

# Marketing for Growth

Annual Report  
and Accounts  
2018



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# 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 serviced from 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.



Find out more online:  
[investors.4imprint.com](http://investors.4imprint.com)

# Highlights

## Operational

### Organic revenue growth

- Revenue +\$110.9m (+18%)
- 1,389,000 total orders processed (+17%)
- 279,000 new customers acquired; stable retention rates

### Execution of Group strategy

- Brand awareness initiative successfully launched in 2018
- Ahead of plan to hit revenue target of \$1bn by 2022
- \$5m capital investment in Oshkosh distribution centre in 2019

### Financial discipline

- Cash balance \$27.5m at year-end
- 20% increase in regular dividend

## Financial

### Revenue

**\$738.42m** +18%

2017: \$627.52m

### Underlying\* profit before tax

**\$45.59m** +9%

2017 (restated)†: \$41.91m

### Profit before tax

**\$44.15m** +9%

2017: \$40.66m

### Underlying\* basic EPS (cents)

**129.77c** +22%

2017 (restated)†: 106.74c

### Basic EPS (cents)

**125.61c** +22%

2017: 103.15c

### Proposed total dividend per share (cents)

**70.00c** +20%

2017: 58.10c

### Proposed total dividend per share (pence)

**53.15p** +25%

2017: 42.58p

\* Underlying is before defined benefit pension charges and exceptional items.

† Underlying has been restated to include share option charges.

# 4imprint at a Glance

We are the leading direct marketer of promotional products in North America, the UK and Ireland. We have consistently delivered market-beating organic revenue growth.

## What we do

We make it easy for our customers to promote their service, product or event. Our customers know that promotional products from 4imprint's extensive range along with personal, expert service on every order will ensure that their name – and brand – looks great in front of their target audience.

## Where we do it

We operate in two primary geographical markets:

### North America

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



Employees

**1,005**

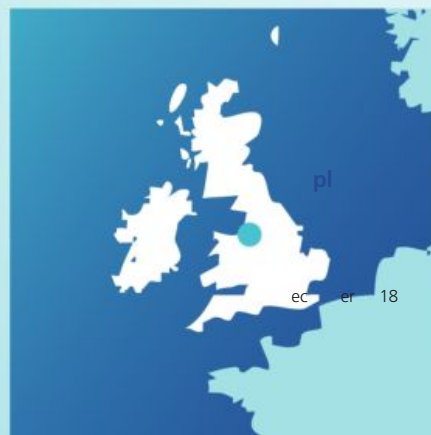
December 2018

Revenue



### UK and Ireland

Customers in the UK and Irish markets are serviced from an office in Manchester, UK.



Employees

**41**

December 2018

Revenue



### How we do it

Our business operations are focused around a highly developed direct marketing business model.

### Reaching our customers

Innovative marketing allows us to introduce millions of potential customers to tens of thousands of customised products.

### Looking after our customers

We have an exceptional culture revolving around the delivery of remarkable customer service, and an industry-leading customer guarantee.

### Our product range

Our merchandisers work closely with our suppliers to continuously update and curate our extensive product range.

### Application of technology

Our appetite for technology delivers an efficient order processing platform and sophisticated data-driven analytics.

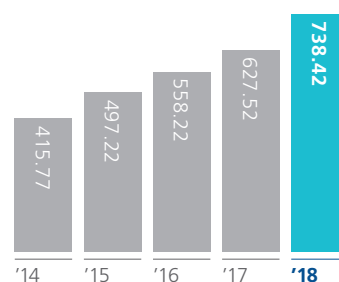
### Our objective

Our aim is to drive further organic revenue growth by expanding our market leadership and share in the fragmented markets in which we operate. Our target is to achieve \$1bn in Group revenue by 2022.

### Five year growth

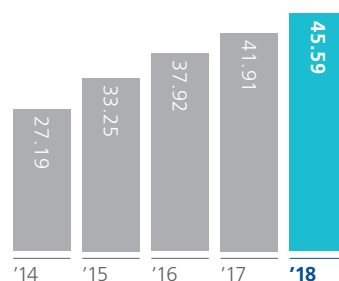
Revenue (\$m)

**\$738.42m**  
+18%



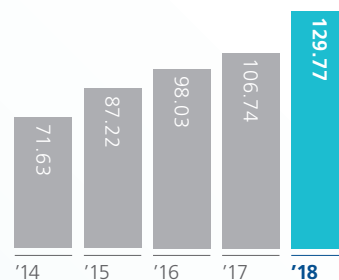
Underlying† profit before tax (\$m)

**\$45.59m**  
+9%



Underlying† earnings per share (c)

**129.77c**  
+22%



† Underlying has been restated to include share option charges.



# Chairman's Statement

2018 was a memorable year for 4imprint. The Group's operational and financial performance represents substantial progress towards our target of achieving \$1bn in Group revenue by 2022.



Group revenue in 2018 was \$738.4m, an increase of 18% over the prior year comparative of \$627.5m. Consistent with our strategy, all of this revenue growth was organic. Underlying operating profit before tax was \$45.6m, 9% higher than 2017. This financial performance is particularly rewarding given that we had positioned 2018 as an 'investment' year, initially guiding towards a revenue growth percentage in the low teens and underlying operating profit essentially flat against 2017.

This time last year we announced an exciting new project to heighten the awareness and strength of the 4imprint brand. Our plan involved significant incremental expenditure on different marketing techniques, including the integration of traditional broadcast media such as TV and radio into our overall marketing portfolio. The results so far from

the brand development programme have exceeded our expectations, with tangible and immediate gains in customer order activity contributing directly to the Group's strong financial performance.

Order volumes increased sharply in the second quarter of the year, stretching our customer service and back office resource. In typical fashion, our team members responded to the challenge with a relentless focus on the detail of every order. I would like to express the Board's appreciation and thanks to each member of our highly professional team for their efforts both during this period and throughout the year. We are also grateful to our supplier partners whose support was invaluable at this time of rapid growth.

Profit before tax at \$44.1m was up 9% over prior year. Profit after tax of \$35.2m improved by 22% over 2017, driven principally by the beneficial effects of US tax reform. Accordingly, basic earnings per share rose by 22% to 125.61c.

Our business model is highly cash-generative and consequently the Group remains well financed, with a 2018 year-end cash balance of \$27.5m (2017: \$30.8m), even after absorbing the payment in May 2018 of a supplementary dividend amounting to \$16.3m.

In view of the Group's sustained growth trajectory, the Board has accelerated by a year further planned expansion at its distribution centre in Oshkosh, Wisconsin. The capital cost in 2019 will be around \$5m.

At the half-year the Board declared an interim dividend per share of 20.80c, an increase of 15% over 2017. In view of the Group's performance in the second half of the year and in line with our balance sheet funding and capital allocation guidelines, the Board is pleased to recommend a final dividend per share of 49.20c, an increase of 23%, giving a total paid and proposed 2018 regular dividend of 70.00c, up 20% over prior year.

## Outlook

Our business model is highly focused and our market opportunity remains substantial. The successful initial execution of the brand building initiative in 2018 leaves the Group in a good position to meet its strategic goals. Trading results in the first few weeks of 2019 have been encouraging.

**Paul Moody**  
Chairman  
5 March 2019

# Our Purpose

Our purpose is to harness the enduring appeal of promotional products to help our customers build their brand, promote their initiatives, achieve their marketing goals and make lasting connections with those who are important to them. With every order we are trusted to carry a distinctive logo or message on our products, so we understand clearly that our primary aim is to be certain to make our customers and their organisations shine.

We deliver on this trust by nurturing an authentic environment where our people are valued and empowered to do their best work. By placing a particular emphasis on personal fulfilment, we believe that we can attract and retain like-minded teammates who are committed to providing the truly remarkable service that our customers require and deserve. Our people go above and beyond to look after our customers, to help each other, to ensure productive outcomes for our supplier partners, and to have concern for and give back to their communities.

We consider that as long as we prioritise these mutually beneficial outcomes, the long-term interests of the Company, our Shareholders and our wider stakeholders will naturally be protected.





## Chief Executive's Review

2018 was a successful year for the Group



Revenue	<b>2018</b> \$m	2017 \$m	
North America	<b>714.56</b>	608.00	+18%
UK and Ireland	<b>23.86</b>	19.52	+22%
<b>Total</b>	<b>738.42</b>	627.52	+18%
Underlying* operating profit	<b>2018</b> \$m	2017 (restated) <sup>†</sup> \$m	
Direct Marketing operations	<b>49.63</b>	45.64	+9%
Head Office	<b>(3.45)</b>	(3.06)	+13%
Share option related charges	<b>(0.82)</b>	(0.55)	+49%
<b>Underlying operating profit</b>	<b>45.36</b>	42.03	+8%
<b>Operating profit</b>	<b>44.32</b>	41.28	+7%

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

\* Underlying is before defined benefit pension charges and exceptional items.

† Underlying has been restated to include share option charges.

2018 was a successful year for the Group.

Twelve months ago, we set out our plan to make a significant new marketing investment. This involved the addition of a brand component, principally TV and radio, to our marketing portfolio. Our aim was to extend our reach by cultivating awareness of the 4imprint brand as 'the' source for promotional products. We had performed extensive research to identify our target customer and their needs, and to analyse 4imprint's competitive position in the market. As a result, we were confident in our direction, but uncertain of the timeframe over which brand-based advertising would produce meaningful revenue benefits. In addition, we were careful to point out that this investment would be incremental and as such would not involve a reallocation of funds away from our existing, proven marketing engine. In consequence, we guided to 2018 numbers showing continued revenue growth but flat year-on-year operating profit to reflect the investment phase of this new initiative.



The Group's actual performance in 2018 exceeded these early expectations. Beginning in March 2018, this evolution of our strategy produced immediate and tangible gains, including material increases in both direct website traffic and in online searches/interest in "4imprint". This produced considerable momentum in the customer file, leading to financial results ahead of our original projections.

279,000 new customers were acquired across the Group in 2018, driving orders from new customers up 14% over prior year (compared to an increase of 5% in 2017). Orders from existing customers increased over 2017 by 19% (prior year comparative 16%) including important early signs that the change in the marketing mix is yielding customers with retention characteristics conforming to our target customer 'sweet spot'. In total our customer service teams processed 1,389,000 individually customised and usually time-sensitive orders, an increase of 17% over 2017.

Our North American business enjoyed robust trading throughout the year, particularly after the launch of the brand marketing programme in March 2018. Our presence continues to expand in the US and Canadian markets, which are both serviced from a central office in Oshkosh, Wisconsin. Revenue growth over prior year was 18%, compared to estimated total industry growth of about 5%.

Our UK business, based in Manchester, also delivered an excellent result. Revenue was up 22% over prior year, benefitting from some exchange rate impact but still up a healthy 18% in Sterling.

The Group aggregate gross margin percentage in 2018 was consistent throughout the year at around 0.7% lower than 2017. At the half-year we reported that various factors contributed to this, including the impact of a rapid increase in order volumes after the launch of the branding campaign. This placed some strain on our operational capacity and supplier/delivery arrangements, resulting in elevated levels of expedited freight costs and other credits/adjustments made to ensure that we were able to deliver on our promise of excellent service. These operational factors were largely addressed by mid-year. A similar margin percentage effect was felt in the second half, driven principally by stronger than anticipated order volume in the already rapidly growing apparel category, where margins are typically lower than average. This shift in mix towards the apparel category and also within that category towards higher value items resulted in most of the margin movement in the second half. Overall, our approach to pricing has not changed, and we expect that our gross margin percentage will stabilise in 2019.

Revenue per marketing dollar was \$5.63 in 2018 compared to \$5.67 in 2017. Given the investment in brand marketing in the year this is a very satisfactory result, equipping us with a broader base and more flexibility to adjust the balance within the marketing portfolio moving forward.

Underlying operating profit, excluding Head Office expenses and share option related charges, increased over prior year by \$4.0m to \$49.6m, a 9% increase. This is lower than the percentage increase in revenue, reflecting the incremental brand advertising expense and a slightly lower gross margin percentage, offset by some gearing effect from selling costs and other overheads in the trading businesses rising at a rate lower than the increase in revenue.

Head office costs rose by 13% compared to 2017, with the increase accounted for largely by incentive compensation and exchange effects on costs incurred in Sterling.

Share option related expense increased by 49%, driven by enrolment in our popular employee share option (SAYE or US equivalent) plans, and executive awards made under the 2015 Incentive Plan.

Overall, the Group underlying operating margin percentage for 2018 was 6.14%, compared to 6.70% in 2017. In the context of the marketing investment made in 2018 and the delivery of underlying operating profit \$3.3m higher than our original expectations for the year, we are happy with this result. We enter 2019 as a much larger business with a fundamentally strengthened array of tools and techniques with which to drive further organic growth.

In contemplation of further revenue growth, we have accelerated by a year a planned expansion of our distribution centre in Oshkosh. Construction work has already commenced and should be completed by mid-year 2019, at a capital cost of around \$5m. Our business model remains highly cash-generative and the project will be financed out of in-year cash flow.

The markets in which we operate are fragmented and our share is still small. Our strategic goal of achieving \$1bn in revenue by 2022 is firmly in sight.

#### New customers acquired

# 279,000

#### Individually customised orders processed

# 1,389,000

+17%

# Strategic Objectives

## Objectives

### Market leadership driving organic revenue growth

- To be the leading direct marketer of promotional products in the markets in which we operate
- To expand share in fragmented markets through investment in organic growth
- To establish 4imprint as the recognised brand for promotional products within our target audience
- To achieve \$1bn in Group revenue by 2022

## Key enablers

- **Competitive advantage through continuous development of and sustained investment in:**
  - Marketing
  - People
  - Technology
- **Differentiation through operational excellence:**
  - Customer service
  - Merchandising and supply
  - Efficient processing of individually customised, time-sensitive orders at scale

## Risks

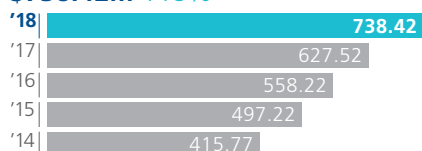
- **Macroeconomic conditions**
- **Competition**
- **Business facility disruption**
- **Disruption to product supply chain or delivery service**
- **Disturbance in established marketing techniques**
- **Reliance on key personnel**
- **IT failure/interruption**
- **Failure to adapt to new technology**

 See pages 20–25.

## KPIs

### Revenue growth (\$m)

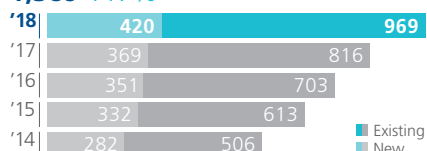
**\$738.42m +18%**



Organic revenue growth is the cornerstone of our strategic framework. Year-over-year revenue growth gives the clearest measure of progress towards our target of \$1bn in Group revenue by 2022.

### Number of orders received (000s)

**1,389 +17%**



Orders received statistics are collated on a daily, weekly and monthly basis to evaluate performance against the targets in our operational plan for both new and existing customers. Analysis of order patterns offers a clear and immediate measure of operational performance, particularly in a business characterised by relatively stable average order size and gross margins.

### 24 month customer retention (%)

**42.6%**



The 24 month retention rate offers visibility as to the broad stability and strength of a growing customer file. It will vary year-to-year to some degree based on a variety of factors (e.g. timing of when a new customer is acquired in their first year, and timing of retention marketing), and as such performance should be viewed relative to an acceptable bandwidth.

Objectives

# Cash generation and profitability

- To deliver reliable and increasing free cash flow over the medium to longer term
- To balance short-term profitability with marketing investment opportunities leading to sustainable long-term free cash flow and EPS growth

## Key enablers

- **Reinvestment of cash generated from operations into organic growth initiatives based on multi-year revenue/return projections**
- **Disciplined approach to investment:**
  - Marketing investment based on our assessment of both prevailing market conditions and a combination of current and future customer-centric metrics, including prospecting yield curves, retention patterns and lifetime revenue profiles
  - Capital investment evaluated based on cash payback and discounted cash flow parameters
- **Direct marketing ‘drop-ship’ business model, facilitating efficient working capital management**
- **Low capital intensity of the business**

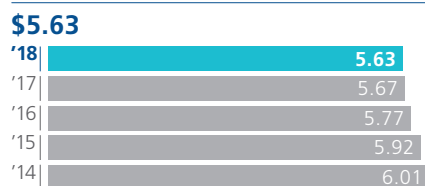
## Risks

- **Macroeconomic conditions**
- **Competition**
- **Currency exchange**
- **Business facility disruption**
- **Disruption to product supply chain or delivery service**
- **Disturbance in established marketing techniques**
- **Reliance on key personnel**
- **IT failure/interruption**
- **Security of customer data**

See pages 20–25.

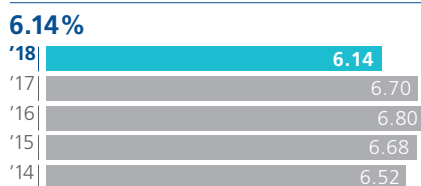
## KPIs

### Revenue per marketing dollar (\$)



Revenue per marketing dollar provides a measure of the productivity of our marketing investment. We measure performance relative to in-year targets as opposed to historical trend in accordance with our strategic objectives for organic growth, profitability and cash generation. The performance in 2018 should be set in the context of the investment during the year in brand marketing.

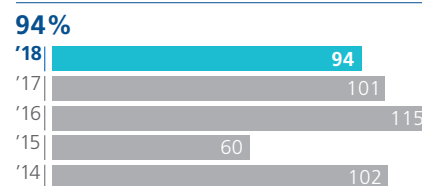
### Underlying<sup>†</sup> operating margin (%)



This KPI shows the profitability of the Group’s trading operations. In 2018 marketing investment in brand awareness impacted operating margin in the year. However, we believe that this investment will strengthen our position in the market allowing recovery in operating margin in subsequent years.

<sup>†</sup> Underlying has been restated to include share option charges.

### Cash conversion (%)



Cash conversion measures the efficiency of the 4imprint business model in the conversion of operating profits into operating cash flow. 2018 was another strong year for cash conversion, reflecting good working capital management and the low fixed capital requirements of the business.



# Strategic Objectives continued

## Objectives

### Effective capital structure

- To maintain a stable and secure balance sheet aligned with the Group's growth objectives
- To have the flexibility to be able to continue investing in the business through different economic cycles
- To enable the Group to act swiftly when investment opportunities arise
- To maintain commitment to making regular dividend payments through an economic downturn
- To meet pension contributions as they become due

#### Key enablers

- Conservative balance sheet funding approach
- Capital allocation priorities in line with strategic objectives

#### Risks

- Macroeconomic conditions
- Currency exchange
- Ultimately all other risks noted in previous objectives relating to revenue, profitability and cash generation

 See pages 20–25.

## KPIs

#### Cash balance (\$m)

**\$27.48m**



Our balance sheet funding policy calls for the business to aim for a target cash balance at the end of each financial year. The net cash balance KPI shows the Group's performance in managing its cash resources relative to its capital allocation priorities. The 2018 closing net cash balance remains healthy despite the payment of \$16.28m in supplementary dividends during the year.

#### Return on average capital employed (%)

**84%**



This provides a measure of the Group's efficiency in the use of its capital resources. We aim to maintain or improve this KPI via increased profitability, strong working capital management and productive capital investment, along with disciplined adherence to clear capital allocation principles. Our definition of Return on average capital employed (ROACE) excludes the net pension deficit from the calculation.

#### Pension deficit/market capitalisation (%)

**2.3%**



This KPI quantifies the substantial efforts made so far in de-risking the Group's legacy defined benefit pension liability and will chart future progress in moving towards our aim of full funding.

## Objectives

# Shareholder value

→ To deliver increasing Shareholder value through execution of the Group’s growth strategy

### Key enablers

- **Financial discipline in evaluation of investment opportunities**
- **Clear priorities in capital allocation:**
  - Organic growth initiatives
  - Regular dividend payments
  - Residual legacy pension funding
  - M&A opportunities
  - Other Shareholder distributions

### Risks

- **Macroeconomic conditions**
- **Currency exchange**
- **Reliance on key personnel**
- **Security of customer data**
- **Ultimately all other risks noted in previous objectives relating to revenue, profitability and cash generation**

See pages 20–25.

### KPIs

#### Underlying\* earnings per share (c)

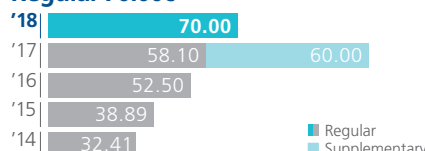
**129.77c**



Underlying earnings per share growth over time gives a clear indication of the health of the business and is a key component in the delivery of Shareholder value. The 22% increase in EPS in 2018 reflects both increasing operating profit and benefit felt in the year from US tax reform.

#### Dividends per share (c)

**Regular 70.00c**



The DPS number provides a tangible measure of the delivery of Shareholder value. The 2018 regular dividend is in line with the Board’s guidelines to increase the dividend payment broadly in line with EPS growth. Periodic supplementary dividends evidence the distribution to Shareholders of excess cash in accordance with our capital allocation principles.

#### Total Shareholder Return (% in year)

**2%**



Our aim is to deliver consistent performance and attractive Total Shareholder Return (TSR). This KPI appears low for 2018, but it was heavily influenced by general market factors in December, resulting in a low closing share price.

† Underlying has been restated to include share option charges.

# Market Opportunity

Our customers can be certain that our team and our products will meet their expectations, every time.

Whether raising awareness, sponsoring events, acquiring customers, recruiting new employees or supporting causes, our customers know that promotional products from 4imprint will ensure that their name – and brand – looks great in front of their target audience.

Our 360° Guarantee® and personal, expert service on every order take away the worry, making 4imprint the trusted right hand minding the details every step of the way.

## 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 in annual revenue. We serve this market from a centralised base in **Oshkosh, Wisconsin**.

### UK and Ireland

The UK and Irish promotional products market size is estimated at around \$1.2bn per year. Our office serving these markets is in **Manchester, UK**.

The marketplace for promotional products is fragmented. Our largest market, the USA, is served by an estimated 23,000 distributors, of whom more than 20,500 have annual revenue of less than \$2.5m. The distribution structure is similar in the Canadian and UK/Irish markets. 4imprint is the largest direct marketer of promotional products in each market.

**Market leadership driving organic revenue growth** is the cornerstone of our strategic framework. We aim to establish 4imprint as **the** recognised brand for promotional products, driving our continued ability to grow at a rate significantly higher than the overall growth rate of the industry.

We are pleased to report that during 2018 4imprint became the largest distributor in the US promotional products industry according to the rankings of both PPAI and ASI, the leading industry trade bodies.

## Our customers

Promotional products are purchased by a wide range of individuals within all types of businesses and organisations. These products have many uses: as an integral part of sales and marketing campaigns; for recruitment or recognition activities; to promote health and safety initiatives; and for any other method of making a connection between our 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. Our customer base is widely dispersed geographically, by size of business/organisation and across commercial, governmental, educational, charitable and religious segments.

Our target customer will typically be working at an organisation of 25 or more employees. No single customer comprises a material part of 4imprint's overall revenue.





## Our products

We sell an extensive range of promotional products – merchandise that is custom printed with the logo or name of an organisation with the aim 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, enabling our customers to find the perfect product for their promotion and their brand. This range is carefully curated by an experienced merchandising team.

## Product trends

Our merchandisers track market trends to identify the products customers are looking for:

**Apparel**, our largest category, was a significant contributor to overall revenue growth in 2018, driven by a wide product range and a simplified and persuasive customer offering, supported by our substantial in-house embroidery capability.

**Technology** was a dynamic category in 2018, with major growth in areas such as wireless charging, wireless earbuds and phone holders. This category continues to respond to the increased use of mobile devices.

**Vacuum tumbler** sales have expanded significantly over the past few years. Double-wall stainless steel construction, vacuum insulation and other performance features have driven volume increases across travel mugs, water bottles, can coolers and other drinkware sub-categories.

**Retail brands** lend instant credibility and are an increasing part of the mix. Under Armour® and Nike® (apparel), Contigo® (drinkware), Eos® (lip balm) and Moleskine® (notebooks) all contributed positively to revenue growth in 2018.



## Top product categories

1. Apparel
2. Bags
3. Drinkware
4. Writing
5. Technology
6. Stationery
7. Trade shows & signage
8. Outdoor & leisure
9. Auto, home & tools
10. Wellness & safety

## Competitive advantage

**Speed** and rapid production time are increasingly important in the promotional products industry. 4imprint has an expansive **24 Hour** product offering, with over 6,000 items available to order today, ship tomorrow.

**Valuebuy** \$

**Value** is always an important merchandising consideration. Our **Valuebuy\$** range of products focuses on essential products, highlighting items featuring not only a competitive price but also quality, fast lead times and great colour selection.

**Exclusive products**, over 650 products are exclusive to 4imprint's customers. The **'Only at 4imprint'** moniker provides an effective marketing edge, reflecting expanding and creative relationships with our trusted supplier partners.

**4imprint 'own label' brands** take exclusivity a step further, resonating with our customers' aspirations, developing an emotional appeal with the brand, and often filling a gap in product categories.



**Crossland**® started exclusively as an 'outdoor' apparel brand, primarily in fleece jackets. In 2018 the brand was successfully expanded into other product categories, including 'beanie' hats, blankets and vacuum mugs. Tests have indicated that further cross-category penetration is possible, supported by a full brand development strategy.

**reFresh**®

The **reFresh**® drinkware line was launched in 2017, featuring exclusive designs of colourful and affordable water bottles. The line is being expanded to encompass popular acrylic tumblers, and other potential cross-category applications of the brand are being evaluated.

# Business Model

Our business is the sale and distribution of promotional products. Our commercial operations are built around a direct marketing business model designed to introduce millions of potential customers to tens of thousands of customised promotional products.

## Key strengths

### Our people

- Strong company culture
- Highly trained, long-tenured team members
- Empowered to 'do the right thing'

### Reaching our customers

- Expanding and productive customer file
- Marketing 'engine' able to attract new and retain existing customers
- Long tradition of excellence in customer service

### Our platform

- Proprietary, scalable IT system
- Reliable and resilient supplier network

### Financial strength

- Strong balance sheet
- Investment in the business
- Highly cash generative model driving self-financed growth

## What we do

### Customer proposition

- **Fast, easy and convenient**
- **Expansive and relevant product range**
- **Industry-leading customer guarantee**
- Online or over the phone
- 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

### Application of technology

- **Websites, mobile, customer-facing**
- **Proprietary order processing platform**
- **Sophisticated database analytics**
- Mature, scalable systems
- Efficient order processing
- Supplier integration
- Data-driven marketing
- Innovative web and back office technology





## Stakeholder outcomes

### 'Drop-ship' from suppliers

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

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

### Innovative marketing

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

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

### Shareholders

Strong cash generation permits us to reinvest in the continued growth of the business, and to reward our Shareholders through dividend payments and share price appreciation.

See page 11

### Customers

Promotional products work: they help our customers achieve their marketing goals, promote their safety initiatives and recognise their employees, amongst many other uses.

See page 12

### Team members

We are committed to a culture that encourages the training, development, wellbeing and personal fulfilment of every team member.

See pages 26 to 28

### Suppliers

We have productive relationships with our trusted supplier partners. Our suppliers can expect to be treated in accordance with the 4imprint "Golden Rule" and to be paid on time.

See page 29

### Community

Our team members are actively engaged in our communities, including charitable giving and volunteering activities.

See page 31



# Financial Review

Group revenue in 2018 was \$738.42m, a year-over-year increase of 18%



	2018 Underlying* \$m	2017 Underlying* (restated)† \$m	2018 Total \$m	2017 (restated)† Total \$m
Underlying operating profit	45.36	42.03	45.36	42.03
Exceptional items			(0.72)	(0.46)
Defined benefit pension charges			(0.72)	(0.79)
Net finance income/ (expense)	0.23	(0.12)	0.23	(0.12)
<b>Profit before tax</b>	<b>45.59</b>	41.91	<b>44.15</b>	40.66

\* Underlying is before defined benefit pension charges and exceptional items.

† Underlying has been restated to include share option charges.

### Operating result

Group revenue in 2018 was \$738.42m (2017: \$627.52m), a year-over-year increase of 18%. Underlying operating profit before tax was \$45.59m (2017: \$41.91m), 9% higher than prior year.

IFRS 15 'Revenue from Contracts with Customers' was implemented from the start of the accounting period. The resulting adjustments have a minimal impact on the full year financial results of the Group, reducing revenue by \$1.2m and operating profit by \$0.3m. The impact for 2017 would have been \$0.7m revenue reduction and \$0.2m operating profit reduction. We therefore chose the transition option of an opening net equity adjustment over the restatement of prior periods. This resulted in a reduction in net equity of \$1.0m.

In prior results announcements we excluded share option related charges from our definition of underlying operating profit. On the basis that share-based payments are now relatively stable and relate directly to the continuing operations of the Group, we have decided to change our presentation to include these charges within underlying operating profit. The relevant comparatives have been restated.

### Foreign exchange

The primary US dollar exchange rates relevant to the Group's 2018 results were as follows:

	2018		2017	
	Period end	Average	Period end	Average
Sterling	1.27	1.34	1.35	1.29
Canadian dollars	0.73	0.77	0.80	0.77

The Group reports in US dollars, its primary trading currency. It also transacts business in Canadian dollars, Sterling and Euros. Sterling/US dollar is the exchange rate most likely to impact the Group's financial performance.

The primary foreign exchange considerations relevant to the Group's operations are as follows:

- 97% of the Group's revenue is in US dollars, the Group's reporting currency, hence translational risk in the income statement is low. The net impact on the 2018 income statement from trading currency movements was not material to the Group's results (note 20).
- Most of the constituent elements of the Group balance sheet are US dollar-based. The main exception is the Sterling-based defined benefit pension liability. Currency movements produced an exchange gain on the pension liability in the year of \$1.0m.
- The Group's business model is characterised by strong cash generation, mostly in US dollars. However its primary applications of post-tax cash are Shareholder dividends, pension contributions and some Head Office costs, all of which are paid in Sterling. As such, the Group's cash position is sensitive to Sterling/US dollar exchange movements. By way of example, using actual exchange rates, the weakening of Sterling against the US dollar during 2018 meant that every US\$1m converted to Sterling was worth around £48,000 more at the 2018 closing rate compared to the 2017 closing rate.

#### Share option charges

A total of \$0.82m (2017: \$0.55m) was charged in the year in respect of IFRS 2 'Share-based Payments'. This was made up of elements from: (i) executive awards made under the 2015 Incentive Plan; (ii) charges relating to the 2016 UK SAYE and the 2016 US ESPP plans; and (iii) options granted under the 2018 US ESPP plan.

Current options and awards outstanding are 133,366 shares under the UK SAYE and US ESPP plans and 55,481 shares under the 2015 Incentive Plan. Awards under the 2015 Incentive Plan in respect of 2018 are anticipated to be made in late March 2019.

#### Exceptional items

An exceptional item of \$0.72m was charged in the year. This related to past service costs resulting from Guaranteed Minimum Pension equalisation in our defined benefit pension scheme following the Lloyds case (see note 4). In 2017 \$0.46m was charged to exceptional items relating to a pension risk reduction project that has now been completed.

#### Net finance income

Net finance income for the year was \$0.23m (2017: expense of \$0.12m). The year-over-year positive swing of \$0.35m reflects lower non-utilisation fees on committed lines of credit and improving yields on cash deposits.

#### Taxation

The tax charge for the year was \$8.95m (2017: \$11.73m), giving an effective tax rate of 20% (2017: 29%). The charge comprised current tax of \$8.17m, representing tax payable in the USA, and a deferred tax charge of \$0.78m. The material decrease in overall rate between years was due principally to significant changes in the US federal corporate tax rate following US tax reform legislation enacted in December 2017.

The tax charge relating to underlying profit before tax was \$9.23m (2017: \$11.97m), an effective tax rate of 20% (2017: 29%).

#### Earnings per share

Underlying basic earnings per share was 129.77c (2017: 106.74c), an increase of 22%. This reflects the 9% increase in underlying profit before tax, amplified by the beneficial effect of US tax reform on the

Group's effective tax rate, with a substantially similar weighted average number of shares in issue compared to 2017.

Basic earnings per share was 125.61c (2017: 103.15c), also an increase of 22%.

#### Dividends

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

The Board has proposed a final dividend of 49.20c (2017: 40.00c) which, together with the interim dividend of 20.80c, gives a total paid and proposed regular dividend relating to 2018 of 70.00c, an increase of 20% compared to prior year.

The final dividend has been converted to Sterling at an exchange rate of £1.00/\$1.319 (2017: £1.00/\$1.390). This results in a final dividend payable to Shareholders of 37.30p (2017: 28.78p), which, combined with the interim dividend paid of 15.85p, gives a total dividend for the year of 53.15p, an increase of 25% compared to prior year.

The final dividend will be paid on 15 May 2019 to Shareholders on the register at the close of business on 5 April 2019.

#### Defined benefit pension plan

The Group sponsors a legacy defined benefit pension plan which has been closed to new members and future accruals for many years. This plan is the successor arrangement to the previous, much larger defined benefit scheme which was successfully de-risked and wound-up in December 2017. The new plan has equivalent benefits to the previous scheme, and currently has 95 pensioners and 292 deferred members.

At 29 December 2018, the net deficit of the plan on an IAS 19 basis was \$15.02m, compared to \$18.11m at 30 December 2017. At 29 December 2018 gross scheme liabilities under IAS 19 were \$33.10m, and assets were \$18.08m.

The change in deficit is analysed as follows:

	\$m
IAS 19 deficit at 31 December 2017	<b>(18.11)</b>
Company contributions to the plan	<b>3.93</b>
Pension administration costs	<b>(0.32)</b>
Pension costs – exceptional	<b>(0.72)</b>
Pension finance charge	<b>(0.40)</b>
Re-measurement loss due to changes in assumptions and return on assets	<b>(0.37)</b>
Exchange gain	<b>0.97</b>
<b>IAS 19 deficit at 29 December 2018</b>	<b>(15.02)</b>

The net liability reduced by \$3.09m in the year, driven primarily by employer's contributions of \$3.93m. Return on assets was below expectations, but was largely offset by improving financial assumptions and an exchange gain. In Sterling, the net deficit decreased by £1.57m in the year to £11.83m.

A full actuarial valuation was performed in respect of the Plan in September 2016. Following this valuation a new deficit recovery contribution schedule was agreed with the Trustee. Under this agreement, contributions of £2.25m per annum were payable by the Company. These contributions commenced on 1 July 2017, and rise by 3% per annum, with the first increase applied in July 2018. The agreement is for a period of 5 years 7 months until 31 January 2023, at which point the funding shortfall is expected to be eliminated. In addition, and consistent with previous practice, an annual allowance of £0.25m will be paid to the Plan towards the costs of its administration and management.

# Financial Review continued

Additionally, the Company is committed to funding agreed transfer values out of the Plan, at a funding rate of 50% of the transfer value. \$0.56m was paid in 2018 in respect of transfers out of the Plan.

## Cash flow

The Group had net cash of \$27.48m at 29 December 2018, a decrease of \$3.29m over the 30 December 2017 balance of \$30.77m.

Cash flow in the period is summarised as follows:

	2018 \$m	2017 (restated) <sup>†</sup> \$m
Underlying operating profit	45.36	42.03
Share option related charges	0.81	0.55
Depreciation and amortisation	2.65	2.51
Change in working capital	(3.19)	(0.46)
Capital expenditure	(2.86)	(2.36)
<b>Underlying operating cash flow</b>	<b>42.77</b>	42.27
Tax and interest	(7.62)	(12.87)
Defined benefit pension contributions	(3.93)	(3.67)
Own share transactions	(0.47)	(1.36)
Exceptional items	(0.05)	(0.05)
Exchange (loss)/gain	(1.01)	0.62
<b>Free cash flow</b>	<b>29.69</b>	24.94
Dividends to Shareholders	(32.98)	(15.85)
<b>Net cash (outflow)/inflow in the period</b>	<b>(3.29)</b>	9.09

<sup>†</sup> Underlying has been restated to include share option charges.

The Group's cash flow performance remained strong in 2018. The business model is efficient in working capital usage and typically has low fixed capital requirements. The operating cash conversion rate for the year was 94%.

\$29.69m of free cash flow was generated in the period (2017: \$24.94m), evidencing the beneficial effects of US tax reform.

Dividends to Shareholders includes the supplementary dividend of 60.00c per share paid in May 2018.

## Balance sheet and Shareholders' funds

Net assets at 29 December 2018 were \$43.27m, compared to \$42.09m at 30 December 2017. The balance sheet is summarised as follows:

	29 December 2018 \$m	30 December 2017 \$m
Non-current assets	25.73	25.88
Working capital	5.85	3.99
Net cash	27.48	30.77
Pension deficit	(15.02)	(18.11)
Other assets/(liabilities) – net	(0.77)	(0.44)
<b>Net assets</b>	<b>43.27</b>	42.09

Shareholders' funds increased by \$1.18m, comprising: net profit in the period of \$35.19m; \$(0.43)m of exchange losses; net \$nil of pension related movements; \$0.87m of net share option related movements; \$1.72m of proceeds from options exercised; \$(2.18)m relating to purchase of own shares; \$(32.98)m equity dividends paid to Shareholders; and an adjustment to opening net equity of \$(1.01)m arising from the implementation of IFRS 15 (see note 29).

## Balance sheet funding

The Board is committed to aligning the Group's funding with its strategic priorities. This requires a stable, secure and flexible balance sheet through the cycle. The Group will therefore typically remain ungeared and hold a net cash position.

The Board's funding guidelines aim to provide operational and financial flexibility:

- to facilitate continued investment in marketing, people and technology through different economic cycles, recognising that an economic downturn typically represents a market share opportunity for the business;
- to protect the ability of the business to act swiftly as growth opportunities arise in accordance with the Group's capital allocation guidelines;
- to underpin a commitment to Shareholders through the maintenance of regular interim and final dividend payments; and
- to meet our pension contribution commitments as they fall due.

The quantum of the net cash position target at each year-end will be influenced broadly by reference to the investment requirements of the business, and the subsequent year's anticipated full year ordinary dividend and pension payment obligations.

The Board will keep these guidelines under review and is prepared to be flexible if circumstances warrant.

## Capital allocation

The Board's capital allocation framework is designed to deliver increasing Shareholder value, driven by the execution of the Group's growth strategy. The Group's capital allocation priorities are:

### Organic growth investments

- Either capital projects or those expensed in the income statement
- Market share opportunities in existing markets

### Interim and final dividend payments

- Increasing broadly in line with earnings per share through the cycle
- Aim to at least maintain dividend per share in a downturn

### Residual legacy pension funding

- In line with agreed deficit recovery funding schedule
- Further de-risking initiatives, if viable

### Mergers & acquisitions

- Not a near-term priority
- Opportunities that would support organic growth

### Other Shareholder distributions

- Quantified by reference to cash over and above balance sheet funding requirement
- Supplementary dividends most likely method; other methods may be considered

## 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 may be taken out to buy or sell currencies relating to specific receivables and payables as well as remittances from overseas subsidiaries. There were no forward contracts open at the period end or prior period end. The Group holds the majority of its cash with its principal US and UK bankers.

The Group has \$20.5m of working capital facilities with its principal US bank, JPMorgan Chase, N.A. The interest rate is US\$ LIBOR plus 1.5%, and the facilities expire on 31 May 2020 (\$20.0m US facility)

and 31 August 2019 (\$0.5m Canadian facility). In addition, an overdraft facility of £1.0m, with an interest rate of bank base rate plus 2.0%, is available from the Group's principal UK bank, Lloyds Bank plc.

### Critical accounting policies

Critical accounting policies are those that require significant judgments 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.

### Brexit risk

The uncertainty surrounding the Brexit process is unhelpful. Overall, however, we consider that the nature and geography of the Group's operations, with 97% of the Group's revenue originating in North America, leave it in a strong position to absorb any negative effects.

The most likely impact – that from exchange rate volatility – is addressed in our risk matrix on page 21. We do not consider that Brexit creates any real change in the Group's principal risks and uncertainties, nor does it have any material effect on our evaluation of going concern or viability analysis elsewhere in this report.

Our UK business (3% of Group revenue) may be affected by any general economic malaise due to Brexit. In addition, if Brexit results in any significant depreciation in the value of Sterling, imported product would likely become more expensive, potentially squeezing margins or choking demand if price increases are passed on to customers. Also, under a "no deal" scenario suppliers may experience difficulties with imports held up at ports and sales to EU customers amounting to around £1m per year may become subject to tariffs, additional administration and resulting delays.

Our remaining legacy defined benefit pension liability could be negatively impacted if Brexit results in lower bond yields, affecting discount rate assumptions in the plan valuation, or leading to falls in the value of investments held in the plan.

### 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 31).
- The financial position of the Group, its principal risks and uncertainties, its cash flows, net cash position, borrowing facilities and policies for managing financial risk, which are described in this Financial Review and the Principal Risks & Uncertainties on pages 16 to 25.

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 UK Corporate Governance Code 2016, the Board has assessed the prospects and viability of the Group.

### Assessment of prospects

The Group's strategy, market position and business model, as set out on pages 8 to 15 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.

### 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 20 to 25. 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 on 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, that experienced 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 maintained at 2018 levels or higher. Revenue and profitability are clearly affected in this scenario, but the business retains a robust financial position 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 positive even under severe economic stress and able to continue investing in marketing, people and technology, which are 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.

### Non-financial reporting regulations

The table below sets out where stakeholders can find information in our Strategic Report relating to non-financial matters, as required by sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Section of the Annual Report	Page(s)
Environmental matters	Responsibility	30–31
Employees	Responsibility	26–28
Social matters	Responsibility	31
Human rights	Responsibility/Directors' Report	29–30, 37
Anti-corruption and anti-bribery	Responsibility	30
Business model	Business model	14–15
Non-financial KPIs	Strategic Objectives	8–11
Principal risks	Principal Risks and Uncertainties	20–25



# Principal Risks & Uncertainties

4imprint seeks to take a balanced approach to the risks and uncertainties that it faces.

## Risk appetite

4imprint's strategic objectives (see pages 8 to 11) revolve around market leadership and organic revenue growth ahead of the industry as a whole. The Board encourages an appetite for measured risk taking that contributes to both the operational agility and innovative culture that it believes is necessary to meet the Group's strategic objectives. That appetite is, however, tempered by risk identification, evaluation and management.

## Risk management process

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. A risk review is conducted by the Board at least annually, and evolving or urgent issues are discussed at regular Board meetings as and when appropriate.

## Emerging risks

It is important to note that business operations are conducted from centralised facilities in each territory, with short reporting lines. 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 below 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.

## Economic and market risks

### A Macroeconomic conditions

#### Description of risk

The business conducts most of its operations in North America and would be affected by a downturn in general economic conditions in this region or negative effects from tension in international trade. In previous economic downturns, the promotional products market has typically softened broadly in line with the general economy.

#### Potential impact

- Customer acquisition and retention could fall, impacting revenue in current and future periods.
- The growth and profitability levels called for in the Group strategic plan may not be achieved.
- Cash generation could be reduced broadly corresponding to a reduction in profitability.

#### Mitigating activities

- Management monitors economic and market conditions to ensure that appropriate and timely adjustments are made to marketing and other budgets.
- The customer proposition in terms of promotions, price, value and quality of product can be adjusted to resonate with customer requirements and budgets in the prevailing economic climate.
- The Group's balance sheet funding policy (see page 18) aims to provide operational and financial flexibility to facilitate continued investment in the business through different economic cycles.

#### Link to strategy

- Organic revenue growth
- Cash generation and profitability

#### Direction

- ↔ On a broad level market conditions to date have remained quite stable



## Economic and market risks continued

### B Competition

#### Description of risk

The promotional products markets in which the business operates are intensely competitive and the rapid development of internet commerce, digital marketing and online marketplaces may allow competitors to reach a broader audience. In addition, new or disruptive business models looking to break down the prevailing distributor/supplier structure in the promotional products industry may be developed by existing competitors or new entrants.

#### Potential impact

- 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.
- The Group's strategy based on achieving organic growth in fragmented markets may need to be reassessed.

#### Mitigating activities

- 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.
- Management closely monitors competitive activity in the marketplace.
- 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, and the causes of any negative indications are investigated and addressed rapidly.

#### Link to strategy

- Market leadership
- Organic revenue growth
- Cash generation and profitability

#### Direction

- ↔ The competitive landscape to date has been relatively consistent in our main markets

### C Currency exchange

#### Description of risk

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 dividends 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.

#### Potential impact

- The financial results of trading operations, and therefore overall profitability, may be negatively affected.
- The financial condition and cash position of the Group may differ materially from expectations. In an extreme scenario, the Group's strategic objectives around capital structure and core dividend commitments could be disrupted.

#### Mitigating activities

- 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.
- The Group can use forward contracts to hedge anticipated cash receipts from its overseas operations, giving some certainty of amounts receivable in Sterling.

#### Link to strategy

- Cash generation and profitability
- Capital structure
- Shareholder value

#### Direction

- ↑ Political instability, interest rate policy (US) and Brexit concerns (UK) may lead to increased volatility in currency markets

# Principal Risks & Uncertainties continued

## Operational risks

### D Business facility disruption

#### Description of risk

The 4imprint 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 internet/telecommunication failure.

#### Potential impact

- 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.
- The Group's reputation for excellent service and reliability may be damaged.

#### Mitigating activities

- Back-up and business continuity procedures are in place to ensure that customer service disruption is minimised. This includes customer service resource based at a separate location and team members working from home.
- Websites are cloud-based, and data is backed up immediately to off-site servers.
- Relationships are maintained with third party embroidery contractors to provide back-up in the event of facility unavailability.

#### Link to strategy

- Market leadership
- Organic revenue growth
- Cash generation and profitability

#### Direction

-  No significant change in the nature or likelihood of these risks

### E Disruption to the product supply chain or delivery service

#### Description of risk

As a consequence of the Group's 'drop-ship' distribution model, trading operations could be interrupted if: (i) the activities of a key supplier were disrupted and it was not possible to source an alternative supplier in the short term; or (ii) the primary parcel delivery partner used by the business suffered significantly degraded service levels. As the Group continues to grow, the volume of orders placed with individual suppliers becomes significant.

#### Potential impact

- Inability to fulfil customer orders would lead to lost revenue and a negative impact on customer acquisition and retention statistics.
- The Group's reputation for excellent service and reliability may be damaged.

#### Mitigating activities

- 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.
- Wherever possible, relationships are maintained with suitable alternative suppliers for each product category.
- Secondary relationships are in place with alternative parcel carriers.

#### Link to strategy

- Market leadership
- Organic revenue growth
- Cash generation and profitability

#### Direction

-  Risk inherent in increasing supplier concentration

## Operational risks continued

### F Disturbance in established marketing techniques

#### Description of risk

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:

*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.

*Online:* Search engines are an important source for channelling customer activity to 4imprint's websites. The efficiency of search engine marketing could be adversely affected if the search engines were to modify their algorithms or otherwise make substantial changes to their practices.

#### Potential impact

→ 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 customer acquisition and retention 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.

#### Mitigating activities

→ *Offline:* Developments in the US Postal Service are closely monitored through industry associations and lobbying groups. Alternative parcel carriers are continuously evaluated.

→ *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.

→ The Marketing team constantly tests and evaluates new marketing techniques and opportunities in order to broaden the overall marketing portfolio and to reduce the dominance of any one constituent element. An example is the brand marketing campaign launched during 2018.

#### Link to strategy

→ Market leadership  
→ Organic revenue growth  
→ Cash generation and profitability

#### Direction



Successful marketing diversification in 2018 via the introduction of the brand marketing investment

### G Reliance on key personnel

#### Description of risk

Performance depends on the ability of the business to continue to attract, motivate and retain key staff. These individuals possess sales and marketing, merchandising, supply chain, IT, financial and general management skills that are key to the continued successful operation of the business.

#### Potential impact

→ 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.

#### Mitigating activities

→ The business is proactive in aiming to deliver a first class working environment. In addition, competitive employment terms and incentive plans are designed with a view to attracting and retaining key personnel.

#### Link to strategy

→ Market leadership/revenue growth  
→ Cash generation and profitability  
→ Shareholder value

#### Direction



The business has been able to attract and retain appropriate talent

# Principal Risks & Uncertainties continued

## Technological risks

### H Failure or interruption of information technology systems and infrastructure

#### Description of risk

The business is highly dependent on the efficient functioning of its IT infrastructure. An interruption or degradation of services at any 4imprint operational facility would affect critical order processing systems and thereby compromise the ability of the business to deliver on its customer service proposition.

#### Potential impact

- In the short term, orders would be lost and delivery deadlines missed, decreasing the efficiency of marketing investment and impacting customer acquisition and retention.
- Revenue and profitability are directly related to order flow and would be adversely affected as a consequence of a major IT failure.
- Depending on the severity of the incident, longer term reputational damage could result.

#### Mitigating activities

- 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.
- Back-up and recovery processes are in place, including immediate replication of data to an alternative site, to minimise the impact of information technology interruption.
- Cloud-based hosting for eCommerce and other back end functionality.

#### Link to strategy

- Market leadership
- Organic revenue growth
- Cash generation and profitability

#### Direction

- ↔ The IT platform is mature, and performance has been efficient and resilient

### I Failure to adapt to new technological innovations

#### Description of risk

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.

#### Potential impact

- If the business fails to adapt to new technologies and therefore falls behind in the marketplace, it may fail to capture the number of new customers and retain existing customers at the rate required to deliver the growth rates called for in the Group's strategic plan.

#### Mitigating activities

- Management has a keen awareness of the need to keep pace with the rapidly changing and continuously evolving technological landscape.
- 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.

#### Link to strategy

- Market leadership
- Organic revenue growth

#### Direction

- ↔ Innovation remains a priority

## Technological risks continued

### J Security of customer data

#### Description of risk

Unauthorised access to and misappropriation of customer data could lead to reputational damage and loss of customer confidence. This is a rapidly changing environment, with new threats emerging on an almost daily basis.

#### Potential impact

- 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.
- An event of this nature might result in significant expense, impacting the Group's ability to meet its strategic objectives.

#### Mitigating activities

- The business employs experienced IT staff whose focus is to mitigate IT security violations. Investment in software and other resources in this area continues to be a priority.
- Due to the ever-evolving nature of the threat, emerging cyber risks are addressed by the IT security team on a case-by-case basis.
- 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.

#### Link to strategy

- Cash generation and profitability
- Shareholder value

#### Direction

-  The general incidence and publicity around cyber-crime continues to increase



# Responsibility



Collaborating  
to deliver great  
customer service



## Principles and values

The 4imprint Board believes that a strong and principled approach to corporate responsibility is fundamentally important to our present and future success. Our values are firmly grounded in the broad principles set out in our statement of corporate purpose (see page 5).

Our culture encourages responsible practice at all levels of the organisation and presents clear guiding principles that drive ethical interactions with, and outcomes for, our key stakeholders.

Our guiding principles are further expressed via **“The Golden Rule” – treat others as you would wish to be treated yourself**. This mind-set is evident across the business: in our customer service proposition and guarantees; in our product sourcing initiatives; in the way that our team members interact with our customers, our supplier partners and with each other; in the way that we engage in our communities; and in our respect for the environment.

We are pleased to remain a constituent company in the FTSE4Good Index Series, the global responsible investment index designed to identify companies that demonstrate strong environmental, social and governance (ESG) practices, measured against globally recognised standards.

## Our people and culture

Our primary strategic objective (see page 8) specifically identifies investment in our people as a key driver of competitive advantage. We are committed to a culture that encourages the training, development, wellbeing and participation of every team member.

Business objectives and performance updates are shared with team members via quarterly briefings, and everyone participates in a quarterly “gain share” bonus plan that is based on the achievement of tangible, clearly communicated performance targets.

We strongly support a lifetime of learning. Training of new team members covers job-specific skills, other soft skills and a grounding in the 4imprint philosophy. Existing team members are regularly offered ongoing training opportunities in a variety of subjects, some directly business-related, and others aimed towards personal development, wellness initiatives and general education. Throughout the year we offer more than 200 training classes, many of which are taught by faculty members from local universities and colleges. The pursuit of external educational opportunities and professional qualifications is also encouraged through our popular tuition reimbursement programme.

nationality, age, gender, sexual orientation, religion, race, ethnicity or disability. We recognise our responsibility to disabled persons and endeavour to assist them to make their full contribution at work. Where team members become disabled, every practical effort is made to allow them to retrain for suitable alternative work.

The Group employs around 1,050 people, 74% of whom are female. One third of the North American executive team and two thirds of the UK senior team are female. As at 29 December 2018 the Board had no female members, and one of six Board members (16%) is a non-UK national.

2018 was the eleventh consecutive year that the North American operation has been included on the prestigious Great Places To Work list of the Best Medium Sized Workplaces in the USA. Our UK-based business maintains its Investors in People accreditation. We are very proud of these accolades, which are emblematic of team members who go above and beyond every day to help each other, to provide our customers with remarkable service and to give back to their communities because they know and believe that it is the right thing to do.

The welfare of our team members is further addressed through a competitive benefits package, including strong medical, dental and pension offerings. In addition, many workplace perks are available, and our team members organise fun events based around themes such as Customer Service Week, retaining our position on the Great Places To Work list, and celebrating new orders received records.

We understand the importance and beneficial effect of diversity within our team, and we aim to foster a culture that recruits, develops and promotes team members regardless of background. We are committed to the principle of equal opportunity in employment, and no applicant or employee receives less favourable treatment on the grounds of



Celebrating milestones



# Responsibility continued

## Health and safety

A proactive approach to health and safety is an important aspect of the 4imprint workplace. Desk-based ergonomics and best practice protocols in the office environment along with the operation of machinery and material handling at our distribution centre are key areas of emphasis in promoting a safety culture. Incidents or near misses are closely tracked, and a Safety Committee meets on a regular basis to consider future improvements based on experience and analysis of the data, or to ensure that we are fully compliant with changing regulatory requirements. In addition, we benefit from a fresh, external perspective through working closely with risk managers and loss control specialists from our property and casualty insurance carriers.

Workplace safety received particular emphasis in 2018 at our Oshkosh distribution centre. It is now the first topic at daily morning management meetings, ensuring that issues or incidents are addressed immediately. Periodic business update meetings for all team members also place safety front of mind by beginning with updates, injury

and near miss statistics and related discussion. All employees attend training at least annually covering plant evacuation procedures, severe weather shelter, blood-borne pathogens, fire extinguisher use and Material Safety Data Sheets. No safety detail is considered too small – for example, older table-top tape dispensers were replaced in 2018 with safer, better-guarded dispensers as a result of reviewing minor laceration injuries and near misses.

We have an extensive employee wellness programme, including an on-site medical clinic at both sites in the US operation. As well as increasing productivity and being cost-effective for the company, the clinic offers great convenience and has proved very popular with employees: basic medical services such as flu shots, blood draws or consultation with a nurse or nurse practitioner on minor conditions can take 15 minutes compared to hours spent travelling to and attending an external medical facility. Other extensively used on-site offerings include physical therapy, nutritional/dietary advice and smoking cessation support.

*On-site medical clinic in Oshkosh*





*Product tested for safety  
and sourced ethically in partnership  
with our tier 1 suppliers*



### Product and supply

Our direct tier 1 suppliers are based in the USA and Canada for the North American business, and in the UK and EU for the UK/Ireland business. Therefore, our supply base is essentially domestic, with our suppliers taking care of the importing/manufacture, inventory management and printing capabilities required to ship thousands of orders on a daily basis.

We are acutely aware, however, that our end-to-end supply chain is a long and complex one that extends far beyond our domestic supply partners across the globe to the tier 2 manufacturers of the base product and ultimately to tier 3 suppliers of raw materials or components. As such, our business activities can have a significant impact at many levels. Our intention is to make that impact positive from a social, economic and environmental perspective.

To set the tone, the Board has developed, approved and issued a social and ethical policy. The purpose of this policy is to set broad guidelines within which the Group should conduct its business operations in accordance with best practice and in compliance with relevant legislation and to embed human rights and ethical practices throughout our value chain.

These broad principles are reinforced in our "4imprint Supply Chain Code of Conduct". This is based on the International Labour Organisation's "Declaration on Fundamental Principles and Rights at

Work" and the Fair Labor Association's "Principles of Fair Labor and Responsible Sourcing". The 4imprint Supply Chain Code of Conduct is fully aligned with the FLA's Workplace Code of Conduct including the new code element on Fair Compensation. 4imprint team members are actively involved in the FLA's activities.

At the operational level, this means that 4imprint's goal is to work with tier 1 suppliers who are diligent in managing their sourcing practices and selecting tier 2 manufacturing facilities, who commit to ensuring safe working environments where employees are adequately compensated and who are able to develop the necessary manufacturing, design and quality capabilities. These ethical sourcing expectations are communicated and reviewed through our document "4imprint's Expectations of Supplier Factory & Product Compliance", signature of which reaffirms the supplier's commitment to these principles within their own organisation and supply base. In addition, 4imprint representatives are actively involved in our US trade association, Promotional Products Association International, in particular with its leadership and training programme in supply chain management.

In support of our supply chain expectations, our product sourcing professionals schedule regular visits to both domestic tier 1 supplier facilities and to offshore tier 2 factories where the base product is manufactured. In addition, we conduct

a programme of independent audits of offshore manufacturing facilities in conjunction with our key suppliers. Our preference is to work with suppliers and manufacturers on areas of concern and to develop a corrective action plan, although ultimately business would be re-sourced if compliance is not achieved.

Underpinning all of our product supply efforts is our aim to match remarkable customer service with great products that meet functional, environmental and safety standards in each market of distribution. Our internal supply chain compliance team works to stay abreast of current and developing standards as set by the regulatory bodies and liaises with our supplier partners to manage and validate product testing and other quality assurance procedures.

### Ethical practices

We do not tolerate discrimination, harassment, bullying or abuse; we comply with wage and working condition and time laws; we do not tolerate forced labour or child labour; and (subject to the legislation applicable in the country of operation) it is our policy that all workers shall have the right to form or join a trade union and bargain collectively.

Our Modern Slavery Statement describes the activities we are undertaking to prevent slavery and human trafficking in our business operations and supply chain, in line with section 54 of the UK Modern Slavery

## Responsibility continued

Act 2015. Our Modern Slavery Statement and further details of our social and ethical and corporate responsibility policies are available on <https://investors.4imprint.com/>.

Bribery and corruption are not tolerated in our business operations or in our supply chain. Our "Anti-bribery, financial crime and sanctions policy" sets out our high standards of ethics and compliance across all aspects of our business and provides detailed guidance on facilitation payments, gifts and hospitality and relationships with third parties, as well as on money-laundering and sanctions regimes. The policy applies to all relevant employees and workers of 4imprint regardless of the jurisdiction in which they operate. That policy, together with our employee handbooks, establish clear systems and controls to ensure effective implementation. We encourage an open and transparent culture and have a robust whistleblowing policy which is communicated to all employees.

### Environmental matters

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. The management teams in both the North American and UK businesses assess and monitor the potential impact of operations on the environment. Sustainability, energy consumption and waste management are key areas of focus.

We are aware that some of the products that we sell are produced using plastics and other potentially non-recyclable materials. These products are common in the promotional products industry, and as such it is currently impractical for 4imprint to put in place a blanket exclusion of such items from the product range. That said, sustainability considerations feature at several levels in our merchandisers' product decisions:

- Consistent with our corporate purpose, our products are designed to promote our customers' messages time after time through repeated usage and impressions. In other words, products should be lasting rather than throw-away. Multi-use products such as reusable shopping tote bags are a good example. Only 1.5% of our revenue is from products such as sweets, chocolate and catering supplies that would be considered disposable.
- Our largest product category, apparel, is potentially the most harmful to the environment from a downstream manufacturing perspective due to water consumption and the possibility of poor effluent management. More than 60% of 4imprint's apparel revenue is sourced

from suppliers and brands who are actively involved in the Sustainable Apparel Coalition and committed to products with a high sustainability rating.

- The plastic water bottle category is a large and important category. Around 60% of revenue for these products is in the most widely accepted #1 or #2 recycling categories. This includes our own-label reFresh® brand.

The importance of sustainability factors varies from customer to customer, depending on their product or marketing requirements but also on local recycling facilities and regulations. We therefore use several mechanisms to make it easy for customers to segment products from a sustainability or 'eco' perspective – for example, website search functionality by recycling code, ability to be recycled, produced from organic materials, biodegradability, compostability, and manufactured using recycled materials.

Over the last few years environmental and sustainability initiatives have become much more important in our day-to-day business operations.

In North America printed marketing materials such as catalogues use paper sourced from sustainable forests, conforming to Forestry Stewardship Council (FSC) requirements. In the UK our catalogue mailings meet the Royal

Mail's Responsible Mail criteria, based on sourcing paper from recycled/sustainable sources, elimination of polywrap and robust suppression procedures.

Internally, we have a committee on sustainability in the Oshkosh business under the acronym SMART – (Sustainability. Making A Renewable Tomorrow). This initiative has been supported enthusiastically throughout the business, especially in discussion forums on our in-house social media platform. Many projects and ideas have come to fruition, varying in scope and nature, but all with an emphasis on sustainability. Some examples are:

- Full roll-out of a major upgrade in the recycling of waste materials across the business, taking advantage of advanced single stream recycling capability. This has had a beneficial effect in terms of diversion of waste from the landfill: trash pickups from the distribution centre have been halved and landfill waste per employee at the main office significantly reduced.
- Installation of LED lighting at the distribution centre, with the LED fixtures using around 50% less energy than the fluorescent bulbs that they replaced. In the first full year of operation we reduced electricity consumption by 444,000 kWh,

*Embroidery backing  
diverted from landfill waste  
to make fuel pellets*







even with more equipment and more burn time. LED fixtures are essentially maintenance-free, last around five times longer and have a much smaller environmental impact than fluorescent bulbs.

- In April 2018, as part of the 'Adopt a Highway' programme, 4imprint adopted a two mile stretch of highway in Oshkosh. Clean-up events have so far removed over 300 lbs of waste from the local environment.
- Also in April 2018 the SMART team offered our team members a choice of a seed packet or a tree seedling to celebrate Earth Day/Arbor Day. Over 600 employees participated in the event.
- In 2018 we launched a recycling project to turn embroidery backing waste product into fuel pellets. We estimate that this initiative will divert around 60,000 lbs of waste from the landfill on an annualised basis.

### Social matters Community involvement

Team members are given paid time off to be used specifically for volunteering for a local charity or non-profit organisation of their choice. 4imprint is actively involved in its local communities in many other ways, for example in team sponsorships, student scholarships at local colleges, product donations for events such as fun runs, 5Ks and marathons, and encouragement of team members to participate on volunteer boards and committees.

4imprint is a major sponsor of the Oshkosh-based Wisconsin Herd, the NBA G League affiliate of the Milwaukee Bucks NBA team. The recent establishment of the team and construction of an arena in Oshkosh was a significant achievement for the local community, and we were pleased to help not only financially but also through donation of uniforms for employees, promotional items and support for other special events.

*Imprinted tumblers and aprons helping Regina students feed families in need*

### Charitable giving

Our North American business operates its "one by one®" charitable giving programme which reflects our culture and principles. Each business day we donate at least three \$500 grants to non-profit organisations. These grants are to be used on promotional products to help spread the word, recruit volunteers or thank donors. In 2018, there were 3,662 applicants, with 1,076 grants awarded. The total value of "one by one®" grants awarded was more than \$500,000.

Our UK business has its own charitable giving initiative, "Helping Hand", which also aims to use the power of promotional products in the support of good causes.

The Strategic Report was approved by the Board on 5 March 2019.

**Kevin Lyons-Tarr**  
Chief Executive Officer

**David Seekings**  
Chief Financial Officer

# Board of Directors



## P.S. Moody

### Non-Executive Chairman

Appointed as Non-Executive Director in February 2016 and became Non-Executive Chairman in December 2016.

#### Skills and experience

Paul is currently Non-Executive Chairman of Card Factory plc and is also a Non-Executive Director of Pets at Home Group plc. He was previously Non-Executive Chairman of Johnson Service Group plc and has extensive public company experience, spending 17 years at Britvic plc, including the last eight of these 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.



## K. Lyons-Tarr

### Chief Executive Officer

Appointed as Executive Director in June 2012 and became Chief Executive Officer in March 2015.

#### Skills and experience

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

Appointed as Corporate Services Director and Legal Counsel in November 2004.

#### Skills and experience

Andrew has an MBA from Warwick University and, since qualifying as a solicitor in 1980, 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.



### D.J.E. Seekings

#### Chief Financial Officer

Appointed as Chief Financial Officer in March 2015.

#### Skills and experience

David 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

Appointed as Non-Executive Director in June 2012.

#### Skills and experience

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 its major pension issues.

#### Committees

Audit Committee (Chairman)  
 Remuneration Committee  
 Nomination Committee



### C.J. Brady

#### Independent Non-Executive Director

Appointed as Non-Executive Director in June 2015.

#### Skills and experience

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).

#### Committees

Audit Committee  
 Remuneration Committee (Chairman)  
 Nomination Committee (Chairman)

# Directors' Report

The Directors present their report and the audited consolidated and Company financial statements for the period ended 29 December 2018. The Company's Statement on Corporate Governance is included in the Corporate Governance section on pages 36 and 37 of this Annual Report. The Statement on Corporate Governance 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. It is limited by shares. Its registered office is 25 Southampton Buildings, London WC2A 1AL.

## Dividends

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

An interim dividend of 20.80c (15.85p) per ordinary share was paid on 18 September 2018 and the Directors recommend a final dividend of 49.20c (37.30p) per share. The proposed final dividend, if approved, will be paid on 15 May 2019 in respect of shares registered at the close of business on 5 April 2019.

The total distribution paid and recommended for 2018 on the ordinary shares is \$19.6m or 70.00c (53.15p) per share (2017: \$32.3m or 118.10c (85.75p) per share, including a 60.00c supplementary dividend).

## Cross-reference to Strategic Report

The Strategic Report is set out on pages 6 to 31 of the Annual Report. It includes the Chief Executive's Review and Financial Review, which contain information and disclosures concerning the Group's financial performance and position, future prospects, key performance indicators, principal risks and uncertainties, risk management objectives and policies, going concern and viability.

In addition, the Responsibility section, which is included within the Strategic Report, contains information in respect of the Group's approach to social and ethical responsibility, the environment, health and safety, diversity, disabled persons and employee welfare. These elements of the Strategic Report are incorporated into the Directors' Report by cross-reference.

## 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 32 and 33. The Directors served throughout the period ended 29 December 2018 and up to the date of signing of these financial statements.

The interests of the Directors in the shares of the Company are shown on page 51.

None of the Directors, nor their associated companies, nor any members of their families, had any interest either during or at the end of the period ended 29 December 2018 in any contract with the Company or its subsidiaries requiring disclosure under Sections 197, 198, 200, 201 and 203 of the Companies Act 2006.

## Share capital

The Group's objective for managing capital is described in note 20.

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

## Rights and obligations attaching to shares

Subject to applicable statutes and other Shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or, if there is no such resolution or in so far as it does not make specific provision, as the Board may decide. 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 2018 and up to 5 March 2019 in respect of Mr. A.J. Scull. Since 2008 qualifying third party indemnity agreements have also been signed by the Company in respect of 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 to the Board of Directors.

## Shares held in trust for employee share schemes

The trustees of the 4imprint 2012 Employee Benefit Trust may vote or abstain from voting on shares held in the trust in any way they consider appropriate.

## Significant agreements

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

## Remuneration report

Details of the procedures and guidelines used by the Remuneration Committee in determining remuneration are outlined in its report on pages 46 and 47.

## Purchase of own shares

Following approval at the 2018 AGM of Resolution 16, the Company is authorised, generally and without conditions, to make market purchases, as defined in the Companies Acts, of its ordinary shares of 38  $\frac{6}{13}$  pence subject to the provisions set out in such Resolution. This authority applies from 8 May 2018 until the earlier of the end of the 2019 AGM or 7 August 2019 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 the Employee Benefit Trust purchased 88,000 (2017: 56,675) ordinary shares.

## Waiver of dividends

The dividend income in respect of the 55,734 shares (2017: 72,186 shares) held in the 4imprint 2012 Employee Benefit Trust has been waived at the date of this report.

## Environment and sustainability

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. Further information about the Group's environmental and sustainability policy is set out in the Responsibility section, on pages 30 and 31.



## Greenhouse gas emissions report

Global greenhouse gas ("GHG") emissions data for the period	Tonnes of carbon dioxide equivalent	
	2018	2017
Combustion of fuel and operation of facilities (Scope 1)	9	7
Electricity, heat, steam and cooling purchased for own use (Scope 2)	2,818	3,261
Emissions intensity per thousand dollars of revenue	0.004	0.005

The emissions data set out above relates to the operations of the Group for the period ended 29 December 2018.

### 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 2018, except for electricity usage in the USA where EPA conversion factors were used.

### Political donations

No political donations were made in the period ending 29 December 2018 or prior period.

### Annual General Meeting

Notice of the AGM is set out in a separate document. Items of special business to be considered at the AGM are described in detail in the Notice of the AGM and the notes on the business to be conducted.

### Independent auditors

PricewaterhouseCoopers LLP ("PwC") will stand down as external auditors following the 2018 year-end audit. Following a competitive tender process, a resolution to appoint Ernst & Young LLP ("EY") as independent external auditors will be proposed at the 2019 AGM, together with a resolution granting the Directors the authority to determine EY's remuneration. Further information about the audit tender process is set out on page 42.

### Directors' statement as to disclosure of information to independent 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 and signed on its behalf by

**Andrew Scull**  
Company Secretary  
5 March 2019

# Statement on Corporate Governance

The disclosures required by company law in respect of the Takeover Directive in relation to the Group's capital structure are included in the Directors' Report on page 34.

For the year ended 29 December 2018, the Board considers that the Company has complied with the provisions of The UK Corporate Governance Code 2016 (the "Code") which applied during the year. The Code is publicly available on the Financial Reporting Council's ("FRC") website, [www.frc.org.uk](http://www.frc.org.uk).

The Board notes the publication by the FRC of a new corporate governance code on 16 July 2018 (the "Revised Code"), which will apply to accounting periods beginning on or after 1 January 2019. The Board supports the focus that the Revised Code places on relationships with employees, Shareholders and other stakeholders, and it is the Board's current intention to apply, and comply with, the provisions of the Revised Code for the year ending 28 December 2019.

## 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. To that end, the Board has created an ongoing system of internal control, the effectiveness of which it reviews on a regular basis. The aim of this system is to manage and mitigate (rather than eliminate) the risk of any failures to meet business targets and can only provide reasonable and not complete assurance against such failures.

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 reconsidered and approved by the Board at its meeting on 11 December 2018. The schedule includes: 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 ending 29 December 2018 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 described in the Principal Risks & Uncertainties section on pages 20 to 25.

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 page 19.

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 a Director and Company Secretary of 4imprint 2016 Pension Trustee Company Limited, which administers the legacy defined benefit pension scheme.

Specific responsibilities have been delegated to Board Committees which have access to independent expert advice at the Group's expense. The details of the Board Committees and their activities are set out on pages 38 to 46.

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 and may address issues to the Senior Independent Non-Executive Director, if required.

At the period end the Board consisted of the Non-Executive 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 2018 included:

- review and approval of full year and half year results;
- review and approval of the 2019 budget and three year plan;
- approval of dividends paid in 2018;
- review of principal risks and uncertainties;
- review of the Group's key governance policies and procedures;
- receipt and review of reports on regulatory matters, including, for example, health, safety and environmental issues;
- receipt of post-meeting reports from the Chairs of the Remuneration, Nomination and Audit Committees;
- site visit to the Oshkosh operation; and
- audit tender exercise.

The current Non-Executive Directors have letters of appointment for three years from 11 June 2018 for Mr. J.A. Warren, 11 June 2018 for Mr. C.J. Brady and 1 February 2019 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 reconsidered by the Board at its meeting on 11 December 2018 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.

Evaluations of the effectiveness of the Board and of its Committees, which were undertaken during the five years ending 30 December 2017 were undertaken, internally, through a process conducted by

the Non-Executive Directors, assisted by the Company Secretary. The questions asked during the process were based on matters set out in the Code and topics considered included the composition of the Board and its Committees, the effectiveness of Board and Committee Meetings, strategy, leadership and succession. The results of those evaluations highlighted the particular significance of strategy development and delivery, succession planning and strengthening of the senior management team in preparation for the continued growth of the business. Those issues have been addressed in 2018 and will be kept under review. Against that background, no internal or external evaluation was undertaken during 2018, but the programme of evaluation is scheduled to continue in 2019.

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 <sup>(i)</sup>	Remuneration Committee meetings <sup>(i)</sup>	Nomination Committee meetings
Mr. P.S. Moody	7	4*	1*	1*
Mr. K. Lyons-Tarr	7	2*	1*	1*
Mr. A.J. Scull	7	4*	1*	1*
Mr. D.J.E. Seekings	7	4*	1*	1*
Mr. C.J. Brady	7	4	1	1
Mr. J.A. Warren	7	4	1	1

\* By invitation.

(i) None of the Executive Directors were present at the time at which the Remuneration Committee considered and made decisions regarding the remuneration of the Executive Directors.

(ii) Two of these meetings were related to the audit tender process.

### 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.

### Engagement with Shareholders and other stakeholders

The Board is committed to its responsibilities to its stakeholders, including Shareholders, employees, customers and suppliers, and strives to ensure effective engagement with, and encourage participation from, each of these groups. The Directors are mindful of these responsibilities and consider them as part of their decision-making processes.

### Relations with Shareholders

#### Substantial interests

At 29 December 2018 the Company had been notified of the following interests in the issued ordinary share capital of the Company:

	Number of shares	%
Standard Life Aberdeen Plc	3,440,178	12.25
BlackRock Inc.	3,371,558	12.00
FIL Limited	1,160,653	4.13
Montanaro Asset Management	1,145,588	4.08
AXA Investment Managers	907,857	3.23
Invesco Perpetual Asset Management	847,147	3.02

The Company has received notifications of changes in holdings since 29 December 2018 from BlackRock Inc. and Standard Life Aberdeen Plc. Their holdings are now 3,492,169 and 3,485,319 respectively.

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 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 information provided on the 4imprint corporate website, investors.4imprint.com, and through the provision of the Annual 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.

### Employees

The Group recognises the great importance of all those who work for it and is committed to nurturing their talent and maintaining their confidence in the Group. Further information about our people and culture is provided in the Responsibility section on pages 26 to 28.

### Customers

The Group's purpose (page 5) revolves around delivering positive outcomes for its customers. As such the Board encourages the prioritisation of excellent customer service as a cornerstone of the 4imprint culture.

### Suppliers

As a function of the 4imprint business model, the Group's suppliers are a critical element in its ability to deliver on its customer proposition. The Board therefore encourages a spirit of partnership and fairness in all supplier relationships and recognises the importance of suppliers as stakeholders in the business.

### Share capital

Details of the Company's share capital are provided in the Directors' Report on page 34.

### Going concern

The going concern statement is on page 19.

### Modern slavery

The Board is committed to guarding against any form of modern slavery or human trafficking taking place in any part of its business operations or in the Group's supply chains. The Board's social and ethical policy sets broad guidelines within which the Group should conduct its business operations. The application of this policy is discussed in more detail under the 'Product and supply' heading of the Responsibility section on page 29. More specifically, the Board has issued a Modern Slavery Statement, available on the Company's website, which further articulates the Group's stance on supporting and enforcing the provisions of the Modern Slavery Act 2015.

# Nomination Committee Report



## Committee members

	Number of meetings held
C.J. Brady (Chairman)	1
J.A. Warren	1

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

### Responsibilities of the Nomination Committee

The responsibilities of the Nomination Committee include: (i) reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any adjustments that are necessary; (ii) identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise; and (iii) putting in place plans for succession at Board level. The Nomination Committee ensures that directors are appointed to the Board on merit, against objective criteria and with due regard to ensuring that the Board shows a balance of skills, knowledge and experience. The Nomination Committee has terms of reference which were reconsidered and approved by the Board of the Company at its Board meeting on 11 December 2018. These terms of reference are available for inspection at the Company's registered office during normal business hours.

### Main activities of the Nomination Committee during the period ended 29 December 2018

The Nomination Committee's principal activities during the year included:

- regular review and discussion with the Executive Directors and senior management on talent management and succession planning at various levels throughout the Group;
- review of the composition of the Board, including both executive and independent non-executive directors. As a result of such review, the Committee considered that it would be appropriate to appoint an additional Non-Executive Director. Accordingly, a search process, using external recruitment consultants, was commenced in October 2018. It is anticipated that such additional appointment will be announced by the end of April 2019; and
- review of the executive and senior management team based at the Oshkosh site in the USA, and the strengthening of that team.

### Diversity Policy

The Committee 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 Group's senior management.

The Committee understands the importance and beneficial effect of diversity within the workforce and aims to foster a culture that recruits, develops and promotes team members at all levels regardless of background. The Group is committed to promoting the principle of equal opportunity and to combatting discrimination throughout its workforce as well as in senior management, and no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, sexual orientation, religion, race, ethnicity or disability. The Group recognises its responsibility to disabled persons and endeavours to assist them to make their full contribution at work.

The Committee'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. The Committee agrees that it is appropriate that it should seek to have diversity on its Board; however, 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.

More information about the Company's people and culture can be found in the Responsibility section on pages 26 and 27.



### 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 he or she: (a) resigns or offers to resign and the Board resolves to accept such offer; (b) is, or has been, suffering from mental ill health; (c) becomes bankrupt or compounds with creditors generally; (d) is prohibited by law from being a Director; (e) ceases to be a Director by virtue of the provisions of the Companies Act; or (f) is removed from office pursuant to the Articles of Association.

### Independence of Directors

The Code recommends that public companies below the FTSE 350 should have at least two independent non-executive directors, meaning that those directors should be independent in character and judgment, and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment. The independent directors play a key role in ensuring the maintenance of high business standards, assist in the formation of strategy and provide a constructive and experienced perspective on the Board. The Board considers that J.A. Warren and C.J. Brady are independent for the purposes of the Code. The Board reviews the independence of Non-Executive Directors on an ongoing basis.

All Non-Executive Directors have written letters of appointment. The terms and conditions for the appointment of Non-Executive Directors are available for inspection at the Company's registered address (during normal working hours) on request.

### 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 Non-Executive Chairman of the Company is usually invited to attend formal meetings of the Committee. Executive Directors may be invited to attend meetings of the Nomination Committee, as may the Corporate Services Director in his capacity as Company Secretary.

### Meetings of the Nomination Committee

The Nomination Committee meets as frequently as is required to fulfil its duties. When there are no specific decisions or recommendations to be made, the Chairman of the Committee consults the other member of the Committee as necessary. During the period ended 29 December 2018 there was one meeting of the Nomination Committee.

### C.J. Brady

#### Chairman of the Nomination Committee

5 March 2019

# Audit Committee Report



## Committee members

	Number of meetings held
J.A. Warren (Chairman)	4
C.J. Brady	4

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 reconsidered and approved by the Board at its meeting on 11 December 2018. 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 financial statements;
- 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 in particular from current roles as Chairman of the Audit Committee at Bloomsbury 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 are, from time to time, the Chief Executive Officer, the Corporate Services Director and the Group Financial Controller. The Corporate Services Director attends meetings of the Audit Committee in his capacity as Company Secretary.

### How the Audit Committee discharges its responsibilities

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

The Audit Committee meets at least twice each year and has an agenda linked to events in the Group's financial calendar. In addition to meetings held for the purpose of the audit tender process (described on page 42), the Audit Committee met twice during 2018.

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 financial statements and proposed changes to them; and
- significant accounting issues and areas of judgment 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 auditors' objectivity and independence would be put at risk.

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 auditors' objectivity and independence. This process includes discussion with the audit partner at PricewaterhouseCoopers LLP. The matter is then referred to the Audit Committee for approval, prior to commissioning.

During 2018, the Group's auditors provided no non-audit services to the Group.

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.

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

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

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

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

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

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter for the forthcoming year;
- the external auditors' overall work plan for the forthcoming year;
- the external auditors' fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgments;
- 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 29 December 2018**

During the period ended 29 December 2018, the Audit Committee's business has included the following items:

- consideration and approval of half year results;
- consideration and approval of full year results;
- principal judgmental accounting matters affecting the Group based on reports from both the Group's management and the external auditors;
- review of external audit plans and reports;
- the audit tender process (described in more detail on page 42);
- consideration of fraud and loss prevention measures in the Group;
- consideration and approval of risk assessments relating to the Group's businesses; and
- specific investigations as required.

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

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

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

Specific areas of audit and accounting judgment 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 17 to the financial statements, which includes the key period end assumptions on page 78 and the sensitivities on page 80.

# Audit Committee Report continued

## Supplier rebates

As in previous years, the businesses accrued rebates due 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 judgments 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 for the period ended 29 December 2018 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 judgments made by management are reasonable and that appropriate disclosures have been included in the financial statements.

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

- the financial statements appropriately address the critical judgments and key estimates both in respect of the amounts reported and the 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 Annual Report and Accounts were fair, balanced and understandable the Committee considered:

- any feedback provided by Shareholders on the Group's 2017 Annual Report and Accounts and trading updates, and information received by the Board throughout the period;
- the processes underpinning the compilation of the Annual Report and the Group's reporting governance framework; and
- the reviews and findings of the Group's external auditors.

## External auditors and audit tender process

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

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

However, as noted in the Company's Annual Report and Accounts 2017, the Committee has noted the guidance from the FRC and changes in the EU to the regulatory framework and, accordingly, a tender process was conducted during 2018 with a view to appointing new auditors for the financial period ending 28 December 2019.

The audit tender process was conducted by a selection panel (the "Panel"), which was chaired by the Chairman of the Audit Committee and included all members of the Audit Committee, the Non-Executive Chairman, the Chief Financial Officer, the Corporate Services Director and the Group Financial Controller. The Panel prepared the scope of the tender process and agreed a set of selection criteria which included independence, experience, knowledge and understanding of the Company's businesses and structure, technical expertise, audit approach and transition plan (the "Selection Criteria").

Based on the Selection Criteria and following discussions with various firms, the Panel identified a short list of three firms (which did not include the current auditors) to which it issued a request to tender. These firms were then given access to a data room and to senior financial management and asked to prepare an initial presentation to the Panel.

After initial presentations, the short list was reduced to two firms, who were asked to submit a final tender and then present this to the Panel. To facilitate this, these firms visited both the Oshkosh and Manchester facilities, met with senior management and had further meetings with senior finance management.

Following the second presentations the Panel assessed the two firms and their engagement teams based on the Selection Criteria, as well as taking into account feedback from the management involved in the site visits. The Panel concluded that Ernst & Young LLP was the preferred candidate and recommended their appointment to the Board. This choice was ratified by the Board and a resolution for the appointment of Ernst & Young LLP will be put to Shareholders at the 2019 AGM. Work is already underway to ensure a smooth transition.

The Audit Committee thanks PricewaterhouseCoopers LLP for their contribution as the Company's auditors for many years and looks forward to working with Ernst & Young LLP in the future.

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

## Internal control

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.

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

Additionally, through the management process outlined in the Statement on Corporate Governance on pages 36 and 37, 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 2018 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 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 63.

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.

As Chairman of the Committee, I will be present at the 2019 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.

**J.A. Warren**  
**Chairman of the Audit Committee**  
5 March 2019



# Annual Statement by the Chairman of the Remuneration Committee



## Committee members

	Number of meetings held
C.J. Brady (Chairman)	1
J.A. Warren	1

The Company'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 businesses and in both the earnings per share and share price of the Company. The Remuneration Committee and the Board aim to ensure that the Company has the best possible management to continue that growth and the creation of further Shareholder value and to reward management accordingly.

The Committee's view regarding remuneration is that it should: (i) be competitive when compared to that of organisations of similar size, complexity and type; (ii) be structured so that remuneration is linked to the long-term strategy of the Group, including 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.

### 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.

During 2018, further awards under the Plan were made to the Chief Executive Officer, the Chief Financial Officer and six senior managers. 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 2018 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 2018, the share price used in the determination was that on 31 December 2017.

In respect of the period ended 29 December 2018, the Remuneration Committee has approved an annual bonus for those participating in the Plan equal to 100% of base salary in respect of the beneficiaries based in North America and 90% of base salary in respect of the beneficiary based in the UK. 50% of that annual bonus will be deferred under the terms of the Plan. Given a share price of £18.45 on 31 December 2018, this is expected to result in the award of a total of 40,140 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). As a result of engagement with its major Shareholders, the Board has decided, in respect of deferred awards made to Executive Directors on or after 4 March 2019, to increase the original Plan vesting period of three years to a period of five years. The change was approved on 15 January 2019 and will apply to relevant awards made on or after 4 March 2019.

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 financial statements 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.

### 2018 performance targets

In respect of the Executive Directors, the performance targets for the period ended 29 December 2018 were set using a combination of targets for both: (i) revenue growth percentage; and (ii) level of operating profit achieved. It was considered appropriate by the Remuneration Committee that these performance targets should be based on the results of the North American Direct Marketing business, since this represents 97% of Group revenue, and its financial performance is the dominant factor influencing the Group's financial results.

The bonus percentage reward scenarios were based on a performance grid with: (i) the vertical axis representing operating profit achieved ranging from a base of \$42.75m and rising to a maximum of \$45.00m; and (ii) the horizontal axis representing revenue growth percentages rising at 1% intervals from a base of 11% growth to a maximum of 16% growth. Examples of different scenarios under the grid are as follows:

- 8% revenue growth, at \$42.00m operating profit: nil bonus (floor).
- 16% revenue growth, at \$45.00m operating profit: 100% bonus, split half cash and half deferred shares (ceiling).
- 11% revenue growth, at \$45.00m operating profit: 50% bonus, split half cash and half deferred shares (on-target performance).

The bonus percentages payable at different performance levels were chosen specifically in the context of the Group's 2018 strategy to prioritise organic revenue growth through a significant investment in brand awareness marketing. The maximum percentage of salary that could be awarded as bonus was 100%, and in each scenario the cash element of the bonus had to be self-financed in the operating result.

The actual performance of the North American Direct Marketing business in 2018 was 18% revenue growth and \$49.10m operating profit achieved. According to the performance grid this resulted in a bonus payable to the Chief Executive Officer, the Chief Financial Officer and six US-based senior managers of 100% of base salary, split 50% in cash and 50% in deferred shares. One of the US-based senior management participants, who was recruited in the year, received a bonus pro-rated in line with his length of service. The UK-based participant received a bonus of 90% of base salary, split 50% in cash and 50% in deferred shares.

### 2019 performance targets

The performance targets for 2019 have been agreed by the Committee based on the principles set out in the Plan. As for 2018, these targets consist of both revenue growth percentage and operating profit performance of the North American business. The exact targets are not disclosed for commercial reasons.

### Board of Directors

Mr. K. Lyons-Tarr is Chief Executive Officer of the Group. In January 2019 the Remuneration Committee awarded him a bonus of 100% of his annual salary, half of which will be paid in cash and half of which will be used for an award of conditional shares pursuant to the Plan. The number of shares to be awarded is 10,196.

Mr. D. J. E. Seekings is Chief Financial Officer of the Group. In January 2019 the Remuneration Committee awarded him a bonus of 100% of his annual salary, half of which will be paid in cash and half of which will be used for an award of conditional shares pursuant to the Plan. The number of shares to be awarded is 6,797.

Given its focus on the Directors and senior managers in North America, Mr. A.J. Scull, the UK-based Executive Director, does not participate in the Plan. In January 2019 the Remuneration Committee awarded him a bonus of 50% of annual salary, payable in cash, for 2018.

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 it 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 2018 Annual General Meeting the Remuneration Report was approved by 99.57% of Shareholders who voted (which excluded 1,124 votes withheld).

**C.J. Brady**  
**Chairman of the Remuneration Committee**  
 5 March 2019

# 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 7 May 2019.

## 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) and Mr. J.A. Warren. The Committee meets at least once a year and may invite other attendees as it sees fit.

The Committee remains mindful of the remuneration of all of the Group's 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.

The remuneration of the Non-Executive Chairman of the Board is determined by the Board (excluding the Non-Executive Chairman).

In exercising its responsibilities and carrying out key decisions, the Remuneration Committee is mindful of the size and structure of the Company's businesses. It regularly assesses the remuneration of Executive Directors and senior management in the context of the remuneration of the wider workforce and of the Company's actual and projected growth and profitability. The Remuneration Committee also considers the return on value passed on to Shareholders, and engages, as appropriate, with Shareholders and other stakeholders to explain and discuss existing policy and future decision making.

### Remuneration Committee activities in the period ended 29 December 2018

The Remuneration Committee met once during the period ended 29 December 2018 and the following matters were considered:

#### Salaries

Approving the salaries of the Executive Directors for 2018 and monitoring and reviewing the level and structure of salaries for senior management for 2018.

In the case of the Chief Executive Officer, the Chief Financial Officer and the Corporate Services Director, the increases in basic annual salary in 2018 were 3%, reflecting the increase in the cost of living. Such increase was in line with the increase applied to the remuneration of the businesses' workforce in general.

At its meeting on 15 January 2019, the Remuneration Committee awarded a 2019 basic annual salary increase of 3% to the Chief Executive Officer, the Chief Financial Officer and the Corporate Services Director, this being in line with the increase in 2019 basic annual salary for all employees.

#### Bonuses

Approving the bonuses for the Executive Directors for 2018 and monitoring and reviewing the level of bonuses for senior management for 2018.

Approving the structure of the bonus criteria for Executive Directors and monitoring and reviewing the level and structure of bonuses for senior management for 2019.

#### 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 of organisations of similar size, complexity and type; (ii) structured so that remuneration is linked to the long-term strategy of the Group, including 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 2018 AGM Shareholders approved the remuneration policy, which can be found on the corporate website at <https://investors.4imprint.com/investors/shareholder-information/agm-company-documents/>.

Votes cast by proxy and in the meeting at the 2018 AGM in respect of Directors’ remuneration were as follows:

Resolution	Votes for	% for	Votes against	% against	Votes withheld (abstentions)
Approval of remuneration report	22,331,211	99.57	95,795	0.43	1,124
Approval of remuneration policy	19,117,268	85.97	3,120,163	14.03	190,697

Key elements of the policy are:

**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 component of the variable element is an annual bonus, half of which is paid in cash and half of which is deferred into shares, through the award of nil cost options or conditional share awards granted in accordance with the terms of the Plan. The Remuneration Committee is satisfied that the incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. In line with the Company’s size and structure, the targets set by the Remuneration Committee are simple, and are linked to growth and profitability criteria. The Remuneration Committee considers this approach appropriate and proportionate.

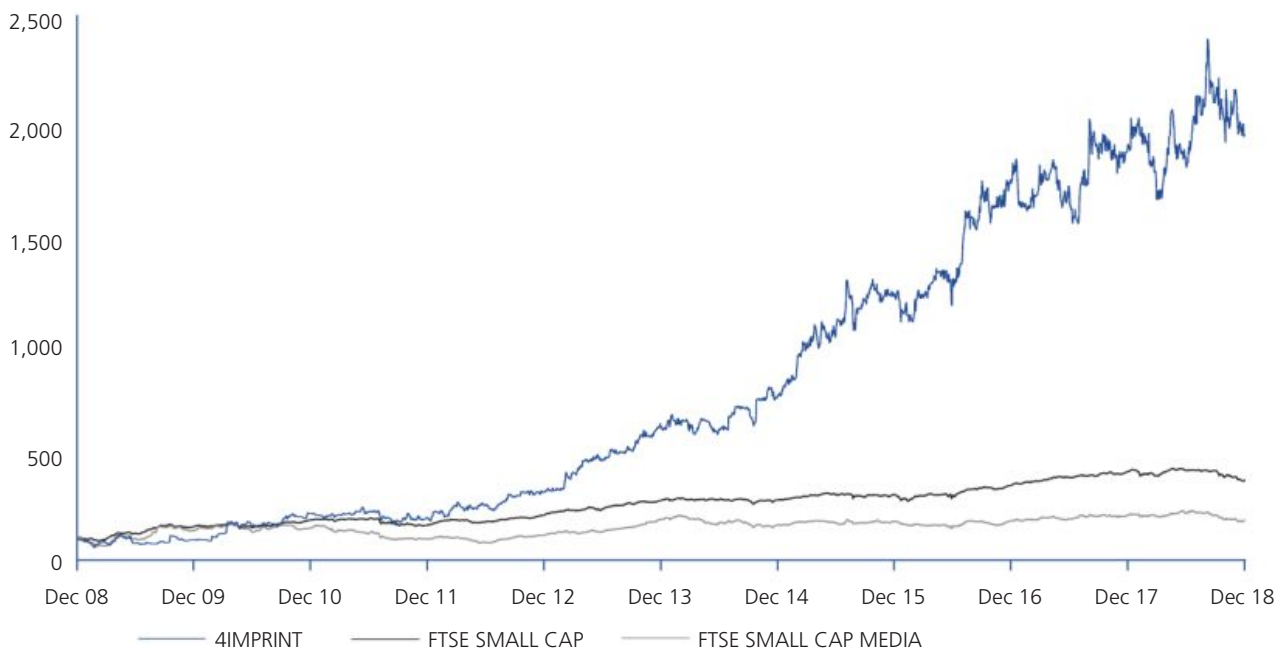
The targets for the annual bonus, which is capped at a maximum of 100% of annual base salary, except in the case of the UK-based Executive Director, where the maximum is 50%, are set by the Remuneration Committee each year and evolve with the growth objectives of the Group.

**Share ownership**

Executive Directors are expected to hold shares to the value of at least 100% of annual base salary. Executive Directors are expected to retain at least 50% of any vesting share awards (net of tax) in order to accumulate the recommended personal shareholding. All Executive Directors currently have shareholdings significantly in excess of 100% of their base salary using a share price average for 2018.

**Total Shareholder Return**

The graph below illustrates the Company’s Total Shareholder Return performance relative to the FTSE SmallCap and FTSE SmallCap Media indices of which the Company is a constituent. The graph shows performance of a hypothetical £100 invested over the period.



# Remuneration Report continued

## Total remuneration of Executive Chairman/Chief Executive Officer

	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000
K. Lyons-Tarr							326	481	564	<b>738</b>
J.W. Poulter		40	120	738	1,380	180	45			
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>481</b>	<b>564</b>	<b>738</b>
<b>Annual variable award</b>										
Percentage versus max opportunity (%)	n/a	100	n/a	n/a	n/a	100	60	40	50	<b>100</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.

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

The table below shows the percentage change in remuneration of the Director undertaking the role of Chief Executive Officer and the Company's employees as a whole between 2018 and 2017.

	Percentage increase in remuneration in 2018 compared with remuneration in 2017	
	Chief Executive Officer	Average pay based on all employees
Salary	3%	3%
Benefits	5%	18%
Annual bonus	106%	69%

## Relative importance of spend on pay

The table below shows the Group's actual spend on pay relative to dividends:

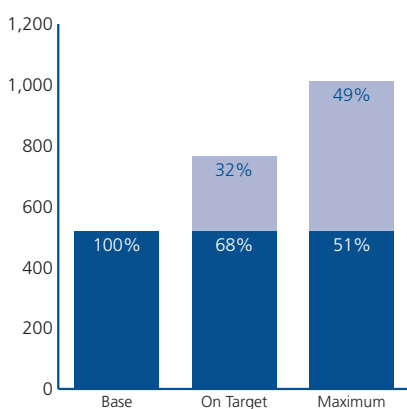
	2018 \$m	2017 \$m	Percentage change
Wages and salaries	<b>51.38</b>	43.86	17%
Dividends paid	<b>32.98</b>	15.85	108%

Dividends paid in 2018 reflect a one-off special dividend of 60.0c per share (\$16.28m) paid in May 2018; excluding this the dividend increase is 5%.

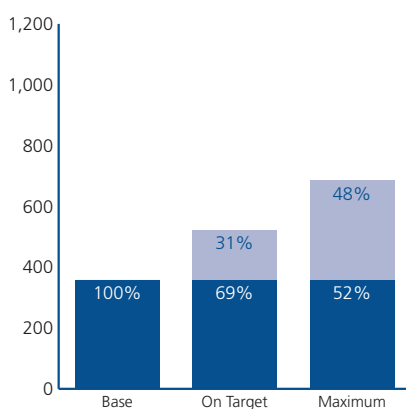
## Reward scenarios

The charts below show how the composition of the Executive Directors' remuneration packages for 2019 may vary at different levels of performance under the policy set out in this report as a percentage of total remuneration opportunity.

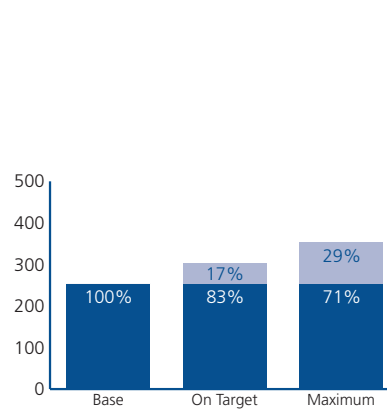
### Kevin Lyons-Tarr (\$'000)



### 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 2019. Pension contributions or pay in lieu of pension contributions are a fixed percentage of base salary and benefits in kind are based on 2018 figures.

On target includes base remuneration plus the bonus payable if budget is met. This results in a bonus of 50% of base salary for the Chief Executive Officer and the Chief Financial Officer, half of which is in the form of conditional share awards with a vesting period, which, in respect of any awards made after 4 March 2019, will be five years from the award date, and a bonus of 25% of base salary, payable in cash, for the Corporate Services Director.

Maximum shows the maximum bonus payable if stretch targets set by the Remuneration Committee are met. In the case of the Chief Executive Officer and the Chief Financial Officer this is 100% of base salary, again with half in the form of conditional share awards with a vesting period, which, in respect of any awards made after 4 March 2019, will be five years from the award date. The Corporate Services Director's bonus, which is capped at 50% of base salary, is payable in cash. The Corporate Services Director does not participate in the Plan.

## Remuneration implementation

### Contracts policy

In line with the remuneration policy (outlined above), the policy employed by the Company when drafting service contracts emphasises the Company's corporate objectives and strives to balance the ability to remain competitive and to attract directors with the required talent and experience, with the need to align the remuneration and incentivisation structure with the long-term strategy of the Company. The contracts policy also seeks to ensure the protection of the Company's business and commercially sensitive information and to minimise any payment on early termination by stipulating for the mitigation of any loss where possible.

### Current service agreements

Mr. K. Lyons-Tarr and Mr. D.J.E. 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.

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.

Any commitment made to the Executive Directors by the Company under their service contracts or otherwise which is consistent with the approved remuneration policy in force at the time that the 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	Notice period (i) from Company (ii) from Director	Contractual termination payment
K. Lyons-Tarr	27 July 2009	(i) Twelve months (ii) Six months	(i) Twelve months' contractual benefits (ii) n/a
A.J. Scull	8 November 2004	(i) Twelve months (ii) Six months	(i) Twelve months' contractual benefits (ii) n/a
D.J.E. Seekings	27 July 2009	(i) Twelve months (ii) Six months	(i) Twelve months' contractual benefits (ii) n/a

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

Mr. P.S. Moody, the Non-Executive Chairman, has a letter of appointment dated 23 January 2019. The appointment is for a period of three years from 1 February 2019 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:

- 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
- he is removed as a Director of the Company by resolution passed at a general meeting of the Company; or
- 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.

# Remuneration Report continued

Mr. J.A. Warren has a letter of appointment dated 30 May 2018 and Mr. C.J. Brady has a letter of appointment dated 4 June 2018. Their respective appointments are for three years from 11 June 2018, after which they are renewable by agreement with the Company, subject to the provisions in respect of reappointment contained in the Company's Articles of Association. The letters of appointment indicate that the appointment will terminate, forthwith, without any entitlement to compensation, if, at any time (a), (b) or (c) on page 49 apply.

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

## The following information on pages 50 and 51 has been subject to audit

Apart from Mr. K. Lyons-Tarr and Mr. D.J.E. 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.J.E. Seekings are disclosed separately below.

### Directors' remuneration – single total figure

	Basic salary/fee £	Benefits in kind £	Annual bonus (a) £	Total emoluments £	Employers' pension contributions/pay in lieu (b) £	Total remuneration 2018 £
<b>2018</b>						
<b>Executive</b>						
K. Lyons-Tarr	359,930	13,079	357,526	730,535	7,290	<b>737,825</b>
A.J. Scull	196,265	20,832	98,133	315,230	29,440	<b>344,670</b>
D.J.E. Seekings	239,953	15,741	238,351	494,045	7,200	<b>501,245</b>
<b>Non-Executive</b>						
P.S. Moody	120,000	–	–	120,000	–	<b>120,000</b>
J.A. Warren	35,000	–	–	35,000	–	<b>35,000</b>
C.J. Brady	35,000	–	–	35,000	–	<b>35,000</b>
<b>Total</b>	<b>986,148</b>	<b>49,652</b>	<b>694,010</b>	<b>1,729,810</b>	<b>43,930</b>	<b>1,773,740</b>

	Basic salary/fee £	Benefits in kind £	Annual bonus (a) £	Total emoluments £	Employers' pension contributions/pay in lieu (b) £	Total remuneration 2017 £
<b>2017</b>						
<b>Executive</b>						
K. Lyons-Tarr	358,081	16,949	179,846	554,876	9,422	564,298
A.J. Scull	190,550	19,516	47,637	257,703	28,583	286,286
D.J.E. Seekings	238,721	15,072	119,898	373,691	7,316	381,007
<b>Non-Executive</b>						
P.S. Moody	120,000	–	–	120,000	–	120,000
J.A. Warren	35,000	–	–	35,000	–	35,000
C.J. Brady	35,000	–	–	35,000	–	35,000
<b>Total</b>	<b>977,352</b>	<b>51,537</b>	<b>347,381</b>	<b>1,376,270</b>	<b>45,321</b>	<b>1,421,591</b>

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

(a) For Mr. K. Lyons-Tarr and Mr. D.J.E. Seekings 50% of the annual bonus is payable in the form of conditional share awards pursuant to the terms of the 2015 Incentive Plan.

(b) Mr. A.J. Scull received £29,440 (2017: £28,583) pay in lieu of pension contributions.

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

	Basic salary/fee \$	Benefits in kind \$	Annual bonus \$	Total emoluments \$	Employers' pension contributions \$	Total remuneration \$
<b>2018</b>						
K. Lyons-Tarr	<b>480,614</b>	<b>17,464</b>	<b>477,405</b>	<b>975,483</b>	<b>9,734</b>	<b>985,217</b>
D.J.E. Seekings	<b>320,409</b>	<b>21,020</b>	<b>318,270</b>	<b>659,699</b>	<b>9,614</b>	<b>669,313</b>
<b>2017</b>						
K. Lyons-Tarr	461,424	21,841	231,750	715,015	12,141	727,156
D.J.E. Seekings	307,615	19,423	154,500	481,538	9,428	490,966

### 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:

	<b>Holding at 29 December 2018</b>	Holding at 30 December 2017
P.S. Moody	<b>5,000</b>	5,000
K. Lyons-Tarr	<b>254,036</b>	251,827
A.J. Scull	<b>50,000</b>	70,000
D.J.E. Seekings	<b>178,478</b>	176,269
J.A. Warren	<b>5,000</b>	5,000
C.J. Brady	<b>1,000</b>	1,000

There has been no change in the Directors' interests in the share capital of the Company since 29 December 2018 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 31 Dec 2017	<b>Granted during the year</b>	<b>Exercised</b>	<b>Holding at 29 Dec 2018</b>	Date of grant	Exercise price	Exercisable	
							From	To
<b>K. Lyons-Tarr</b>								
– US ESPP	1,209	–	<b>(1,209)</b>	–	11 May 2016	\$16.49	19 July 2018	19 July 2018
– US ESPP	–	<b>900</b>	–	<b>900</b>	26 Sept 2018	\$22.16	4 Dec 2020	4 Dec 2020
– 2015 Incentive Plan	6,376	–	–	<b>6,376</b>	30 Mar 2016	nil	30 Mar 2019	30 Mar 2019
– 2015 Incentive Plan	4,121	–	–	<b>4,121</b>	30 Mar 2017	nil	30 Mar 2020	30 Mar 2020
– 2015 Incentive Plan	–	<b>4,514</b>	–	<b>4,514</b>	15 Apr 2018	nil	15 Apr 2021	15 Apr 2021
<b>A.J. Scull</b>								
– SAYE	1,761	–	–	<b>1,761</b>	11 May 2016	£10.22	1 July 2019	31 Dec 2019
<b>D.J.E. Seekings</b>								
– US ESPP	1,209	–	<b>(1,209)</b>	–	11 May 2016	\$16.49	19 July 2018	19 July 2018
– US ESPP	–	<b>900</b>	–	<b>900</b>	26 Sept 2018	\$22.16	4 Dec 2020	4 Dec 2020
– 2015 Incentive Plan	4,383	–	–	<b>4,383</b>	30 Mar 2016	nil	30 Mar 2019	30 Mar 2019
– 2015 Incentive Plan	2,747	–	–	<b>2,747</b>	30 Mar 2017	nil	30 Mar 2020	30 Mar 2020
– 2015 Incentive Plan	–	<b>3,009</b>	–	<b>3,009</b>	15 Apr 2018	nil	15 Apr 2021	15 Apr 2021

Gains made on exercise of options in the period were £7,338 for both Mr K. Lyons-Tarr and Mr D.J.E. Seekings (2017: nil).

During 2018 the middle-market value of the share price ranged from £15.75 to £22.60 and was £18.40 at the close of business on 29 December 2018.

During the period 7,523 awards of conditional shares were made under the Plan, in respect of 2017 bonus awards made to the US-based Executive Directors. The intention is to make awards in 2019 in accordance with the rules of the Plan, in respect of 2018 bonus awards.

Details of share options granted by 4imprint Group plc as at 29 December 2018 are given in note 22. None of the terms and conditions of the share options were 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  
 5 March 2019

# Statement of Directors' Responsibilities

## in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 32 and 33 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report and Directors' Report contained on pages 6 to 35 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

**Andrew Scull**  
Company Secretary

5 March 2019

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

## Report on the audit of the financial statements

### Opinion

In our opinion, 4imprint Group plc's Group financial statements and Company financial statements (the "financial statements"): — give a true and fair view of the state of the Group's and of the Company's affairs as at 29 December 2018 and of the Group's profit and the Group's and the Company's cash flows for the 52 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 regards the Company's financial statements, 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Company Balance Sheets as at 29 December 2018; the Group Income Statement for the 52 weeks ended 29 December 2018; the Group Statement of Comprehensive Income for the 52 weeks ended 29 December 2018; the Group and Company Cash Flow Statements for the 52 weeks ended 29 December 2018, the Group Statement of Changes in Shareholders' Equity for the 52 weeks ended 29 December 2018, and the Statement of Changes in Company Shareholders' Equity for the 52 weeks ended 29 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We have provided no non-audit services to the Group or the Company in the period from 31 December 2017 to 29 December 2018.

## Our audit approach

### Overview



- Overall Group materiality: \$2,250,000 (2017: \$2,000,000), based on 5% of profit before tax and exceptional items.
- Overall Company materiality: £1,023,000 (2017: £739,000), based on the lower of component and statutory materiality (statutory materiality based on 1% of total assets).
- 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 before tax and exceptional items.
- Accounting for defined benefit pension scheme liabilities (Group and Company).
- Accounting for supplier arrangements (Group).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, UK tax legislation and USA tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.



# Independent Auditors' Report continued

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

### Key audit matter

### How our audit addressed the key audit matter

#### Accounting for defined benefit pension scheme liabilities Group and Company

Refer to page 41 of the Statement on Corporate Governance, page 66 of the accounting policies, note 17 to the Consolidated Financial Statements and note H to the Company's Financial Statements.

The Group operates a defined benefit pension scheme which is closed to future accrual and entrants and had a deficit of \$15.0m (2017: \$18.1m) as at 29 December 2018. The Group engages 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 29 December 2018. 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 Group

Refer to page 42 of the Statement on Corporate Governance and page 64 of the 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. All supplier agreements are coterminous with the Group's year end. 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 a sample of 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 a sample of cash and credit notes received subsequent to the year end and considered the recoverability of the remaining rebate debtor balance. This testing included a look back test to confirm the cash and credit notes received during 2018 in relation to the 2017 amount receivable. We 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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

### 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 in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
<b>Overall materiality</b>	\$2,250,000 (2017: \$2,000,000).	£1,023,000 (2017: £739,000).
<b>How we determined it</b>	5% of profit before tax and exceptional items.	the lower of component and statutory materiality (statutory materiality based on 1% of total assets).
<b>Rationale for benchmark applied</b>	We note that profit 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 believe that calculating statutory materiality based on 1% of total assets is appropriate as total assets is a typical primary measure for users of the financial statements of holding companies, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between \$140,000 and \$2,075,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$112,000 (Group audit) (2017: \$100,000) and £51,000 (Company audit) (2017: £37,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

# Independent Auditors' Report continued

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

## Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 29 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 36 of the Annual Report 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.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 36 of the Annual Report 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.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

## Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 52, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 40 to 43 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## Responsibilities for the financial statements and the audit Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 16 June 1992 to audit the financial statements for the year ended 2 January 1993 and subsequent financial periods. The period of total uninterrupted engagement is 26 years, covering the years ended 2 January 1993 to 29 December 2018.

### Ian Marsden (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors

Manchester  
5 March 2019

# Group Income Statement

for the 52 weeks ended 29 December 2018

	Note	2018 \$'000	2017 \$'000
<b>Revenue</b>	1	<b>738,418</b>	627,518
Operating expenses	2	<b>(694,096)</b>	(586,234)
Operating profit before exceptional items		<b>45,043</b>	41,738
Exceptional items	4	<b>(721)</b>	(454)
<b>Operating profit</b>	1	<b>44,322</b>	41,284
Finance income		<b>250</b>	3
Finance costs		<b>(23)</b>	(125)
Pension finance charge		<b>(403)</b>	(503)
Net finance cost	5	<b>(176)</b>	(625)
<b>Profit before tax</b>		<b>44,146</b>	40,659
Taxation	6	<b>(8,952)</b>	(11,734)
<b>Profit for the period</b>		<b>35,194</b>	28,925
		<b>Cents</b>	Cents
<b>Earnings per share</b>			
<b>Basic</b>	7	<b>125.61</b>	103.15
<b>Diluted</b>	7	<b>125.22</b>	102.84
<b>Underlying† basic</b>	7	<b>129.77</b>	106.74

† Underlying has been restated to include share option charges.



# Group Statement of Comprehensive Income

for the 52 weeks ended 29 December 2018

	Note	2018 \$'000	2017 \$'000
<b>Profit for the period</b>		<b>35,194</b>	28,925
<b>Other comprehensive (expense)/income</b>			
<i>Items that may be reclassified subsequently to the income statement:</i>			
Currency translation differences	23	<b>(434)</b>	(559)
<i>Items that will not be reclassified subsequently to the income statement:</i>			
Re-measurement gains on post-employment obligations	17	<b>1,582</b>	88
Return on pension scheme assets (excluding interest income)	17	<b>(1,951)</b>	343
Tax relating to components of other comprehensive income		<b>390</b>	495
Effect of change in UK tax rate		<b>(21)</b>	17
<b>Total other comprehensive (expense)/income net of tax</b>		<b>(434)</b>	384
<b>Total comprehensive income for the period</b>		<b>34,760</b>	29,309

# Group Balance Sheet

at 29 December 2018

	Note	2018 \$'000	2017 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	19,012	18,829
Intangible assets	10	1,084	1,138
Deferred tax assets	11	5,636	5,912
		<b>25,732</b>	25,879
<b>Current assets</b>			
Inventories	12	9,878	5,356
Trade and other receivables	13	46,228	46,309
Current tax debtor		644	472
Cash and cash equivalents	14	27,484	30,767
		<b>84,234</b>	82,904
<b>Current liabilities</b>			
Trade and other payables	15	(50,252)	(47,675)
Current tax creditor		(500)	–
Provisions	16	–	(146)
		<b>(50,752)</b>	(47,821)
		<b>33,482</b>	35,083
<b>Net current assets</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations	17	(15,016)	(18,106)
Deferred tax liability	18	(931)	(763)
		<b>(15,947)</b>	(18,869)
		<b>43,267</b>	42,093
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Share capital	21	18,842	18,842
Share premium reserve		68,451	68,451
Other reserves	23	5,427	5,861
Retained earnings		(49,453)	(51,061)
		<b>43,267</b>	42,093
<b>Total Shareholders' equity</b>			

The financial statements on pages 58 to 87 were approved by the Board of Directors on 5 March 2019 and were signed on its behalf by:

**Kevin Lyons-Tarr**  
Chief Executive Officer

**David Seekings**  
Chief Financial Officer

# Group Statement of Changes in Shareholders' Equity

for the 52 weeks ended 29 December 2018

	Share capital \$'000	Share premium reserve \$'000	Other reserves (note 23) \$'000	Retained earnings		Total equity \$'000
				Own shares \$'000	Profit and loss \$'000	
Balance at 1 January 2017	18,842	68,451	6,420	(422)	(63,966)	29,325
Profit for the period					28,925	28,925
<i>Other comprehensive income/(expense)</i>						
Currency translation differences			(559)			(559)
Re-measurement gains on post-employment obligations					431	431
Deferred tax relating to post-employment obligations (note 11)					(83)	(83)
Deferred tax relating to losses (note 11)					578	578
Effect of change in UK tax rate (note 11)					17	17
<b>Total comprehensive income</b>			(559)		29,868	29,309
Proceeds from options exercised					19	19
Own shares utilised				101	(101)	–
Own shares purchased				(1,378)		(1,378)
Share-based payment charge					545	545
Deferred tax relating to share options (note 18)					33	33
Deferred tax relating to losses (note 11)					110	110
Effect of change in tax rates (note 18)					(25)	(25)
Dividends					(15,845)	(15,845)
<b>Balance at 30 December 2017</b>	<b>18,842</b>	<b>68,451</b>	<b>5,861</b>	<b>(1,699)</b>	<b>(49,362)</b>	<b>42,093</b>
Adjustments for changes in accounting policy (note 29)					<b>(1,011)</b>	<b>(1,011)</b>
<b>Balance at 31 December 2017 after adjustments</b>	<b>18,842</b>	<b>68,451</b>	<b>5,861</b>	<b>(1,699)</b>	<b>(50,373)</b>	<b>41,082</b>
Profit for the period					<b>35,194</b>	<b>35,194</b>
<i>Other comprehensive income/(expense)</i>						
Currency translation differences			(434)			(434)
Re-measurement losses on post-employment obligations					(369)	(369)
Deferred tax relating to post-employment obligations (note 11)					69	69
Deferred tax relating to losses (note 11)					321	321
Effect of change in tax rates (note 11)					(21)	(21)
<b>Total comprehensive income</b>			(434)		<b>35,194</b>	<b>34,760</b>
Proceeds from options exercised					<b>1,722</b>	<b>1,722</b>
Own shares utilised				<b>2,420</b>	<b>(2,420)</b>	–
Own shares purchased				<b>(2,187)</b>		<b>(2,187)</b>
Share-based payment charge					<b>808</b>	<b>808</b>
Deferred tax relating to share options (note 18)					6	6
Deferred tax relating to losses (note 11)					60	60
Dividends					<b>(32,984)</b>	<b>(32,984)</b>
<b>Balance at 29 December 2018</b>	<b>18,842</b>	<b>68,451</b>	<b>5,427</b>	<b>(1,466)</b>	<b>(47,987)</b>	<b>43,267</b>

# Group Cash Flow Statement

for the 52 weeks ended 29 December 2018

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	41,651	40,901
Tax paid		(7,844)	(12,751)
Finance income received		250	3
Finance costs paid		(23)	(125)
Net cash generated from operating activities		34,034	28,028
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(2,492)	(1,844)
Purchases of intangible assets		(395)	(518)
Proceeds from sale of property, plant and equipment		32	3
Net cash used in investing activities		(2,855)	(2,359)
<b>Cash flows from financing activities</b>			
Proceeds from share options exercised		1,722	19
Purchase of own shares		(2,187)	(1,378)
Dividends paid to Shareholders	8	(32,984)	(15,845)
Net cash used in financing activities		(33,449)	(17,204)
<b>Net movement in cash and cash equivalents</b>		<b>(2,270)</b>	8,465
Cash and cash equivalents at beginning of the period		30,767	21,683
Exchange (losses)/gains on cash and cash equivalents		(1,013)	619
<b>Cash and cash equivalents at end of the period</b>		<b>27,484</b>	30,767
<b>Analysis of cash and cash equivalents</b>			
Cash at bank and in hand	14	23,648	28,709
Short-term deposits	14	3,836	2,058
		27,484	30,767

# Notes to the Group Financial Statements

## General information

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 25 Southampton Buildings, London WC2A 1AL.

The Group presents the consolidated financial statements in US dollars and numbers are shown in US dollars thousands. A substantial portion of the Group's revenue and earnings are denominated in US dollars and the Board is of the opinion that a US dollar presentation gives a more meaningful view of the Group's financial performance and position.

## 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, apart from those affected by the implementation of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. IFRS 15 impacts the accounting policies for revenue. For timing of revenue recognition, the consideration is now on meeting performance obligations, both contractual and implied, rather than risks and rewards of ownership. When weighing performance obligations against risks and rewards of ownership and taking into account implied promises in our business model, it has been concluded that all revenue should now be recognised at the time of receipt by the customer rather than on shipment. IFRS 9 impacts the classification and measurement of financial assets and liabilities. The impact of these changes on the Group in these financial statements is minimal. For trade receivables we have moved to an expected loss method of providing for future impairment, but there has been only a minor increase in the provision. On initial application of IFRS 9 there has been no change in measurement of financial assets or financial liabilities. The financial impacts of these two policy changes are shown in note 29. Other accounting standards effective for the first time in the period have had no impact on the Group's financial statements.

## Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards ("IFRSs") 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 2019).

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 (see page 19). 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 judgments, 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 judgments 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 and the quantum of tax losses recognised in the deferred tax asset. The assumptions used for the pension scheme obligations are disclosed in note 17 and the tax losses are recognised to the extent that the Directors consider it probable that future taxable profits will be available against which the losses can be utilised.



# Notes to the Group Financial Statements continued

## Critical accounting policies

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

### Pensions

As disclosed in note 17, 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 17.

## Other accounting policies

### Revenue

Revenue from sales of promotional goods is recognised based on the price specified in the contract with the customer net of discounts, returns and sales-related taxes. Revenue is recognised when all performance obligations are satisfied, which is upon delivery of the goods 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 require 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 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable 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

Derivatives are recognised initially at fair value and are re-measured at fair value at each reporting date.

The Group only uses derivative forward foreign exchange contracts to hedge highly probable cash flows that meet the qualifying criteria for hedge accounting and never for maturities more than 12 months. The fair value of the hedging derivative is classified as a current asset or liability.

The Group applies hedge accounting to these transactions designating them as cash flow hedges. The effective portion of changes in these 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. 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.

# Notes to the Group Financial Statements continued

## Other accounting policies continued

### Intangible assets

Acquired software licences and expenditure on developing websites and other computer systems, providing they meet the criteria for recognition under IAS 38, are capitalised, held at historic cost and amortised from the date of commissioning on a straight-line basis over their useful economic life (currently three to five years). Amortisation is charged to operating expenses. Internal 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.

### 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 has control are included in inventories.

### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on the expected credit loss. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. 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 consist of administration costs of the scheme, exceptional costs of risk reduction exercises incurred by the scheme, exceptional past service cost for GMP equalisation 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 statement of comprehensive income.

### Borrowings

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

### Provisions 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 these standards is noted below.

IFRS 16 'Leases' (effective 1 January 2019)

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019)

IFRS 17 'Insurance Contracts' (effective 1 January 2021)\*

Amendments to IFRS 9 'Financial Instruments' (effective 1 January 2019)

Annual improvements 2015–2017 (effective 1 January 2019)\*

Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective 1 January 2019)\*

Amendments to IAS 19 'Employee Benefits' (effective 1 January 2019)\*

Amendments to IFRS 3 'Business Combinations' (effective 1 January 2020)\*

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective 1 January 2020)\*

\* Not yet endorsed by the EU

IFRS 16 will result in an increase to both assets and liabilities in the balance sheet but have no material impact upon operating profit or profit before tax, based upon current lease commitments of the Group. If IFRS 16 had been in place at the end of 2018 the assets would have increased by \$1.9m and liabilities would have increased by \$2.1m.

Management does 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.

# Notes to the Group Financial Statements continued

## 1 Segmental reporting

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

At 29 December 2018, the results of the Group are reported as one primary operating segment plus share option related charges and the costs of the Head Office:

### Revenue

	2018 \$'000	2017 \$'000
North America	714,554	607,997
UK and Ireland	23,864	19,521
Total revenue from sale of promotional products	738,418	627,518

### Profit

	Underlying*		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
4imprint Direct Marketing	49,632	45,639	49,632	45,639
Head Office	(3,454)	(3,059)	(3,454)	(3,059)
Share option related charges (note 22)	(819)	(551)	(819)	(551)
<b>Underlying operating profit</b>	<b>45,359</b>	<b>42,029</b>	<b>45,359</b>	<b>42,029</b>
Exceptional items (note 4)			(721)	(454)
Defined benefit pension scheme administration costs (note 17)			(316)	(291)
<b>Operating profit</b>	<b>45,359</b>	<b>42,029</b>	<b>44,322</b>	<b>41,284</b>
Net finance income/(expense) (note 5)	227	(122)	227	(122)
Pension finance charge (note 5)			(403)	(503)
<b>Profit before tax</b>	<b>45,586</b>	<b>41,907</b>	<b>44,146</b>	<b>40,659</b>
Taxation	(9,226)	(11,974)	(8,952)	(11,734)
<b>Profit after tax</b>	<b>36,360</b>	<b>29,933</b>	<b>35,194</b>	<b>28,925</b>

\* Underlying has been restated to include share option charges.

The Directors consider that underlying operating profit gives a measure of the performance of the business by excluding one-off charges and costs relating to a legacy defined benefit scheme, the beneficiaries of which were employed by businesses disposed of by the Group.

### Other segmental information

	Assets		Liabilities		Capital expenditure		Depreciation		Amortisation	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
4imprint Direct Marketing	75,850	71,371	(49,412)	(46,987)	2,886	2,361	(2,188)	(2,020)	(445)	(464)
Head Office items	6,632	6,645	(17,287)	(19,703)	1	1	(12)	(28)	–	–
Cash	27,484	30,767	–	–	–	–	–	–	–	–
	<b>109,966</b>	<b>108,783</b>	<b>(66,699)</b>	<b>(66,690)</b>	<b>2,887</b>	<b>2,362</b>	<b>(2,200)</b>	<b>(2,048)</b>	<b>(445)</b>	<b>(464)</b>

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



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

	North America \$'000	UK \$'000	All other countries \$'000	Total \$'000
<b>2018</b>				
Total revenue by destination	<b>714,665</b>	<b>22,515</b>	<b>1,238</b>	<b>738,418</b>
Property, plant and equipment	<b>18,036</b>	<b>976</b>	–	<b>19,012</b>
Intangible assets	<b>1,028</b>	<b>56</b>	–	<b>1,084</b>
2017	North America \$'000	UK \$'000	All other countries \$'000	2017 \$'000
Total revenue by destination	608,127	18,256	1,135	627,518
Property, plant and equipment	17,698	1,131	–	18,829
Intangible assets	1,074	64	–	1,138

### 2 Operating expenses

	Note	2018 \$'000	2017 \$'000
<b>The following items have been charged/(credited) in arriving at operating profit:</b>			
Purchase of goods for resale and consumables		<b>466,351</b>	389,962
Changes in inventories		<b>(4,524)</b>	(1,176)
Increase/(decrease) in stock provision	12	<b>6</b>	(95)
Impairment loss on trade receivables	13	<b>347</b>	193
Staff costs	3	<b>57,433</b>	48,982
Marketing expenditure (excluding staff costs)		<b>123,866</b>	103,460
Depreciation of property, plant and equipment	9	<b>2,200</b>	2,048
Amortisation of intangible assets	10	<b>445</b>	464
Operating lease payments		<b>2,007</b>	1,866
Exceptional items	4	<b>721</b>	454
Defined benefit pension scheme administration costs	17	<b>316</b>	291
Net exchange losses		<b>349</b>	132
Other operating expenses		<b>44,579</b>	39,653
		<b>694,096</b>	586,234

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

	2018 \$'000	2017 \$'000
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	<b>185</b>	176
Fees payable to the Company's auditors and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	<b>15</b>	13
	<b>200</b>	189

The 4imprint defined benefit pension scheme has incurred fees from the Group's auditors of \$17,025 (2017: \$22,099) for audit services.

# Notes to the Group Financial Statements continued

## 3 Employees

Staff costs	Note	2018 \$'000	2017 \$'000
Wages and salaries		51,378	43,855
Social security costs		3,880	3,415
Pension costs – defined contribution plans	17	1,356	1,161
Share option charges	22	808	545
Social security costs in respect of share options	22	11	6
		<b>57,433</b>	48,982

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

	2018 Number	2017 Number
Distribution and production	368	306
Sales and marketing	463	435
Administration	181	171
	<b>1,012</b>	912

## Key management compensation

	2018 \$'000	2017 \$'000
Salaries, fees and short-term employee benefits	2,349	1,810
Social security costs	126	107
Pension costs – defined contribution plans	19	22
Share option charges	312	145
Social security costs in respect of share options	4	2
	<b>2,810</b>	2,086

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

## Directors' remuneration

	2018 \$'000	2017 \$'000
Aggregate emoluments	2,349	1,810
Pension costs – defined contribution plans	19	22

## 4 Exceptional items

	2018 \$'000	2017 \$'000
Past service costs re defined benefit pension scheme pensioner GMP equalisation	721	–
Pension buy-out costs	–	454
	<b>721</b>	454

The past service costs result from the High Court judgment in the Lloyds case on 26 October 2018, which confirmed that the equalisation of benefits between male and female members of the defined benefit plan at retirement extends to Guaranteed Minimum Pensions ("GMP"). The charge is an estimate calculated by the Company's actuaries, based on key high-level data from the Plan's last full actuarial valuation and the legal position as understood at the date of these financial statements. The actual result may differ from this estimate.

Pension buy-out costs include \$nil (2017: \$378,000) incurred and paid by the defined benefit pension scheme.

## 5 Net finance income and costs

	2018 \$'000	2017 \$'000
<b>Finance income/(costs)</b>		
Bank and other interest receivable	250	3
Bank interest payable	(23)	(51)
Other interest payable	–	(74)
	227	(122)
Pension finance charge (note 17)	(403)	(503)
<b>Net finance costs</b>	<b>(176)</b>	<b>(625)</b>

## 6 Taxation

	2018 \$'000	2017 \$'000
<b>Current tax</b>		
UK tax – current	–	–
Overseas tax – current	8,212	12,326
Overseas tax – prior periods	(41)	(12)
<b>Total current tax</b>	<b>8,171</b>	<b>12,314</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	803	(664)
Adjustment in respect of prior periods	(22)	84
<b>Total deferred tax (notes 11 and 18)</b>	<b>781</b>	<b>(580)</b>
<b>Taxation</b>	<b>8,952</b>	<b>11,734</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:

	2018 \$'000	2017 \$'000
<b>Profit before tax</b>	<b>44,146</b>	<b>40,659</b>
Profit before tax for each country of operation multiplied by rate of corporation tax applicable in the respective countries	10,452	13,775
Effects of:		
Adjustments in respect of prior periods	(63)	72
Expenses not deductible for tax purposes and non-taxable income	105	87
Other differences	(164)	(105)
Effect of tax rate changes on deferred tax balances	–	(482)
Utilisation of tax losses not previously recognised	(1,378)	(1,613)
<b>Taxation</b>	<b>8,952</b>	<b>11,734</b>

The main rate of UK corporation tax will reduce to 17% from 1 April 2020. The net deferred tax asset at 29 December 2018 has been calculated at a tax rate of 19% in respect of UK deferred tax items which are expected to reverse before 2020 and 17% in respect of UK deferred tax items expected to reverse thereafter.

The US federal tax rate was reduced to 21% from 1 January 2018. US deferred tax items have been calculated at the 21% rate.

The amount of current tax recognised directly in Shareholders' equity in 2018 was \$nil (2017: \$nil).

No current tax was recognised in other comprehensive income (2017: \$nil).

# Notes to the Group Financial Statements continued

## 7 Earnings per share

### Basic, diluted and underlying

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

	2018 \$'000	2017 \$'000
<b>Profit after tax</b>	<b>35,194</b>	28,925
	<b>2018 Number '000</b>	2017 Number '000
Basic weighted average number of shares	<b>28,018</b>	28,042
Adjustment for employee share options	<b>88</b>	84
Diluted weighted average number of shares	<b>28,106</b>	28,126
	<b>2018 Cents</b>	2017 Cents
Basic earnings per share	<b>125.61</b>	103.15
Diluted earnings per share	<b>125.22</b>	102.84
	<b>2018 \$'000</b>	2017 (restated) <sup>†</sup> \$'000
<b>Profit before tax</b>	<b>44,146</b>	40,659
<i>Adjustments:</i>		
Exceptional items (note 4)	<b>721</b>	454
Defined benefit pension scheme administration costs (note 17)	<b>316</b>	291
Pension finance charge (note 17)	<b>403</b>	503
<b>Underlying profit before tax</b>	<b>45,586</b>	41,907
Taxation (note 6)	<b>(8,952)</b>	(11,734)
Tax relating to above adjustments	<b>(274)</b>	(240)
<b>Underlying profit after tax</b>	<b>36,360</b>	29,933
	<b>2018 Cents</b>	2017 Cents
Underlying basic earnings per share	<b>129.77</b>	106.74
Underlying diluted basic earnings per share	<b>129.37</b>	106.42

<sup>†</sup> Underlying has been restated to include share option charges.

The basic weighted average number of shares excludes shares held in the 4imprint Group plc employee share trusts. The effect of this is to reduce the average by 67,125 (2017: 43,104).

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

## 8 Dividends

Equity dividends – ordinary shares	2018 \$'000	2017 \$'000
Interim paid: 20.80c (2017: 18.10c)	5,848	5,166
Supplementary paid: 60.00c (2017: nil)	16,282	–
Final paid: 40.00c (2017: 36.18c)	10,854	10,679
	<b>32,984</b>	<b>15,845</b>

In addition, the Directors are proposing a final dividend in respect of the period ended 29 December 2018 of 49.20c (37.30p) per share, which will absorb an estimated \$13.8m of Shareholders' funds. Subject to Shareholder approval at the AGM, these dividends are payable on 15 May 2019 to Shareholders who are on the register of members at close of business on 5 April 2019. These financial statements do not reflect these proposed dividends.

## 9 Property, plant and equipment

	Freehold land and buildings \$'000	Plant, machinery, fixtures & fittings \$'000	Computer hardware \$'000	Total \$'000
Cost:				
At 31 December 2017	13,451	13,646	1,680	28,777
Additions	142	1,978	372	2,492
Disposals	–	(527)	(105)	(632)
Exchange difference	(52)	(37)	(4)	(93)
<b>At 29 December 2018</b>	<b>13,541</b>	<b>15,060</b>	<b>1,943</b>	<b>30,544</b>
Depreciation:				
At 31 December 2017	1,680	7,129	1,139	9,948
Charge for the period	425	1,419	356	2,200
Disposals	–	(503)	(82)	(585)
Exchange difference	(6)	(23)	(2)	(31)
<b>At 29 December 2018</b>	<b>2,099</b>	<b>8,022</b>	<b>1,411</b>	<b>11,532</b>
<b>Net book value at 29 December 2018</b>	<b>11,442</b>	<b>7,038</b>	<b>532</b>	<b>19,012</b>

Freehold land with a value of \$729,000 (2017: \$745,000) has not been depreciated.

No assets are held under finance leases (2017: nil).

	Freehold land and buildings \$'000	Plant, machinery, fixtures & fittings \$'000	Computer hardware \$'000	Total \$'000
Cost:				
At 1 January 2017	13,260	12,194	1,755	27,209
Additions	115	1,392	337	1,844
Disposals	–	(12)	(417)	(429)
Exchange difference	76	72	5	153
At 30 December 2017	13,451	13,646	1,680	28,777
Depreciation:				
At 1 January 2017	1,300	5,784	1,187	8,271
Charge for the period	375	1,309	364	2,048
Disposals	–	(9)	(415)	(424)
Exchange difference	5	45	3	53
At 30 December 2017	1,680	7,129	1,139	9,948
Net book value at 30 December 2017	11,771	6,517	541	18,829



# Notes to the Group Financial Statements continued

## 10 Intangible assets

	2018 \$'000	2017 \$'000
<b>Computer software</b>		
Cost:		
At start of period	2,765	2,736
Additions	395	518
Disposals	(606)	(508)
Exchange difference	(11)	19
<b>At end of period</b>	<b>2,543</b>	<b>2,765</b>
Amortisation:		
At start of period	1,627	1,654
Charge for the period	445	464
Disposals	(606)	(506)
Exchange difference	(7)	15
<b>At end of period</b>	<b>1,459</b>	<b>1,627</b>
<b>Net book value at end of period</b>	<b>1,084</b>	<b>1,138</b>

The average remaining life of intangible assets is 2.4 years (2017: 2.4 years).

## 11 Deferred tax assets

	2018 \$'000	2017 \$'000
At start of period	5,912	5,030
Income statement (charge)/credit	(340)	(251)
Deferred tax credited to other comprehensive income	390	495
Deferred tax credited to equity	60	110
Effect of change in UK tax rate – other comprehensive income	(21)	17
Exchange difference	(365)	511
<b>At end of period</b>	<b>5,636</b>	<b>5,912</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.

\$0.15m (2017: \$0.2m) of the deferred tax asset is expected to reverse within the next twelve months.

The movement in the deferred tax asset during the period is shown in the following table:

### Deferred tax analysis

	Depreciation/ capital allowances \$'000	Pension \$'000	Losses \$'000	Total \$'000
At 31 December 2017	4	3,216	2,692	5,912
Income statement (charge)/credit	2	(467)	125	(340)
Deferred tax credited to other comprehensive income	–	69	321	390
Deferred tax credited to equity	–	–	60	60
Effect of change in tax rates	–	(21)	–	(21)
Exchange difference	(2)	(174)	(189)	(365)
<b>At 29 December 2018</b>	<b>4</b>	<b>2,623</b>	<b>3,009</b>	<b>5,636</b>

	Depreciation/ capital allowances \$'000	Pension \$'000	Losses \$'000	Total \$'000
At 1 January 2017	1	3,453	1,576	5,030
Income statement (charge)/credit	2	(482)	229	(251)
Deferred tax credited/(charged) to other comprehensive income	–	(83)	578	495
Deferred tax credited to equity	–	–	110	110
Effect of change in tax rates	–	17	–	17
Exchange difference	1	311	199	511
At 30 December 2017	4	3,216	2,692	5,912

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.

Deferred tax is recognised in other comprehensive income or in equity when the items it relates to are recognised, in the same or a different period, in those categories.

No deferred tax asset has been recognised for losses carried forward in holding companies of \$21.3m (2017: \$29.0m). These losses have no expiry date and may be available for offset against future profits in these companies.

## 12 Inventories

	2018 \$'000	2017 \$'000
Finished goods and goods for resale	<b>9,878</b>	5,356

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 total \$181,000 (2017: \$180,000).

During the period a net amount of \$6,000 has been charged in the income statement in respect of provisions for slow-moving and obsolete stock (2017: \$95,000 credit).

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

On adoption of IFRS 15 the Directors decided to take advantage of the option not to restate prior periods. Had 2017 been restated, the inventory balance at 30 December 2017 would have been \$7,940,000 (see note 29).

## 13 Trade and other receivables

	2018 \$'000	2017 \$'000
Trade receivables	<b>26,268</b>	29,730
Less: Provision for impairment of trade receivables	<b>(348)</b>	(194)
Trade receivables – net	<b>25,920</b>	29,536
Other receivables	<b>15,928</b>	13,168
Prepayments and accrued income	<b>4,380</b>	3,605
	<b>46,228</b>	46,309

Trade terms are a maximum of 30 days credit.

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 the income statement was \$347,000 (2017: \$193,000). There is no impairment of any receivables other than trade receivables.

# Notes to the Group Financial Statements continued

## 13 Trade and other receivables continued

The ageing of past due trade receivables which are not impaired, based on the customer's creditworthiness and payment history, is as follows:

<b>Time past due date</b>	<b>2018 \$'000</b>	2017 \$'000
Up to 3 months	<b>7,851</b>	6,106
3 to 6 months	<b>1,070</b>	444
Over 6 months	<b>562</b>	217
	<b>9,483</b>	6,767

The ageing of impaired trade receivables is as follows:

<b>Time past due date</b>	<b>2018 \$'000</b>	2017 \$'000
Current	<b>60</b>	–
Up to 3 months	<b>20</b>	–
3 to 6 months	<b>121</b>	–
Over 6 months	<b>147</b>	194
	<b>348</b>	194

The trade receivables impairment provision for 2018 is calculated using the simplified approach to the expected credit loss model. The provisions made are based on the following percentages:

<b>Age of trade receivable</b>	<b>Provision %</b>
Current	<b>0.25</b>
31–60 days	<b>0.50</b>
61–90 days	<b>1.00</b>
91–180 days	<b>5.00</b>
181–365 days	<b>25.00</b>
Over 365 days	<b>100.00</b>

These percentages are based on a combination of historical experience and current economic conditions.

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

	<b>2018 \$'000</b>	2017 \$'000
Sterling	<b>2,704</b>	2,621
US dollars	<b>40,599</b>	40,780
Euros	<b>96</b>	63
Canadian dollars	<b>2,829</b>	2,845
	<b>46,228</b>	46,309

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

	<b>2018 \$'000</b>	2017 \$'000
At start of period	<b>194</b>	147
Utilised	<b>(193)</b>	(147)
Provided	<b>347</b>	193
Exchange difference	<b>–</b>	1
<b>At end of period</b>	<b>348</b>	194

**14 Cash and cash equivalents**

	2018 \$'000	2017 \$'000
Cash at bank and in hand	23,648	28,709
Short-term deposits	3,836	2,058
	<b>27,484</b>	30,767

**15 Trade and other payables – current**

	2018 \$'000	2017 \$'000
Trade payables	39,484	40,635
Other tax and social security payable	3,444	1,837
Other payables	122	112
Accruals and deferred income	7,202	5,091
	<b>50,252</b>	47,675

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

**16 Provisions**

	2018 \$'000	2017 \$'000
<b>Leases</b>		
At start of period	146	133
Utilised	(40)	–
Released	(104)	–
Exchange difference	(2)	13
<b>At end of period</b>	–	146

The lease provisions related to dilapidation costs of a property leased by the Group. The lease expired in 2018 and was not renewed.

**17 Employee pension schemes**

The Group operates defined contribution plans for 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:

	2018 \$'000	2017 \$'000
Defined contribution plans – employers' contributions (note 3)	1,356	1,161

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:

	2018 \$'000	2017 \$'000
Administration costs paid by the scheme	316	291
Pension finance charge	403	503
Exceptional items – past service costs re GMP equalisation (note 4)	721	–
Exceptional items – buy-out costs paid by the scheme	–	378
<b>Total defined benefit pension charge</b>	<b>1,440</b>	1,172

The amounts recognised in the balance sheet comprise:

	2018 \$'000	2017 \$'000
Present value of funded obligations	(33,103)	(36,739)
Fair value of scheme assets	18,087	18,633
<b>Net liability recognised in the balance sheet</b>	<b>(15,016)</b>	(18,106)

# Notes to the Group Financial Statements continued

## 17 Employee pension schemes continued

The funds of the scheme are held in trust and administered by a corporate Trustee to meet pension liabilities for around 387 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 Trustee of the scheme is 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, potentially require an increase in future cash contributions from the Company and may give rise to increased charges in future income statements. Caps on inflationary increases are in place to protect the scheme against extreme inflation. Assets are held in a diversified growth fund, designed to give lower volatility than equities, and in a liability-driven investment fund, designed to provide some hedge against movement in the liabilities due to interest rate fluctuation and inflation. The funds use derivatives to reduce risk.

A full actuarial valuation was undertaken as at 30 September 2016 in accordance with the scheme funding requirements of the Pensions Act 2004. This actuarial valuation showed a deficit of £14.9m. A recovery plan has been signed under which the Company agreed a schedule of contributions with the Trustee. The recovery plan period is 5 years 7 months and under the plan contributions of £2.25m per annum are payable by the Company. These contributions commenced on 1 July 2017. This amount rises annually by 3%. In addition, an annual allowance of £0.25m is payable towards costs of administration of the scheme.

For the purposes of IAS 19, numbers from the actuarial valuation as at 30 September 2016, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 29 December 2018. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

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

	2018	2017
Rate of increase in pensions in payment	<b>3.10%</b>	3.05%
Rate of increase in deferred pensions	<b>2.10%</b>	2.05%
Discount rate	<b>2.80%</b>	2.50%
Inflation assumption – RPI	<b>3.20%</b>	3.15%
– CPI	<b>2.10%</b>	2.05%

The mortality assumptions adopted at 29 December 2018 reflect the most recent version of the tables used in the last triennial valuation. The assumptions imply the following life expectancies at age 65:

	2018	2017
Male currently age 40	<b>23.4 yrs</b>	23.3 yrs
Female currently age 40	<b>25.3 yrs</b>	25.3 yrs
Male currently age 65	<b>21.9 yrs</b>	21.9 yrs
Female currently age 65	<b>23.8 yrs</b>	23.7 yrs

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

	Present value of obligations \$'000	Fair value of scheme assets \$'000	Net obligation \$'000
Balance at 1 January 2017	(34,357)	15,067	(19,290)
Administration costs paid by the scheme	(291)	–	(291)
Exceptional items – buy-out costs paid by the scheme	(378)	–	(378)
Interest (expense)/income	(941)	438	(503)
Return on scheme assets (excluding interest income)	–	343	343
Re-measurement gains due to changes in demographic assumptions	611	–	611
Re-measurement losses due to changes in financial assumptions	(523)	–	(523)
Contributions by employer	–	3,675	3,675
Benefits paid	2,465	(2,465)	–
Exchange (loss)/gain	(3,325)	1,575	(1,750)
Balance at 30 December 2017	(36,739)	18,633	(18,106)
Administration costs paid by the scheme	<b>(316)</b>	–	<b>(316)</b>
Exceptional items – past service costs re GMP equalisation	<b>(721)</b>	–	<b>(721)</b>
Interest (expense)/income	<b>(889)</b>	<b>486</b>	<b>(403)</b>
Return on scheme assets (excluding interest income)	–	<b>(1,951)</b>	<b>(1,951)</b>
Re-measurement gains due to changes in financial assumptions	<b>1,582</b>	–	<b>1,582</b>
Contributions by employer	–	<b>3,932</b>	<b>3,932</b>
Benefits paid	<b>1,848</b>	<b>(1,848)</b>	–
Exchange gain/(loss)	<b>2,132</b>	<b>(1,165)</b>	<b>967</b>
<b>Balance at 29 December 2018</b>	<b>(33,103)</b>	<b>18,087</b>	<b>(15,016)</b>

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

	2018		2017	
	\$'000	%	\$'000	%
Diversified growth fund (2017: Global absolute returns funds)	<b>6,548</b>	<b>36.2</b>	6,475	34.8
Liability-driven investments	<b>10,658</b>	<b>58.9</b>	11,597	62.2
Cash	<b>881</b>	<b>4.9</b>	561	3.0

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

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

The assets are held in: (i) a quoted diversified growth fund, investing in equities, bonds, property, hedge funds, private equity, commodities, currency and cash, designed to give long-term total returns with lower volatility than equities; and (ii) a liability-driven investment fund designed to provide some hedge against movements in the liabilities due to interest rate fluctuation and inflation. This fund invests in a growth fund, which uses traditional assets, such as equities and bonds, and investment strategies based on advanced derivative techniques, such as directional strategies and relative value strategies; a hedge portfolio, investing in a range of instruments that provide similar interest rate and inflation sensitivities to the scheme; and cash.



# Notes to the Group Financial Statements continued

## 17 Employee pension schemes continued

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%	4.6%
Rate of inflation	Increase of 0.25%	2.0%
Rate of mortality	Increase in life expectancy of one year	3.7%

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.

The weighted average duration of the defined benefit obligation at 29 December 2018 is 20 years.

## 18 Deferred tax liability

	2018 \$'000	2017 \$'000
At start of period	763	1,601
Adjustment for changes in accounting policies (note 29)	(265)	–
	498	1,601
Charged/(credited) to the income statement	463	(433)
Prior period adjustment	(22)	84
Deferred tax credited to equity	(6)	(33)
Effect of change in tax rates – income statement	–	(482)
Effect of change in tax rates – equity	–	25
Exchange difference	(2)	1
<b>At end of period</b>	<b>931</b>	<b>763</b>

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

## Deferred tax analysis

	Depreciation/ capital allowances \$'000	Other \$'000	Total \$'000
At 30 December 2017	1,452	(689)	763
Adjustment for changes in accounting policies (note 29)	–	(265)	(265)
At 31 December 2017 after adjustment	1,452	(954)	498
Income statement debit	283	180	463
Prior period adjustment	(3)	(19)	(22)
Deferred tax credited to equity	–	(6)	(6)
Exchange difference	(2)	–	(2)
<b>At 29 December 2018</b>	<b>1,730</b>	<b>(799)</b>	<b>931</b>

Included in the table above are deferred tax assets in respect of timing differences and future deductions relating to conditional share awards for US employees of which \$139,000 is expected to reverse within the next twelve months.

	Depreciation/ capital allowances \$'000	Other \$'000	Total \$'000
At 1 January 2017	2,099	(498)	1,601
Income statement debit/(credit)	232	(665)	(433)
Prior period adjustment	–	84	84
Deferred tax credited to equity	–	(33)	(33)
Effect of change in tax rates – income statement	(880)	398	(482)
Effect of change in tax rates – equity	–	25	25
Exchange difference	1	–	1
At 30 December 2017	1,452	(689)	763

### 19 Borrowings

The Group had no drawdown on its borrowing facilities at 29 December 2018 (30 December 2017: no drawdown).

The Group had the following undrawn committed borrowing facilities available at 29 December 2018:

Borrowing facilities	Floating rate	
	2018 \$'000	2017 \$'000
Expiring within one year	1,769	1,851
Expiring in more than one year	20,000	20,000

Facilities comprised an unsecured US\$20.0m line of credit for 4imprint, Inc., which expires on 31 May 2020, an unsecured Canadian facility of US\$0.5m, which expires on 31 August 2019, and an unsecured UK overdraft facility of £1.0m for the Company, which expires on 31 December 2019.

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

At 29 December 2018 the Group had no forward currency contracts outstanding (2017: none).

The movement in the exchange rates compared to prior period decreased profit after tax by \$0.15m and decreased net assets by \$0.27m. Closing rate was US\$1.27 (2017: US\$1.35) and the average rate used to translate profits was US\$1.34 (2017: US\$1.29).

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 \$0.47m and net assets at period end by \$0.81m.

#### 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.

The Group holds cash balances on deposit with its principal US and UK banks.

# Notes to the Group Financial Statements continued

## 20 Financial risk management continued

### Financial instruments

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

	2018 \$'000	2017 \$'000
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding prepayments)	<b>41,848</b>	42,704
Cash and cash equivalents	<b>27,484</b>	30,767
<b>Financial liabilities at amortised cost</b>		
Trade and other payables (excluding non-financial liabilities)	<b>(50,252)</b>	(47,675)

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:

	2018 Rating	2018 Deposit \$'000	2017 Rating	2017 Deposit \$'000
Lloyds Bank plc	<b>Aa2</b>	<b>6,081</b>	Aa3	4,759
JPMorgan Chase Bank, N.A.	<b>Aa1</b>	<b>21,397</b>	Aa2	25,991
Other		<b>6</b>		17
		<b>27,484</b>		30,767

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 19.

At 29 December 2018 the net cash position (note 14) of the Group was \$27.48m (2017: \$30.77m).

### Capital risk management

The objective for managing cash, 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.

The policy for capital allocation is shown on page 18.

In 2018 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 over the next three years.

## 21 Share capital

	2018 \$'000	2017 \$'000
<b>Issued and fully paid</b>		
28,085,530 (2017: 28,085,530) ordinary shares of 38 <sup>6</sup> / <sub>13</sub> p each	<b>18,842</b>	18,842

All shares have the same rights.

The Company issued no ordinary shares in the period (2017: none). Share option exercises were satisfied by transfer of shares from an employee benefit trust.

At 29 December 2018 the following options have been granted and were outstanding under the Company's share option schemes:

Scheme	Date of grant	Number of ordinary shares 2018	Number of option holders 2018	Number of ordinary shares 2017	Subscription price	Date exercisable	
						From	To
US ESPP	11/05/16	–	–	106,981	\$16.49	July 2018	July 2018
US ESPP	26/09/18	<b>107,454</b>	<b>549</b>	–	\$22.16	Dec 2020	Dec 2020
UK SAYE	11/05/16	<b>25,912</b>	<b>32</b>	27,496	£10.22	July 2019	Dec 2019
2015 Incentive Plan	30/03/16	<b>24,027</b>	<b>8</b>	24,027	nil	Mar 2019	Mar 2026
2015 Incentive Plan	30/03/17	<b>14,907</b>	<b>8</b>	14,907	nil	Mar 2020	Mar 2027
2015 Incentive Plan	15/04/18	<b>16,547</b>	<b>8</b>	–	nil	Apr 2021	Apr 2028
<b>Total</b>		<b>188,847</b>	<b>605</b>	173,411			

The weighted average exercise price for options outstanding at 29 December 2018 was £11.34 (2017: £9.15).

Details of share schemes are disclosed in note 22.

### 2015 Incentive Plan

Under the 2015 Incentive Plan (the "Plan") 50% of the annual bonus of the Chief Executive Officer, Chief Financial Officer and seven senior managers will be deferred into shares as awards of nil cost options or conditional shares, based on the share price at 31 December of the relevant year. The awards will be made in a 42 day period following the announcement of the Group's full year results and the options will normally not be exercisable until at least three years from the date of the award. The awards to Executive Directors from 4 March 2019 will not be exercisable until five years from the date of the award, conditional upon the person still being in the employment of a Group company. It is expected that 40,140 options or conditional shares, with a total fair value of \$940,000, will be awarded in respect of the 2018 bonus.

### 22 Share-based payments

Share options may be granted to senior management and, in addition, SAYE or equivalent schemes exist for all UK and US employees. The exercise price for SAYE options is equal to the market rate, less 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 ESPP and is spread over the vesting period of the options. The significant inputs into the model are an expected life of between 2.2 and 3 years for the ESPP and SAYE 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.

	2018 \$'000	2017 \$'000
Charge resulting from spreading the fair value of options	<b>808</b>	545
Social security costs in respect of share options	<b>11</b>	6
<b>Total</b>	<b>819</b>	551

# Notes to the Group Financial Statements continued

## 22 Share-based payments continued

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

	US ESPP Scheme	US ESPP Scheme	UK SAYE Scheme
Grant date	26/09/18	11/05/16	11/05/16
Share price at grant date	£20.00	£13.61	£13.61
Exercise price	\$22.16	\$16.49	£10.22
Number of employees	549	–	32
Shares under option	107,454	–	25,912
Vesting period (years)	2.2	2.2	3.0
Expected volatility	30%	30%	30%
Option life (years)	2.2	2.2	3.5
Expected life (years)	2.2	2.2	3.0
Risk-free rate	0.85%	0.33%	0.53%
Expected dividends expressed as a dividend yield	2.0%	2.0%	2.0%
Possibility of ceasing employment before vesting	5%	5%	5%
Expectations of meeting performance criteria	100%	100%	100%
Fair value per option	£4.62	£3.10	£4.03

In respect of the 2015 Incentive Plan the fair value of the awards of options or conditional shares made in 2016, 2017 and 2018 are based on the share price at 31 December 2015, 31 December 2016 and 31 December 2017 respectively. The option life is from the date of first notification of the Plan at the end of March 2015 until expected exercise in March 2019 for the 2016 awards and 4.25 years from the start of the financial year to which the awards relate for subsequent awards. The fair value of the expected awards of 40,140 options or conditional shares in respect of 2018 is based on the share price at 31 December 2018.

A reconciliation of option movements over the period to 29 December 2018 is shown below:

	2018		2017	
	Number of shares	Weighted average exercise price (£)	Number of shares	Weighted average exercise price (£)
Outstanding at start of period	173,411	9.15	170,954	10.84
Granted	125,414	14.59	16,150	0.00
Forfeited/cancelled	(5,564)	12.91	(9,186)	12.80
Exercised	(104,414)	12.68	(4,507)	3.46
<b>Outstanding at end of period</b>	<b>188,847</b>	<b>11.34</b>	173,411	9.15
<b>Exercisable at end of period</b>	–	–	–	–

Range of exercise prices	2018				2017			
	Weighted average exercise price	Number of shares	Weighted average remaining life (years)		Weighted average exercise price	Number of shares	Weighted average remaining life (years)	
			Expected	Contractual			Expected	Contractual
Nil	0.00	55,481	0.2 to 2.3	0.2 to 9.3	0.00	38,934	1.6	1.2 to 9.2
£10–11	£10.22	25,912	0.5	1.0	£10.22	27,496	1.5	2.0
£12–13	–	–	–	–	\$16.49	106,981	0.5	0.5
£17–18	\$22.16	107,454	1.93	1.93	–	–	–	–

### 23 Other reserves

	Capital redemption reserve \$'000	Cumulative translation differences \$'000	Total \$'000
Balance at 1 January 2017	369	6,051	6,420
Currency translation differences	–	(559)	(559)
Balance at 30 December 2017	369	5,492	5,861
Currency translation differences	–	<b>(434)</b>	<b>(434)</b>
<b>Balance at 29 December 2018</b>	<b>369</b>	<b>5,058</b>	<b>5,427</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.

### 24 Cash generated from operations

	2018 \$'000	2017 \$'000
Operating profit	<b>44,322</b>	41,284
<i>Adjustments for:</i>		
Depreciation charge	<b>2,200</b>	2,048
Amortisation of intangibles	<b>445</b>	464
Loss on disposal of fixed assets	<b>7</b>	4
Exceptional non-cash items	<b>721</b>	378
(Decrease)/increase in exceptional accrual	<b>(52)</b>	19
Share option charges	<b>808</b>	545
Defined benefit pension administration charge	<b>316</b>	291
Contributions to defined benefit pension scheme	<b>(3,932)</b>	(3,675)
<i>Changes in working capital:</i>		
Increase in inventories	<b>(2,266)</b>	(1,176)
Increase in trade and other receivables	<b>(2,422)</b>	(6,324)
Increase in trade and other payables	<b>1,504</b>	7,043
<b>Cash generated from operations</b>	<b>41,651</b>	40,901

### 25 Financial commitments

At 29 December 2018, the Group was committed to make payments in respect of non-cancellable operating leases in the following periods:

	2018		2017	
	Land and buildings \$'000	Other \$'000	Land and buildings \$'000	Other \$'000
In one year	<b>1,644</b>	<b>116</b>	1,419	181
In two to five years	<b>419</b>	<b>22</b>	1,862	166
	<b>2,063</b>	<b>138</b>	3,281	347

### 26 Contingent liabilities

The Group has no known contingent liabilities (2017: none).

### 27 Capital commitments

The Group had no capital commitments contracted for but not provided for in the financial statements at 29 December 2018 for property, plant and equipment (2017: \$nil).



# Notes to the Group Financial Statements continued

## 28 Related party transactions

The Group did not participate in any related party transactions.

Key management compensation is disclosed in note 3.

## 29 Impact of new accounting standards

The implementation of IFRS 9 has had no material impact on the financial results of the Group. The simplified expected loss model for the trade receivables bad debt provisions results in an immaterial increase in the provision. Trade and other receivables, together with cash and cash equivalents, were categorised as 'Loans and Receivables' under IAS 39 and measured at amortised cost. This category does not exist in IFRS 9, but these items continue to be measured at amortised cost. Additionally, there were no derivative instruments at this or the prior period end. The Group's financial instruments and basis of valuation, which is unchanged from prior year, are shown in note 20.

The implementation of IFRS 15's performance obligations requirement has resulted in a revision to the period end cut-off procedure for revenue recognition, to recognise revenue only when the goods have been physically received by the customer. This change has little full year on year impact on the financial results of the Group (2017: \$0.2m operating profit reduction) and so the decision was made to take advantage of the option not to restate prior periods. This results in an opening adjustment to reduce net equity by \$1,011,000 as follows:

	30 Dec 2017 As reported \$'000	Opening IFRS 15 adjustment \$'000	Opening 31 Dec 2017 Revised \$'000
<b>Balance sheet</b>			
<b>Non-current assets</b>	25,879	–	<b>25,879</b>
<b>Current assets</b>			
Inventories	5,356	2,584	<b>7,940</b>
Trade and other receivables	46,309	(2,657)	<b>43,652</b>
Current tax	472	–	<b>472</b>
Cash and cash equivalents	30,767	–	<b>30,767</b>
	82,904	(73)	<b>82,831</b>
<b>Current liabilities</b>			
Trade and other payables	(47,675)	(1,203)	<b>(48,878)</b>
Provisions	(146)	–	<b>(146)</b>
	(47,821)	(1,203)	<b>(49,024)</b>
<b>Net current assets</b>	35,083	(1,276)	<b>33,807</b>
<b>Non-current liabilities</b>			
Retirement benefit obligations	(18,106)	–	<b>(18,106)</b>
Deferred tax liability	(763)	265	<b>(498)</b>
	(18,869)	265	<b>(18,604)</b>
<b>Net assets</b>	42,093	(1,011)	<b>41,082</b>



# Company Balance Sheet

at 29 December 2018

	Note	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Property, plant and equipment	B	3	17
Investments	C	104,182	104,182
Deferred tax assets	D	4,442	4,376
Other receivables	E	252,018	244,346
		<b>360,645</b>	352,921
<b>Current assets</b>			
Other receivables	E	462	572
Cash and cash equivalents		4,083	3,013
		<b>4,545</b>	3,585
<b>Current liabilities</b>			
Other payables	F	(1,617)	(1,127)
Provisions	G	–	(108)
		<b>(1,617)</b>	(1,235)
		<b>2,928</b>	2,350
<b>Net current assets</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations	H	(11,834)	(13,402)
Amounts due to subsidiary companies	J	(126,103)	(118,431)
		<b>(137,937)</b>	(131,833)
		<b>225,636</b>	223,438
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Share capital	L	10,802	10,802
Share premium reserve		38,575	38,575
Capital redemption reserve		208	208
Retained earnings*	M	176,051	173,853
		<b>225,636</b>	223,438

## \*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 £26,446,000 (2017: £14,160,000) is included in retained earnings of the Company.

The financial statements on pages 88 to 97 were approved by the Board of Directors on 5 March 2019 and were signed on its behalf by:

**Kevin Lyons-Tarr**  
Chief Executive Officer

**David Seekings**  
Chief Financial Officer

# Statement of Changes in Company Shareholders' Equity

for the 52 weeks ended 29 December 2018

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Retained earnings		Total equity £'000
				Own shares £'000	Profit and loss £'000	
Balance at 1 January 2017	10,802	38,575	208	(336)	171,986	221,235
Profit for the period					14,160	14,160
<i>Other comprehensive income/(expense)</i>						
Re-measurement gain on post-employment obligations					335	335
Deferred tax relating to post-employment obligations					(64)	(64)
Deferred tax relating to losses					449	449
Effect of change in UK tax rate					13	13
Total comprehensive income					14,893	14,893
Proceeds from options exercised					15	15
Own shares purchased				(1,058)		(1,058)
Own shares utilised				79	(79)	–
Share-based payment charge					422	422
Deferred tax relating to losses					85	85
Dividends					(12,154)	(12,154)
Balance at 30 December 2017	10,802	38,575	208	(1,315)	175,168	223,438
Profit for the period					<b>26,446</b>	<b>26,446</b>
<i>Other comprehensive income/(expense)</i>						
Re-measurement loss on post-employment obligations					<b>(276)</b>	<b>(276)</b>
Deferred tax relating to post-employment obligations					<b>52</b>	<b>52</b>
Deferred tax relating to losses					<b>240</b>	<b>240</b>
Effect of change in UK tax rate					<b>(16)</b>	<b>(16)</b>
Total comprehensive income					<b>26,446</b>	<b>26,446</b>
Proceeds from options exercised					<b>1,322</b>	<b>1,322</b>
Own shares purchased				<b>(1,623)</b>		<b>(1,623)</b>
Own shares utilised				<b>1,880</b>	<b>(1,880)</b>	–
Share-based payment charge					<b>605</b>	<b>605</b>
Deferred tax relating to losses					<b>45</b>	<b>45</b>
Dividends					<b>(24,597)</b>	<b>(24,597)</b>
<b>Balance at 29 December 2018</b>	<b>10,802</b>	<b>38,575</b>	<b>208</b>	<b>(1,058)</b>	<b>177,109</b>	<b>225,636</b>

# Company Cash Flow Statement

for the 52 weeks ended 29 December 2018

	Note	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
Cash used in operations	K	<b>(4,051)</b>	(4,795)
Finance income		<b>19,832</b>	20,172
Finance costs		<b>(9,772)</b>	(9,988)
Net cash generated from operating activities		<b>6,009</b>	5,389
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(1)</b>	(1)
Net cash used in investing activities		<b>(1)</b>	(1)
<b>Cash flows from financing activities</b>			
Proceeds from share options exercised		<b>1,322</b>	15
Own shares purchased		<b>(1,623)</b>	(1,058)
Dividends received		<b>19,960</b>	7,295
Dividends paid to Shareholders		<b>(24,597)</b>	(12,154)
Net cash used in financing activities		<b>(4,938)</b>	(5,902)
<b>Net movement in cash and cash equivalents</b>		<b>1,070</b>	(514)
Cash and cash equivalents at beginning of the period		<b>3,013</b>	3,527
<b>Cash and cash equivalents at end of the period</b>		<b>4,083</b>	3,013
<b>Analysis of cash and cash equivalents</b>			
Cash at bank and in hand		<b>1,060</b>	1,490
Short-term deposits		<b>3,023</b>	1,523
		<b>4,083</b>	3,013

# Notes to the Company's Financial Statements

## General information

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 25 Southampton Buildings, London WC2A 1AL. The Company's financial statements are presented in Sterling. Numbers are shown in pounds thousands.

## 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 2019).

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 judgments, 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 judgments 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 and the quantum of tax losses recognised in the deferred tax asset. The assumptions used for the pension scheme obligations are disclosed in note 17 and the tax losses are recognised to the extent that the Directors consider it probable that future taxable profits will be available against which the losses can be utilised.

## Critical accounting policies

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

## Pensions

As disclosed in note 17 on pages 77 to 80, the Company sponsors a closed defined benefit pension scheme. Period-end recognition of the liabilities under this scheme and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability in the balance sheet.

## 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 64 to 67 except for the investments policy noted 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 Company's financial statements.

## Investments

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



# Notes to the Company's Financial Statements continued

## A. Employees

	2018 £'000	2017 £'000
Wages and salaries	852	754
Social security costs	104	97
Pension costs – defined contribution plans	9	12
Share option charges	557	389
	<b>1,522</b>	1,252

The average number of people, including Executive Directors, employed by the Company during the period was 4 (2017: 5).

## B. Property, plant and equipment

	Fixtures & fittings £'000
Cost:	
At 1 January 2017	274
Additions	1
At 30 December 2017	275
Additions	1
Disposals	(216)
<b>At 29 December 2018</b>	<b>60</b>
Depreciation:	
At 1 January 2017	236
Charge for the period	22
At 30 December 2017	258
Charge for the period	9
Disposals	(210)
<b>At 29 December 2018</b>	<b>57</b>
<b>Net book value at 29 December 2018</b>	<b>3</b>
Net book value at 30 December 2017	17

## C. Investments

Shares in  
subsidiary  
undertakings  
£'000

Cost:

At 29 December 2018 and 30 December 2017

**104,182**

### Subsidiary undertakings

The subsidiaries at 29 December 2018 are set out below. All of these subsidiaries are wholly-owned and have ordinary share capital only, apart from 4imprint USA Limited and 4imprint US Group Inc, which also have preference shares.

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.

The registered address of all subsidiaries registered in England is 25 Southampton Buildings, London WC2A 1AL. The registered address of 4imprint, Inc. is 101 Commerce Street, Oshkosh, WI 54901, USA and for 4imprint US Group Inc. is 103 Foulk Road, Suite 202, Wilmington, DE 19803, USA.

# Notes to the Company's Financial Statements continued

## D. Deferred tax assets

	2018 £'000	2017 £'000
At start of period	4,376	4,088
Income statement debit	(255)	(195)
Deferred tax credited to other comprehensive income	276	398
Deferred tax credited to equity	45	85
<b>At end of period</b>	<b>4,442</b>	<b>4,376</b>

### Deferred tax analysis

	Pension £'000	ACA £'000	Losses £'000	Total £'000
At 31 December 2017	2,381	2	1,993	4,376
Income statement (charge)/credit	(350)	1	94	(255)
Deferred tax credited to other comprehensive income	36	–	240	276
Deferred tax credited to equity	–	–	45	45
<b>At 29 December 2018</b>	<b>2,067</b>	<b>3</b>	<b>2,372</b>	<b>4,442</b>

	Pension £'000	ACA £'000	Losses £'000	Total £'000
At 1 January 2017	2,806	1	1,281	4,088
Income statement (charge)/credit	(374)	1	178	(195)
Deferred tax credited/(debited) to other comprehensive income	(51)	–	449	398
Deferred tax credited to equity	–	–	85	85
At 30 December 2017	2,381	2	1,993	4,376

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

	2018 £'000	2017 £'000
Tax relating to post-employment obligations	52	(64)
Effect of change in UK tax rate	(16)	13
Tax relating to losses	240	449
	<b>276</b>	<b>398</b>

## E. Other receivables

	2018 £'000	2017 £'000
Amounts due from subsidiary companies	252,254	244,698
Other receivables	171	164
Prepayments and accrued income	55	56
	<b>252,480</b>	<b>244,918</b>
Less non-current portion: Amounts due from subsidiary companies	<b>(252,018)</b>	<b>(244,346)</b>
	<b>462</b>	<b>572</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 in two to 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:

	2018 £'000	2017 £'000
Sterling	126,362	126,357
US dollars	126,118	118,561
	<b>252,480</b>	244,918

#### F. Other payables – current

	2018 £'000	2017 £'000
Other payables	89	76
Other tax and social security	32	33
Amounts due to subsidiary companies	1,050	650
Accruals	446	368
	<b>1,617</b>	1,127

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

#### G. Provisions

	2018 £'000	2017 £'000
At start of period	108	108
Utilised	(30)	–
Released	(78)	–
<b>At end of period</b>	<b>–</b>	108

The provisions related to dilapidation costs in respect of a property leased by the Company. The lease expired in 2018 and was not renewed.

#### H. Retirement benefit obligations

The amount recognised in the balance sheet represents the net liability in respect of the closed defined benefit pension scheme. Full details of the defined benefit scheme are contained in note 17 on pages 77 to 80.

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

	2018 £'000	2017 £'000
Present value of funded obligations	(26,090)	(27,194)
Fair value of scheme assets	14,256	13,792
<b>Net obligations recognised in the balance sheet</b>	<b>(11,834)</b>	(13,402)

# Notes to the Company's Financial Statements continued

## H. Retirement benefit obligations continued

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

	Present value of obligations £'000	Fair value of scheme assets £'000	Net obligation £'000
Balance at 1 January 2017	(27,926)	12,247	(15,679)
Administration costs paid by the scheme	(226)	–	(226)
Exceptional items – buy-out costs paid by the scheme	(293)	–	(293)
Interest (expense)/income	(730)	340	(390)
Return on scheme assets (excluding interest income)	–	266	266
Re-measurement gain due to scheme experience	474	–	474
Re-measurement loss due to changes in financial assumptions	(406)	–	(406)
Contributions by employer	–	2,852	2,852
Benefits paid	1,913	(1,913)	–
Balance at 30 December 2017	(27,194)	13,792	(13,402)
Administration costs paid by the scheme	<b>(237)</b>	–	<b>(237)</b>
Exceptional costs re past service costs	<b>(562)</b>	–	<b>(562)</b>
Interest (expense)/income	<b>(666)</b>	<b>364</b>	<b>(302)</b>
Return on scheme assets (excluding interest income)	–	<b>(1,461)</b>	<b>(1,461)</b>
Re-measurement gain due to changes in financial assumptions	<b>1,185</b>	–	<b>1,185</b>
Contributions by employer	–	<b>2,945</b>	<b>2,945</b>
Benefits paid	<b>1,384</b>	<b>(1,384)</b>	–
<b>Balance at 29 December 2018</b>	<b>(26,090)</b>	<b>14,256</b>	<b>(11,834)</b>

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

The amounts due to subsidiary companies of £126,103,000 (2017: £118,431,000) are due in two to five years. The loans are interest-bearing at market rates of interest.

## K. Cash used in operations

	2018 £'000	2017 £'000
Operating loss	<b>(3,017)</b>	(2,733)
<i>Adjustments for:</i>		
Depreciation charge	<b>9</b>	22
Exceptional non-cash items	<b>562</b>	293
(Decrease)/increase in exceptional accrual	<b>(39)</b>	15
Share option charges	<b>605</b>	422
Defined benefit pension administration charge	<b>237</b>	226
Contributions to defined benefit pension scheme	<b>(2,945)</b>	(2,852)
<i>Changes in working capital:</i>		
Increase in trade and other receivables	<b>(54)</b>	(41)
Increase/(decrease) in trade and other payables	<b>75</b>	(118)
Movements in amounts due to/from subsidiary undertakings	<b>516</b>	(29)
<b>Cash used in operations</b>	<b>(4,051)</b>	(4,795)

The exceptional non-cash items relate to past service costs for pensioner GMP equalisation (see note 4 on page 70), (2017: £293,000 pensioner buy-out costs paid by the pension scheme).

## L. Share capital

	2018 £'000	2017 £'000
<b>Allotted and fully paid</b>		
28,085,530 (2017: 28,085,530) ordinary shares of 38 <sup>6</sup> / <sub>13</sub> p each	<b>10,802</b>	10,802

During the period no ordinary shares were issued (2017: none). Share option exercises were satisfied by transfer of shares from an employee benefit trust.

The options that have been granted and were outstanding under the Company's share option schemes at the year-end are shown in note 21 on page 83. Full details of the share option schemes are given in note 22 on pages 83 and 84.

Employees of the Company had interests in 5,828 SAYE options (2017: 5,828).

## M. Distributable reserves

The profit and loss reserve of £177,109,000 (2017: £175,168,000) in the Company includes £125,915,000 (2017: £125,915,000), which is non-distributable.

## N. Financial commitments

The Company had financial commitments for leases of land and buildings of £158,000 at 29 December 2018 (2017: £12,000). These are payable as follows: within one year £126,000 (2017: £12,000); in two to five years £32,000 (2017: nil).

## O. Contingent liabilities

The Company had no known contingent liabilities at 29 December 2018 (2017: none).

## P. Related party transactions

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

	2018 £'000	2017 £'000
<b>Income statement</b>		
Finance income due from subsidiary companies	<b>19,824</b>	20,162
Finance costs due to subsidiary companies	<b>9,762</b>	9,978
<b>Balance sheet</b>		
Interest-bearing loans due from subsidiary companies at end of period	<b>252,018</b>	244,346
Interest-bearing loans due to subsidiary companies at end of period	<b>126,103</b>	118,431

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

	2018 £'000	2017 £'000
Salaries, fees and short-term employee benefits	<b>535</b>	476
Social security costs	<b>62</b>	60
Pension contributions	–	–
Share option charges	<b>2</b>	2
	<b>599</b>	538

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



# Five Year Financial Record

## Income statement

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
<b>Revenue</b>	<b>738,418</b>	627,518	558,223	497,219	415,773
Underlying* operating profit	<b>45,359</b>	42,029	37,947	33,215	27,093
Defined benefit pension scheme administration costs	<b>(316)</b>	(291)	(311)	(394)	(544)
Exceptional items	<b>(721)</b>	(454)	(2,940)	(858)	(2,407)
<b>Operating profit</b>	<b>44,322</b>	41,284	34,696	31,963	24,142
Finance income	<b>250</b>	3	22	37	107
Finance costs	<b>(23)</b>	(125)	(46)	(7)	(7)
Net pension finance charge	<b>(403)</b>	(503)	(521)	(836)	(903)
<b>Profit before tax</b>	<b>44,146</b>	40,659	34,151	31,157	23,339
Taxation	<b>(8,952)</b>	(11,734)	(9,672)	(8,462)	(6,982)
<b>Profit from continuing operations</b>	<b>35,194</b>	28,925	24,479	22,695	16,357
Profit from discontinued operations	<b>–</b>	–	–	–	1,381
<b>Profit for the period</b>	<b>35,194</b>	28,925	24,479	22,695	17,738

\* Underlying has been restated to include share option charges.

Basic earnings per ordinary share	<b>125.61c</b>	103.15c	87.27c	81.26c	59.73c
Dividend per share – paid and proposed	<b>70.00c</b>	118.10c	52.50c	38.89c	32.41c

## Balance sheet

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Non-current assets (excluding deferred tax)	<b>20,096</b>	19,967	20,020	19,365	10,403
Deferred tax assets	<b>5,636</b>	5,912	5,030	4,388	4,794
Net current assets	<b>33,482</b>	35,083	25,299	28,781	23,186
Retirement benefit obligations	<b>(15,016)</b>	(18,106)	(19,290)	(23,114)	(24,015)
Other liabilities	<b>(931)</b>	(763)	(1,734)	(968)	(298)
<b>Shareholders' equity</b>	<b>43,267</b>	42,093	29,325	28,452	14,070
<b>Net cash</b>	<b>27,484</b>	30,767	21,683	18,381	18,301

# Registered Office and Company Advisers

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Telephone +44 (0)20 3709 9680  
E-mail [hq@4imprint.co.uk](mailto:hq@4imprint.co.uk)

## Registered number

177991 England

## Independent Auditors

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Chartered Accountants and Statutory Auditors  
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Hardman Square  
Manchester M3 3EB

## Joint stockbrokers

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London EC2Y 5ET

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

## Registrar and transfer office

Link Asset Services  
The Registry  
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Beckenham  
Kent BR3 4TU

## Bankers

Lloyds Bank plc  
JPMorgan Chase Bank, N.A.



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