

4imprint Group plc
Preliminary Results for the 53 week period ended 2 January 2010

4imprint Group plc announces today its results for the 53 weeks ended 2 January 2010

Highlights

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

Note * underlying operating profit is stated before defined benefit pension charges, share option charges and exceptional items.

The following is an extract from the Executive Chairman's Statement:

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

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

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

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

Ken Minton, Executive Chairman said:

"2009 saw the impact of the worst macro-economic trading conditions that we have recently faced. Despite these challenges, we have grown our market share, managed our fixed cost base through the delivery of efficiency savings and are confident that as the market continues to recover, we are well positioned to grow our business. Our optimism towards the improving markets and our strengthened position within them, efficient business and strong cash generating ability, underpins our decision to improve our final dividend for 2009".

– Ends –

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Executive Chairman's Statement

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

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

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

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

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

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

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

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

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

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

Divisional performance

The three Divisions performed as follows:-

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

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

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

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

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

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

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

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

Dividend

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

The Board

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

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

People

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

Outlook

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

Ken Minton

Executive Chairman

25 February 2010

Finance Director's Report

Group results	2009	2008	Change
	£m	£m	
Group revenue	169.09	168.09	+1%
Operating profit before defined pension charge, share options and exceptional items	5.45	9.56	-43%
Profit before tax	2.67	5.07	-47%
Profit after tax	2.27	3.55	-36%
Net debt	(3.13)	(4.19)	+£1.06m

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

Profitability in all Divisions was below prior year as a result of reduced sales, however in all cases the second half was stronger than the first half. Head office costs, before exceptional items, were £1.42m compared to £1.59m in 2008.

Share option charge

The Group charged £0.43m (2008: £0.37m) to operating profit in accordance with IFRS2 "Share-based payments". This related to senior management and Chairman LTIP schemes, for which the vesting conditions have not been met, and SAYE schemes.

Pensions

The Group sponsors a defined benefit scheme, closed to new members, with two active members, 982 pensioners and 1,293 deferred members at the date of the last scheme accounts. The charge to the income statement in the period was £1.27m (2008: £0.15m credit) and cash contributions to the scheme were £2.46m (2008: £2.26m).

The pension fund deficit has increased to £22.45m (2008: £16.94m). Assets increased to £74.06m, (2008: £66.23m), however the liability also increased to £96.51m, (2008: £83.17m) primarily due to the decrease in the discount rate from 6.5% to 5.8%. The triennial valuation will take place in 2010.

KPIs

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

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

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

Exceptional items

The exceptional items totalling £0.77m represented charges due to further restructuring undertaken by the Group in the year and relates to termination costs and onerous contracts.

Taxation

The tax charge was £0.40m, an effective rate of 15% (2008: 30%). The reduction in the rate is due to tax losses generated and utilised in the year in the Group's principal trading territories – UK and USA. The current tax credit at £0.05m relates to overseas taxation payable offset by a tax refund in respect of prior years in UK. The deferred tax charge at £0.45m relates to the utilisation of deferred tax assets recognised in prior years partly offset by the recognition of assets relating to tax losses generated in the year.

A net tax refund in the year of £0.07m related to tax paid (£0.16m) in overseas territories offset by recovery of overpayments of tax instalments made in 2008.

Earnings per share

Underlying basic earnings per share were 17.07p (2008: 24.51p).

Basic earnings per share were 8.88p (2008: 14.06p).

Dividend

The Board proposes a final dividend of 8.5p, which, together with the interim dividend of 4.25p, gives a dividend paid and proposed for the period of 12.75p, a 4% increase compared to prior year.

Cash flow

The Group's net debt at 2 January 2010 was £3.13m, a reduction of £1.06m in the year. The principal components of the cash flow movement are as follows:

	£m
Cash generated from operating profit before exceptional items	7.50
Operating working capital reduction	3.42
Defined benefit pension contributions	(2.46)
Cash exceptional items	(0.83)
Cash generated from operations	7.63
Capital investment *	(2.32)
Finance lease funded capital investment	(0.68)
Tax, dividends and interest	(3.36)
Exchange	(0.21)
Reduction in net debt	1.06

* Capital investment included spend of £0.84m (at US \$ average rate) related to completion of the US Distribution Centre, financed by a mortgage.

Net debt

	2009	2008
	£m	£m
Cash and cash equivalents	5.61	4.41
Borrowings due in less than one year	(6.20)	-
Borrowings due after one year	(2.54)	(8.60)
	(3.13)	(4.19)

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

Borrowing facilities

At the year end the Group had available headroom on its UK and US facilities of £8.02m; together with cash balances of £5.61m; in total, available funding of £13.63m.

On 29 January 2010, the Group drew down on its new £10m facility with Lloyds TSB Bank plc. This replaced the existing £10m facility (£6m loan and £4m overdraft) with a new facility – a £6m loan facility repayable on 31 December 2012, a £2m secured loan facility repayable £0.25m on 30 December 2010 and 2011 and £1.50m on 31 December 2012 and a £2m overdraft facility renewable annually on 31 December. The interest rate on the £6m facility is LIBOR plus 3%, on the £2m facility LIBOR plus 2.75% and on the overdraft facility is base rate plus 2.75%. There is a total arrangement fee of 1.5%.

In USA, there is a US\$3.55m mortgage facility, repayable in February 2014 and a working capital facility of US\$6.5m which is renewable in September 2010.

Balance Sheet and Shareholders' funds

Equity shareholders' funds decreased by £6.51m in the period. Profit, net of dividends paid was £(0.85)m, actuarial losses net of tax were £(4.83)m, exchange losses were £(1.17)m and other movements were £0.34m.

Exchange and cash management

The average exchange rates during the period used to translate the income statements of principal overseas subsidiaries were US dollars: \$1.56 (2008: \$1.86) and Euros €1.12 (2008: €1.26).

The movement in exchange rate compared to prior year increased operating profit of the US business by £0.59m and had negligible impact on the German business.

The exchange rates at the balance sheet date used to translate assets and liabilities were US dollars: \$1.61 (2008: \$1.47) and Euros €1.13 (2008: €1.05). This resulted in a decrease in US dollar denominated overseas subsidiaries assets of £0.79m and a decrease in Euro denominated overseas subsidiary assets of £0.20m.

Critical accounting policies

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

New accounting standards

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

The Group will now be required to recognise an expense for mail order catalogues and other related marketing expenses when the businesses have access to the catalogues and not when catalogues are distributed to customers as is the Group's current policy. The Group will restate its 2009 accounts in 2010 for the impact of this policy. If this standard had been adopted in the accounts for the period ended 2 January 2010, at the half year Group profit would have been £0.92m lower. However, this is a timing difference within the year and at the year end Group profit would have been £0.26m higher (following a corresponding adjustment to the 2008 opening position). There is no impact on the Group's cash position.

Treasury Policy

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

Gillian Davies

Group Finance Director

25 February 2010

Operating Review

Direct Marketing Division – “4imprint”

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

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

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

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

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

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

Taken together, our prospecting and retention activities in 2009 have allowed us to gain market share in the USA and Canada and leave the business well positioned with a healthy customer file. As the year progressed and the economic environment stabilised, the result of this strategy began to emerge. In the fourth quarter orders received were up 16% over the same period in 2008, and operating profit in underlying currency was up 13% over the same timeframe.

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

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

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

Operating Review

End User Division – “Brand Addition”

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

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

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

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

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

Taking each business in turn:

Manchester

Total revenue in the year was 18% below prior year, recovering from 31% below in the first half to 6% below in the second half. The improvement in the second half was a result of revenue from new contracts and an increase in revenue from existing customers.

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

London

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

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

Hagen

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

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

Operating Review

Trade Division – “SPS”

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

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

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

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

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

Consolidated income statement for the 53 weeks ended 2 January 2010

		2009 53 weeks £'000	2008 52 weeks £'000
	Note		
Revenue	1	169,088	168,085
Operating expenses		(166,101)	(162,296)
Operating profit		2,987	5,789
Operating profit before exceptional items	1	3,758	9,342
Exceptional items	2	(771)	(3,553)
Operating profit	1	2,987	5,789
Finance income		28	37
Finance costs		(343)	(756)
Profit before tax		2,672	5,070
Taxation	3	(401)	(1,520)
Profit attributable to equity Shareholders		2,271	3,550
Earnings per share			
Basic	4	8.88p	14.06p
Diluted	4	8.79p	13.67p

Statement of recognised income and expense for the 53 weeks ended 2 January 2010

		2009 53 weeks £'000	2008 52 weeks £'000
	Note		
Profit for the period		2,271	3,550
Exchange (losses)/gains offset in reserves net of tax	8	(1,172)	2,841
Actuarial losses taken to reserves net of tax	8	(4,825)	(6,336)
Net losses not recognised in income statement		(5,997)	(3,495)
Total recognised (expense)/income for the period		(3,726)	55

Consolidated balance sheet at 2 January 2010

	Note	2009 £'000	2008 £'000
Non current assets			
Property, plant and equipment		13,063	12,548
Goodwill		9,084	9,084
Intangible assets		1,730	1,630
Investments		10	11
Deferred tax assets		7,223	5,861
		31,110	29,134
Current assets			
Inventories		7,022	8,449
Trade and other receivables		24,038	28,854
Cash and cash equivalents	7	5,613	4,411
		36,673	41,714
Current liabilities			
Trade and other payables		(21,390)	(23,601)
Current tax		(150)	(151)
Borrowings	7	(6,196)	-
		(27,736)	(23,752)
Net current assets		8,937	17,962
Non current liabilities			
Retirement benefit obligations	6	(22,450)	(16,937)
Borrowings	7	(2,543)	(8,600)
		(24,993)	(25,537)
Net assets		15,054	21,559
Shareholders' equity			
Share capital	8	9,939	9,846
Share premium reserve	8	38,016	38,016
Capital redemption reserve	8	208	208
Cumulative translation differences	8	(21)	1,151
Retained earnings	8	(33,088)	(27,662)
Total equity		15,054	21,559

Consolidated cash flow statement for the 53 weeks ended 2 January 2010

	Note	2009 53 weeks £'000	2008 52 weeks £'000
Cash flows from operating activities			
Cash generated from operations	9	7,633	12,563
Tax recovered/(paid)		73	(960)
Finance income		28	37
Finance costs		(340)	(761)
Net cash generated from operating activities		7,394	10,879
Cash flows from investing activities			
Acquisition of subsidiary		-	(1,090)
Purchases of property, plant and equipment		(1,679)	(2,809)
Purchases of intangible assets		(633)	(623)
Proceeds from the sale of property, plant and equipment		-	24
Net cash used in investing activities		(2,312)	(4,498)
Cash flows from financing activities			
Proceeds from borrowings		-	2,600
Repayment of borrowings		(174)	-
Capital element of finance lease payments		(126)	-
Proceeds from issue of ordinary shares		93	96
Purchase of own shares		(93)	(652)
Dividends paid to Shareholders	5	(3,124)	(3,090)
Net cash used in financing activities		(3,424)	(1,046)
Net movement in cash, cash equivalents and bank overdrafts		1,658	5,335
Cash, cash equivalents and bank overdrafts at beginning of the period		4,411	(1,077)
Exchange (losses)/gains on cash, cash equivalents and bank overdrafts		(456)	153
Cash, cash equivalents and bank overdrafts at end of the period		5,613	4,411
Analysis of cash, cash equivalents and bank overdrafts			
Cash at bank and in hand	7	5,613	4,411
		5,613	4,411

Notes

General Information

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

Basis of preparation

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 2 January 2010 or 27 December 2008. The annual report and financial statements for the year ended 2 January 2010 were approved by the Board of Directors on 25 February 2010 along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditors' report on the statutory accounts for the year ended 2 January 2010 was unqualified and did not contain a statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 27 December 2008 have been delivered to the Registrar of Companies. The auditors' report on the statutory accounts for the year ended 27 December 2008 was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

The audited consolidated financial statements from which these results are extracted have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies set out below represent an extract of the policies set out in the consolidated financial statements. There have been no changes in accounting policies in the year.

Critical accounting policies

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

Pensions

As disclosed in note 6 the Group operates a closed defined benefit scheme. Year end recognition of the liabilities under this scheme and the return on assets held to fund these liabilities require a number of significant actuarial assumptions to be made including inflation, asset returns, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability in the balance sheet.

Deferred taxation

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

Inventory provisions

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

Trade receivables provisions

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

1. Segmental reporting

Primary reporting format – business segments

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

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

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

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

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

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

2. Exceptional items

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

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

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

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

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

3. Taxation

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

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

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

4. Earnings per share

Basic and diluted

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

	2009	2008
	£'000	£'000
Profit for the financial period	2,271	3,550
Add back:		
Defined benefit pension charge/(credit)	1,268	(150)
Share option charge	426	370
Exceptional items	771	3,553
Tax relating to above items	(370)	(1,132)
Underlying profit for the financial period	4,366	6,191
	Number	Number
	000's	000's
Basic weighted average number of shares	25,574	25,251
Dilutive potential ordinary shares – employee share options	261	715
Diluted weighted average number of shares	25,835	25,966
Basic earnings per share	8.88p	14.06p
Underlying basic earnings per share	17.07p	24.51p
Diluted earnings per share	8.79p	13.67p

The basic weighted average number of shares excludes shares held in the 4imprint Group plc Employee Share Trust. The effect of this is to reduce the average by 170,648 (2008: 343,000).

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

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

For diluted earnings per share, the basic weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. The potential dilutive ordinary shares relate to those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares at the balance sheet date.

5. Dividends

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

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

6. Employee pension schemes

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

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

Defined benefit scheme

The amounts charged/(credited) in the income statement are as follows:

	2009 53 weeks £'000	2008 52 weeks £'000
Current service cost	28	68
Interest cost	5,274	5,366
Expected return on scheme assets	(4,034)	(5,584)
	1,268	(150)

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

The principal assumptions made by the actuaries for the current update were:

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

The mortality assumptions have not changed from those at 27 December 2008.

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

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

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

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

Analysis of the movement in the balance sheet liability:

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

7. Borrowings

	2009 £'000	2008 £'000
Cash at bank and in hand	5,613	4,411
Current finance lease creditor	(124)	-
Current bank loan	(6,072)	-
	(583)	4,411
Non current bank loans	(2,127)	(8,600)
Non current finance lease creditor	(416)	-
Net debt	(3,126)	(4,189)

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

8. Statement of changes in Shareholders' equity

	Share capital	Share premium reserve	Capital redemption reserve	Cumulative translation differences	Retained earnings		Total equity
	£'000	£'000	£'000	£'000	Own shares	Profit and loss	£'000
Balance at 30 December 2007	9,823	37,943	208	(1,690)	(751)	(20,815)	24,718
Profit for the period						3,550	3,550
Exchange adjustments				2,841			2,841
Shares issued	23	73					96
Own shares utilised					701	(701)	-
Own shares purchased					(469)		(469)
Employee share options taken to reserves						370	370
Deferred tax on employee share options taken to reserves						(121)	(121)
Actuarial losses taken to reserves						(8,799)	(8,799)
Deferred tax on actuarial losses taken to reserves						2,463	2,463
Dividends						(3,090)	(3,090)
Balance at 27 December 2008	9,846	38,016	208	1,151	(519)	(27,143)	21,559
Balance at 28 December 2008	9,846	38,016	208	1,151	(519)	(27,143)	21,559
Profit for the period						2,271	2,271
Exchange adjustments				(1,172)			(1,172)
Shares issued	93						93
Own shares utilised					451	(451)	-
Own shares purchased					(93)		(93)
Employee share options taken to reserves						359	359
Deferred tax on employee share options taken to reserves						(14)	(14)
Actuarial losses taken to reserves						(6,701)	(6,701)
Deferred tax on actuarial losses taken to reserves						1,876	1,876
Dividends						(3,124)	(3,124)
Balance at 2 January 2010	9,939	38,016	208	(21)	(161)	(32,927)	15,054

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

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

9. Cash generated from operations

	2009 £'000	2008 £'000
Operating profit	2,987	5,789
<i>Adjustments for:</i>		
Depreciation charge	1,448	1,298
Amortisation of intangibles	643	661
Loss on disposal of property, plant and equipment	26	19
Exceptional non cash items	-	2,432
Decrease in exceptional accrual	(58)	(290)
Share option non cash charge	359	370
IAS 19 pension charge/(credit) for defined benefit scheme	1,268	(150)
Contributions to defined benefit pension scheme	(2,456)	(2,261)
<i>Changes in working capital:</i>		
Decrease/(increase) in inventories	1,158	(267)
Decrease in trade and other receivables	3,669	5,614
Decrease in trade and other payables	(1,411)	(652)
Cash generated from operations	7,633	12,563