            |
|                                             | <b>(256)</b>  | <b>(373)</b>  |

### E. Other receivables

|                                                                 | 2015<br>£'000   | 2014<br>£'000   |
|-----------------------------------------------------------------|-----------------|-----------------|
| Amounts due from subsidiary companies                           | 61,105          | 58,446          |
| Other receivables                                               | 167             | 209             |
| Prepayments and accrued income                                  | 55              | 39              |
|                                                                 | <b>61,327</b>   | <b>58,694</b>   |
| Less non current portion: Amounts due from subsidiary companies | <b>(60,733)</b> | <b>(57,841)</b> |
|                                                                 | <b>594</b>      | <b>853</b>      |

Current amounts due from subsidiary companies are repayable on demand. The amounts are not interest bearing.

Non current amounts due from subsidiary companies are due after five years. All amounts are interest bearing at market rates of interest.

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

|            | 2015<br>£'000 | 2014<br>£'000 |
|------------|---------------|---------------|
| Sterling   | 301           | 808           |
| US dollars | 61,026        | 57,841        |
|            | <b>61,327</b> | <b>58,649</b> |

### F. Other payables – current

|                                     | 2015<br>£'000 | 2014<br>£'000 |
|-------------------------------------|---------------|---------------|
| Other payables                      | 206           | 78            |
| Other tax and social security       | 39            | 45            |
| Amounts due to subsidiary companies | 705           | 432           |
| Accruals                            | 562           | 912           |
|                                     | <b>1,512</b>  | <b>1,467</b>  |

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

## G. Provisions for other liabilities and charges

|                         | 2015<br>£'000 | 2014<br>£'000 |
|-------------------------|---------------|---------------|
| At start of period      | 147           | 147           |
| Utilised                | (39)          | –             |
| <b>At end of period</b> | <b>108</b>    | <b>147</b>    |

### Analysis of provisions

|              | 2015<br>£'000 | 2014<br>£'000 |
|--------------|---------------|---------------|
| Current      | –             | 147           |
| Non current  | 108           | –             |
| <b>Total</b> | <b>108</b>    | <b>147</b>    |

The provisions relate to dilapidation costs in respect of property leases and are expected to be paid within two to five years.

## H. Retirement benefit obligations

The amount recognised in the balance sheet represents the net liability in respect of the closed defined benefit scheme. Full details of the defined benefit scheme are contained in note 18 on pages 67 to 69.

The Sterling analysis of the balance sheet amount is as follows:

|                                                        | 2015<br>£'000   | 2014<br>£'000   |
|--------------------------------------------------------|-----------------|-----------------|
| Present value of funded obligations                    | (93,965)        | (99,562)        |
| Fair value of Scheme assets                            | 78,368          | 84,128          |
| <b>Net obligations recognised in the balance sheet</b> | <b>(15,597)</b> | <b>(15,434)</b> |

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

|                                                                                   | Present value of obligations<br>£'000 | Fair value of Scheme assets<br>£'000 | Net obligation<br>£'000 |
|-----------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|-------------------------|
| Balance at 29 December 2013                                                       | (96,390)                              | 79,779                               | (16,611)                |
| Administration costs paid by the Scheme                                           | (330)                                 | –                                    | (330)                   |
| Exceptional items – buy-in and flexible early retirement costs paid by the Scheme | (654)                                 | –                                    | (654)                   |
| Interest (expense)/income                                                         | (4,095)                               | 3,547                                | (548)                   |
| Liabilities/(assets) removed on settlement re flexible early retirement           | 5,234                                 | (5,520)                              | (286)                   |
| Return on Scheme assets (excluding interest income)                               | –                                     | 3,668                                | 3,668                   |
| Remeasurement loss on buy-in                                                      | –                                     | (7,732)                              | (7,732)                 |
| Remeasurement losses due to changes in financial assumptions                      | (9,176)                               | –                                    | (9,176)                 |
| Contributions by employer                                                         | –                                     | 16,235                               | 16,235                  |
| Benefits paid                                                                     | 5,849                                 | (5,849)                              | –                       |
| Balance at 27 December 2014                                                       | (99,562)                              | 84,128                               | (15,434)                |
| Administration costs paid by the Scheme                                           | (258)                                 | –                                    | (258)                   |
| Exceptional items – buy-out and flexible retirement costs paid by the Scheme      | (399)                                 | –                                    | (399)                   |
| Interest (expense)/income                                                         | (3,419)                               | 2,872                                | (547)                   |
| Return on Scheme assets (excluding interest income)                               | –                                     | (3,161)                              | (3,161)                 |
| Remeasurement gains due to changes in demographic assumptions                     | 2,827                                 | –                                    | 2,827                   |
| Remeasurement gains due to changes in financial assumptions                       | 835                                   | –                                    | 835                     |
| Contributions by employer                                                         | –                                     | 540                                  | 540                     |
| Benefits paid                                                                     | 6,011                                 | (6,011)                              | –                       |
| <b>Balance at 2 January 2016</b>                                                  | <b>(93,965)</b>                       | <b>78,368</b>                        | <b>(15,597)</b>         |

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

The amounts due to subsidiary companies of £60,733,000 (2014: £57,841,000) is due after five years. The loans are interest bearing at market rates of interest.

## Financial Statements

# Notes to the Company's financial statements continued

### K. Cash generated from operations

|                                                    | 2015<br>£'000  | 2014<br>£'000   |
|----------------------------------------------------|----------------|-----------------|
| Operating loss                                     | (2,537)        | (3,312)         |
| <i>Adjustments for:</i>                            |                |                 |
| Depreciation charge                                | 21             | 26              |
| Exceptional non cash items                         | 399            | 940             |
| Decrease in exceptional accrual                    | (41)           | (16)            |
| Share option charges                               | 145            | 396             |
| Defined benefit pension administration charge      | 258            | 330             |
| Contributions to defined benefit pension scheme    | (540)          | (16,235)        |
| <i>Changes in working capital:</i>                 |                |                 |
| Decrease/(increase) in trade and other receivables | 124            | (176)           |
| Decrease in trade and other payables               | (226)          | (268)           |
| Increase in payables to subsidiary undertakings    | 506            | 732             |
| <b>Cash used in operations</b>                     | <b>(1,891)</b> | <b>(17,583)</b> |

The exceptional non cash items relate to FRO and buy-out costs paid by the pension scheme in 2015 and an inter company loan impairment in 2014.

### L. Share capital

|                                                             | 2015<br>£'000 | 2014<br>£'000 |
|-------------------------------------------------------------|---------------|---------------|
| <b>Allotted and fully paid</b>                              |               |               |
| 27,965,530 (2014: 27,965,530) ordinary shares of 38 ½p each | 10,756        | 10,756        |

During the period no ordinary shares were issued (2014: 1,220,583 to satisfy options exercised under the Performance Share Plan).

The options that have been granted and were outstanding under the Company's share option schemes are shown in note 22 on page 72. Full details of the share option schemes are given in note 23 on pages 72 and 73.

Employees of the Company had interests in 14,208 SAYE options under the 31 October 2012 grant (2014: 18,064).

### M. Distributable reserves

The profit and loss reserve of £50,567,000 in the Company is fully distributable.

### N. Financial commitments

The Company had financial commitments for leases of land and buildings of £109,000 at 2 January 2016 (2014: £244,000). These are payable as follows: within one year £48,000 (2014: £134,000); in two to five years £61,000 (2014: £110,000).

### O. Contingent liabilities

The Company had no known contingent liabilities at 2 January 2016 (2014: £nil).

## P. Related party transactions

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

|                                                                       | 2015<br>£'000 | 2014<br>£'000 |
|-----------------------------------------------------------------------|---------------|---------------|
| <b>Income statement</b>                                               |               |               |
| Finance income due from subsidiary companies                          | 4,731         | 5,031         |
| Finance costs due to subsidiary companies                             | 4,731         | 4,830         |
| <b>Balance sheet</b>                                                  |               |               |
| Interest bearing loans due from subsidiary companies at end of period | 60,733        | 57,841        |
| Interest bearing loans due to subsidiary companies at end of period   | 60,733        | 57,841        |

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

|                                                 | 2015<br>£'000 | 2014<br>£'000 |
|-------------------------------------------------|---------------|---------------|
| Salaries, fees and short-term employee benefits | 641           | 863           |
| Social security costs                           | 82            | 112           |
| Pension contributions                           | 7             | 28            |
| Share option charges                            | 2             | 130           |
| Social security in respect of share options     | –             | 22            |
|                                                 | 732           | 1,155         |

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

# Five year financial record

In 2014 the presentational currency was changed to US dollars and prior periods have been restated. The SPS business was classified as a discontinued operation in 2013 and the 2012 comparatives have been restated. In addition, 2012 has also been restated for amendments to IAS 19 and to include income from delivery receipts and other activities in revenue. The Brand Addition business was classified as a discontinued operation in 2011.

| <b>Income statement</b>                             | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> | <b>2011<br/>\$'000</b> |
|-----------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenue                                             | 497,219                | 415,773                | 332,936                | 290,813                | 254,754                |
| Underlying operating profit                         | 33,519                 | 27,759                 | 19,494                 | 14,506                 | 13,612                 |
| Defined benefit pension scheme administration costs | (394)                  | (544)                  | (748)                  | (694)                  | –                      |
| Share option related charges                        | (304)                  | (666)                  | (2,493)                | (1,030)                | (829)                  |
| Goodwill impairment                                 | –                      | –                      | –                      | –                      | (7,608)                |
| Exceptional items                                   | (858)                  | (2,407)                | (397)                  | (938)                  | (3,104)                |
| <b>Operating profit</b>                             | <b>31,963</b>          | <b>24,142</b>          | <b>15,856</b>          | <b>11,844</b>          | <b>2,071</b>           |
| Finance income                                      | 37                     | 107                    | 88                     | 315                    | –                      |
| Finance costs                                       | (7)                    | (7)                    | (27)                   | (249)                  | (565)                  |
| Net pension finance charge                          | (836)                  | (903)                  | (1,445)                | (1,824)                | (932)                  |
| <b>Profit before tax</b>                            | <b>31,157</b>          | <b>23,339</b>          | <b>14,472</b>          | <b>10,086</b>          | <b>574</b>             |
| Taxation                                            | (8,462)                | (6,982)                | (3,857)                | (3,253)                | (3,128)                |
| <b>Profit/(loss) from continuing operations</b>     | <b>22,695</b>          | <b>16,357</b>          | <b>10,615</b>          | <b>6,833</b>           | <b>(2,554)</b>         |
| <b>Profit/(loss) from discontinued operations</b>   | <b>–</b>               | <b>1,381</b>           | <b>(4,825)</b>         | <b>14,796</b>          | <b>6,058</b>           |
| <b>Profit for the period</b>                        | <b>22,695</b>          | <b>17,738</b>          | <b>5,790</b>           | <b>21,629</b>          | <b>3,504</b>           |
| Basic earnings per ordinary share                   | 81.26c                 | 59.73c                 | 40.11c                 | 26.00c                 | 13.60c                 |
| Dividend per share – paid and proposed              | 38.89c                 | 32.41c                 | 27.56c                 | 23.55c                 | 23.26c                 |
| <b>Balance sheet</b>                                | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> | <b>2011<br/>\$'000</b> |
| Non current assets (excluding deferred tax)         | 19,365                 | 10,403                 | 10,152                 | 21,472                 | 20,054                 |
| Deferred tax assets                                 | 4,388                  | 4,794                  | 6,324                  | 10,147                 | 9,503                  |
| Net current assets                                  | 28,781                 | 23,186                 | 29,850                 | 36,767                 | 20,418                 |
| Net assets held for sale                            | –                      | –                      | 9,460                  | –                      | 12,302                 |
| Retirement benefit obligations                      | (23,114)               | (24,015)               | (27,398)               | (36,985)               | (36,594)               |
| Other liabilities                                   | (968)                  | (298)                  | (719)                  | (9,122)                | (5,391)                |
| <b>Shareholders' equity</b>                         | <b>28,452</b>          | <b>14,070</b>          | <b>27,669</b>          | <b>22,279</b>          | <b>20,292</b>          |
| <b>Net cash</b>                                     | <b>18,381</b>          | <b>18,301</b>          | <b>25,990</b>          | <b>17,251</b>          | <b>8,490</b>           |

# Registered office and Company advisers

## **4imprint Group plc**

7/8 Market Place  
London W1W 8AG  
Telephone +44 (0)20 7299 7201  
Fax +44 (0)20 7299 7209  
E-mail [hq@4imprint.co.uk](mailto:hq@4imprint.co.uk)

## **Registered number**

177991 England

## **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
101 Barbirolli Square  
Lower Mosley Street  
Manchester M2 3PW

## **Joint stockbrokers**

Peel Hunt LLP  
Moor House  
120 London Wall  
London EC2Y 5ET

Liberum Capital Limited  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY

## **Registrar and transfer office**

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## **Bankers**

Lloyds Bank plc  
JPMorgan Chase Bank, N.A.

# Notes

**Group office**

4imprint Group plc  
7/8 Market Place  
London W1W 8AG  
Telephone +44 (0)20 7299 7201  
Fax +44 (0)20 7299 7209  
E-mail [hq@4imprint.co.uk](mailto:hq@4imprint.co.uk)

**Trading offices****4imprint Direct Marketing****USA**

101 Commerce Street  
Oshkosh  
WI 54901, USA  
Telephone +1 920 236 7272  
Fax +1 920 236 7282  
E-mail [sales@4imprint.com](mailto:sales@4imprint.com)

**UK**

5 Ball Green  
Cobra Court  
Trafford Park  
Manchester M32 0QT  
Freephone 0800 055 6196  
Telephone +44 (0)161 850 3490  
Fax +44 (0)161 864 2516  
E-mail [sales@4imprint.co.uk](mailto:sales@4imprint.co.uk)