16 March 2021

4imprint Group plc
Final results for the period ended 2 January 2021

4imprint Group plc (the "Group"), a direct marketer of promotional products, today announces its final results for the 53 weeks ended 2 January 2021.

Financial Overview	2020 53 weeks $m	2019 52 weeks $m	Change
Revenue	**560.04**	860.84	-35%
Underlying* profit before tax	**4.37**	54.68	-92%
Profit before tax	**3.84**	53.99	-93%
Cash	**39.77**	41.14	-3%
Underlying* basic EPS (cents)	**12.55**	154.41	-92%
Basic EPS (cents)	**11.03**	152.42	-93%
Proposed total dividend per share (cents)	**-**	84.00	
Proposed total dividend per share (pence)	**-**	66.68	

* Underlying is before defined benefit pension charges

Operational Overview

- 2020 results significantly impacted by COVID-19 pandemic
- 960,000 total orders processed in 2020 (2019: 1,587,000)
- Business successfully managed through 'lockdown'; safety and retention of team members prioritised
- Marketing successfully recalibrated to resonate during the pandemic whilst producing material cost savings
- $9.14m 'lump sum' legacy pension contribution paid in May 2020
- Strong financial position: cash balance of $39.77m; no debt
- Well placed to capitalise on the opportunities arising in recovering markets

Paul Moody, Chairman said:

"The Group has seen an encouraging recovery since the initial shock of COVID-19 in the first half of the year. We look forward to the beneficial effect that vaccine programmes may bring to the economy. The fourth quarter of 2020 was relatively robust, enhanced by seasonal apparel and year-end gift giving. Order counts in January and February 2021 were 65% of 2019 levels, reflecting typically lower order activity at the start of the year combined with volatility caused by news flow and weather events in our primary US market. In the past three weeks, there has been a marked increase in trading momentum, with order intake compared to 2019 approaching the 70% seen in the fourth quarter of 2020.

The Board is proud of the resilience and flexibility demonstrated by the Group's people and business operations. Decisions have been made and actions taken consistent with 4imprint's purpose and culture and with a view to the long-term health of the business. The Group is financially strong and very well placed to capitalise on the opportunities arising in recovering markets."

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Chairman's Statement

COVID-19 impact

2020 was an unprecedented year. In common with many other businesses worldwide, 4imprint's operational and financial performance was dominated by the spread of the COVID-19 pandemic and its devastating impact on our trading environment. From mid-March onwards the Group experienced severe operational disruption alongside significantly decreased demand for promotional products.

Weekly order counts (the most direct KPI addressing the immediate health of the business) plunged from around 13% ahead of 2019 for the first two months of the year to a low point in mid-April of less than 20% against the same comparative. Since that point, order counts steadily recovered to a fourth quarter run rate of around 70% of prior year.

This demand profile produced a material negative impact on the year's financial performance. Group revenue in 2020 was $560.04m, a decrease of $300.80m, or 35%, from 2019. Profit before tax for the year was $3.84m (2019: $53.99m), resulting in basic earnings per share of 11.03c (2019: 152.42c). Given the very difficult trading environment, the Group's cash performance was strong. The 2020 period end cash position was $39.77m, just below the 2019 balance of $41.14m, despite the unprecedented trading conditions and the payment in the year of a 'lump sum' pension contribution of $9.14m.

Response

Our team's response to the challenges presented by COVID-19 has been clear and deliberate. We have focused on protecting the long-term prospects of the business, staying true to our culture and mitigating adverse consequences for all of our stakeholders. Some themes in particular stand out:

- We pursued a people-led approach. The protection and retention of our team members has been central to our culture for many years and remains essential to building and protecting our brand equity. Accordingly, we remain very confident in our continued ability to provide excellent service to our customers and to make the most of our opportunities as demand levels recover.
- We successfully dealt with 'lockdown' restrictions, including the enforced closure of our offices and distribution operations. As our facilities re-opened, health and safety was prioritised, including rigorous social distancing protocols. Many team members were able to move to remote working, allowing us to continue providing uninterrupted customer service throughout the year.
- We worked together with our suppliers more closely than ever to ensure the availability of product despite a rapidly changing product mix and a challenging production environment. We are very grateful for the perseverance, collaboration and support of our supplier partners, who faced pandemic issues of their own, during such a difficult year.
- We regularly and extensively recalibrated our marketing activities in order to reduce spend materially in the context of substantially reduced revenue, whilst keeping the 4imprint name in front of both existing and prospective customers, protecting the longer-term prospects of the business.
- We emphasised cost control and cash conservation to preserve liquidity, including the temporary cancellation of dividend payments.

Communication and governance

At a time of severe operational disruption and financial stress, the Board and executive management worked hard to ensure strong and effective communication and active governance including:

- Full attendance at all Board meetings and several supplementary conference/video calls, often convened at relatively short notice.
- Uninterrupted internal information flow, including KPIs, regularly scheduled financial reporting and updates to the Board as appropriate by the Executive Directors.
- Clear and timely external information flow, in particular regular RNS trading updates to the market detailing order counts, operational adjustments and the Group's liquidity position, followed by numerous conferences with investors.
- Regular updates to all team members from the CEO, UK General Manager and other senior executives throughout the organisation updating them on the impact of COVID-19, our evolving mitigation plans, and latest performance objectives.

Financial strength

The Board's well-established balance sheet funding guidelines meant that the Group was in a strong position to deal with the significant adverse financial impact of the COVID-19 pandemic. Management's actions to conserve cash were swift and effective, leaving the Group with a healthy cash position and ample liquidity heading into 2021.

In order to maintain maximum liquidity, we continue to take a prudent view on dividend payments. Consequently, we are not proposing a final dividend for 2020, although it is important to note that the Board has not changed its dividend policy and will reassess the position over coming months as the timing and trajectory of the recovery becomes clearer.

Board

John Warren will step down as Non-Executive Director, Senior Independent Director and Audit Committee Chair at the AGM in May 2021. John has given nine years of impeccable service to 4imprint; his calm approach and wise counsel will be missed. After an extensive search exercise, we appointed John Gibney as a Non-Executive Director on 8 March 2021 with the intention that he will succeed John Warren as Audit Committee Chair after the 2021 AGM. John was a stand-out candidate and has extensive, relevant experience. We look forward to benefitting from his valued perspective moving forward.

In addition, we have commissioned a search for an additional Non-Executive Director with the aim of further strengthening our Board resource. We are cognisant of the importance and value of diversity, in the broadest definition, within the Board setting, and this will be an essential factor in the specification of this new Board position.

Outlook

The Group has seen an encouraging recovery since the initial shock of COVID-19 in the first half of the year. We look forward to the beneficial effect that vaccine programmes may bring to the economy. The fourth quarter of 2020 was relatively robust, enhanced by seasonal apparel and year-end gift giving. Order counts in January and February 2021 were 65% of 2019 levels, reflecting typically lower order activity at the start of the year combined with volatility caused by news flow and weather events in our primary US market. In the past three weeks, there has been a marked increase in trading momentum, with order intake compared to 2019 approaching the 70% seen in the fourth quarter of 2020.

The Board is proud of the resilience and flexibility demonstrated by the Group's people and business operations. Decisions have been made and actions taken consistent with 4imprint's purpose and culture and with a view to the long-term health of the business. The Group is financially strong and very well placed to capitalise on the opportunities arising in recovering markets.

Paul Moody

Chairman

16 March 2021

Chief Executive's Review

Revenue	**2020 53 weeks $m**	2019 52 weeks $m	
North America	**549.87**	839.28	-34%
UK and Ireland	**10.17**	21.56	-53%
Total	**560.04**	860.84	-35%

Underlying* operating profit	**2020 53 weeks $m**	2019 52 weeks $m	
Direct Marketing operations	**7.56**	57.40	-87%
Head office	**(3.17)**	(3.47)	-9%
Total	**4.39**	53.93	-92%
Operating profit	**3.97**	53.62	-93%

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

* Underlying is before defined benefit pension charges.

Performance overview

Our decade-long track record of strong year-over-year organic growth came to an end in 2020 as a direct result of the COVID-19 pandemic. The unprecedented collapse in demand for promotional products along with the operational constraints resulting from 'lockdowns' and other restrictions presented a multitude of challenges for the Group. Equally, however, these obstacles brought out the best in our team members who responded with incredible resilience and flexibility as we rapidly and decisively addressed the challenges presented with a focus on safeguarding the business and 'looking through' the crisis to make decisions that will position the Group to thrive once again as markets recover.

2020 started well, with total orders received up around 13% over prior year at the end of February. The impact of the pandemic began to be felt from the second week in March, manifesting itself in a significant reduction in daily order flow as 'lockdown' directives were widely implemented. Order counts in the US business hit a low point in the second week of April, falling to less than 20% of the comparative week in 2019. The initial lifting of restrictions in May and June in many US states resulted in a steady increase in order counts to around 50% of prior year by the half year. This recovery in demand continued through the second half of the year, with order intake in the fourth quarter running at around 70% of 2019 levels, helped by stronger apparel sales and year-end business gifting. The smaller UK business saw demand contract sharply, with order intake below 50% of 2019 level for the full year.

In total, just over 960,000 orders were processed in the year (2019: 1,587,000). It is encouraging that we continued to acquire new customers throughout the year, albeit at much lower levels than planned (2020: 173,000; 2019: 297,000), and the new to existing customer order ratio remained quite consistent. The customers acquired during the pandemic have demonstrated typical retention rates, indicating that they are within our target profile. In addition, the average order value was higher than historical comparatives during this period.

In terms of the effect of COVID-19 on demand for 4imprint's products there were two primary themes. Firstly, any general economic downturn causes a reduction in demand for promotional products, which, like many forms of advertising and marketing, are seen by some organisations as discretionary spend. Secondly, because this specific crisis was driven by a pandemic, demand for promotional items was suppressed due to people being unable to gather for events, meetings, training sessions, fundraisers or in-office events, which are typically situations where promotional products have an important role to play. This 'use case' problem impacted all product categories, with the exception of imprinted PPE items like masks and hand sanitiser. The impact was felt the least in the apparel category, and the most in the tradeshow category, which features items specifically used for a variety of events.

As a direct result of these factors, Group revenue of $560.04m was down 35% against 2019. However, the flexibility of the business model was demonstrated as we still generated a positive underlying operating profit of $4.39m (2019: $53.93m) even though we maintained a reduced but still significant marketing presence and made the very deliberate decision to keep all team members on the payroll despite the steep fall in business activity. We have made swift decisions and kept a close eye on cost, with the result that cash flow was breakeven or better at second half activity levels, leaving the Group with strong liquidity and a firm platform for further recovery as market conditions improve.

Operational summary

As the nature of the pandemic became evident, we made sure that our first priority was the health, safety and wellbeing of our team members. All of our operations have worked with strict adherence to evolving government guidelines and best practices, such as the robust social distancing protocols and other initiatives like uprated air filtration implemented in our facilities. We have prioritised the retention of our team members, staying true to the culture that has been essential to our success over many years. Whilst representing short-term investment, we are certain that this approach has left us in the best possible position to take advantage of the opportunities arising when market conditions return closer to normal.

Throughout the year we were able to continue to provide excellent service to our customers via an enhanced and expanded 'work from home' capability. This allowed us to provide continuity of service for office-based activities under 'lockdown' conditions, and even though our offices were fully operational in the second half of the year most team members continued to work effectively from home, thereby minimising the risk of virus transmission. Most of the activities at our Oshkosh distribution centre cannot be carried out remotely, therefore we have been vigilant with safety, cleaning and social distancing measures as well as rotating shifts so as to align the number of team members physically present to the workload at any point in time.

Our supply chain was not left untouched by the pandemic. Initial concerns over the supply of blank product from manufacturers in China (where our domestic suppliers source approximately 60% of our blank products) were largely mitigated by the timing of the inventory cycle relative to the Chinese New Year. As it turned out, the more significant impact in the year was in respect of the domestic production and logistical implications caused by the rapidly changing situation regarding regional lockdowns, associated delivery delays and other factors. The long-term, deep working relationships that we have developed over many years with our tier 1 suppliers meant that we worked together very effectively, ensuring the best possible service to our customers. We are proud of what we achieved with our suppliers in difficult circumstances in 2020 and remain very grateful for the essential part they play in our business success.

Marketing remains an essential component of our business model and is at the centre of our strategy to drive our growth. It is the largest investment we make in the business. In reaction to the onset of the pandemic, our marketing activities were radically recalibrated in an extremely short space of time. For the first time in our history, catalogue circulation and Blue Box™ mailings were completely stopped for several weeks. These activities were added back into the mix as appropriate as lockdowns eased and more of our customers gradually returned to work. Search engine spend, a significant portion of the overall marketing budget, changes with market demand therefore there was a significant initial reduction in spend as the pandemic took hold followed by gradually increasing expense as order intake began to recover during the year. Our experience through previous economic downturns has highlighted the importance of continuing marketing activities even in periods of reduced demand. This helps maintain brand awareness and facilitates a faster recovery and market share gain as the crisis passes. Due to the specific nature of this downturn, we focused our marketing activities more towards our brand advertising initiatives. The favourable cost dynamics of TV buying during the bulk of the year, combined with the high level of 'reach' made this pillar of our marketing platform the obvious choice to keep our place in the minds of our target customers and to continue to build brand awareness and equity for the long term. Initially consisting of two new TV campaigns delivering contextually appropriate messaging to potential and existing customers at the start of the pandemic, our campaigns were changed again to be relevant to recovering demand in the second half of the year. These different elements, taken together, delivered a material overall cost reduction, whilst striking an effective balance between reacting to changed circumstances, maintaining brand awareness and capturing the limited demand in the market. This balance was evidenced by the Revenue per Marketing Dollar KPI in 2020 at $6.03 (2019: $5.58).

Beyond the great work of our teammates and our suppliers in support of our customers under very difficult circumstances, another highlight in 2020 was the significant progress made in the Group's commitment to environmental matters. A firm base had been laid in previous years, but in 2020 our attention to climate change mitigation and other aspects of environmental stewardship took a leap forward with an agreed framework approved by the Board at its annual strategy session. There are several aspects to our approach, including a headline commitment to achieve carbon neutrality for significant aspects of our business no later than December 2022. We are excited about what we can achieve in the months and years ahead.

Competitive position

The financial strength of the Group coming into the crisis has allowed us to make appropriate decisions that support the ongoing investment in our people, our platform and our differentiated marketing activities. Whilst it is still too soon to reliably predict the timing and trajectory of the recovery, we remain very confident in our strategy and in the clearly proven agility and resilience of our low fixed cost direct marketing business model. We consider that 4imprint is in a strong position to take full advantage of the eventual market share gain opportunities that will result.

Financial Review

	2020 53 weeks Underlying* $m	2019 52 weeks Underlying* $m	**2020 53 weeks Total $m**	2019 52 weeks Total $m
Underlying operating profit	**4.39**	53.93	**4.39**	53.93
Defined benefit pension scheme administration and past service costs			**(0.42)**	(0.31)
Net finance (cost)/income	**(0.02)**	0.75	**(0.13)**	0.37
Profit before tax	**4.37**	54.68	**3.84**	53.99

* Underlying is before defined benefit pension charges.

The Group's underlying operating result in the period, summarising expense by function, was as follows:

	2020 53 weeks $m	2019 52 weeks $m
Revenue	**560.04**	860.84
Gross profit	**157.94**	275.32
Marketing costs	**(92.88)**	(154.31)
Selling costs	**(30.78)**	(31.04)
Admin & central costs	**(29.26)**	(35.09)
Share option related charges	**(0.63)**	(0.95)
Underlying operating profit	**4.39**	53.93

Operating result

After strong trading in the first two months of 2020, the spread of the COVID-19 pandemic had a significant detrimental effect on Group performance over the remainder of the year. Group revenue in 2020 was $560.04m (2019: $860.84m), a decrease of 34.9%, reflecting a significant drop in demand.

2020 was a 53 week accounting period for the Group, compared to the usual 52 week period. The effect of this extra week on Group revenue was an increase of around $5m and the impact on underlying operating profit was negligible due to a full week of payroll and overheads offsetting the gross margin arising from a quiet trading week during the holiday period.

The gross profit percentage reduced to 28.2% (2019: 32.0%). The primary influences driving this fall, in order of magnitude, were: (i) excess production labour classified within cost of sales (embroidery, warehouse, artwork) not fully absorbed against low order volumes; (ii) elevated average order values attracting higher customer volume discounts; (iii) product mix and residual tariff-related product cost increases; and (iv) lower supplier and shipping rebate accrual rates due to lower volumes.

Marketing costs were 16.6% of revenue (2019: 17.9%), leading to an improvement in our Revenue per Marketing Dollar KPI to $6.03 (2019: $5.58). The favourable reduction in costs reflects the swift and decisive realignment of the marketing portfolio in the face of decreased demand.

Included within admin costs is $4.14m (2019: $nil) of employee retention credits under the US CARES Act and UK Coronavirus Job Retention Scheme. Head Office costs fell 8.6% to $3.17m (2019: $3.47m), reflecting the retirement of the Corporate Services Director in the year and savings in travel costs.

As a result of the above factors, underlying operating profit was down 91.9% at $4.39m (2019: $53.93m). Statutory operating profit of $3.97m similarly decreased by 92.6% due to the same reasons.

Foreign exchange

The primary US dollar exchange rates relevant to the Group's 2020 results were as follows:

	2020		2019	
	Period end	**Average**	Period end	Average
Sterling	**1.36**	**1.28**	1.31	1.28
Canadian dollars	**0.79**	**0.75**	0.76	0.75

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:

- Translational risk in the income statement remains low with 98% of the Group's revenue arising in US dollars, the Group's reporting currency. The net impact on the 2020 income statement from trading currency movements was not material to the Group's results.
- 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 $0.53m.
- The Group generates cash mostly in US dollars, but 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 movement of Sterling against the US dollar during 2020 meant that every US$1m converted to Sterling was worth around £31,000 less at the 2020 closing rate compared to the 2019 closing rate.

Share option charges

A total of $0.63m (2019: $0.95m) was charged in the year in respect of IFRS 2 'Share-based Payments'. This was made up of two elements: (i) executive awards under the 2015 Incentive Plan and (ii) charges in respect of the 2019 UK SAYE and the 2018 US Employee Stock Purchase Plan.

No awards of conditional shares under the 2015 Incentive Plan will be made in respect of 2020. This is reflected in the lower IFRS 2 charge year-over-year.

Current options and awards outstanding are 16,052 shares under the UK SAYE and 68,472 shares under the 2015 Incentive Plan. The 2018 US Employee Stock Purchase Plan matured in December 2020. It is anticipated that a new US plan will be established in 2021.

Net finance cost

Net finance cost for the year was $0.13m (2019: net finance income $0.37m). This comprises fees on borrowing facilities and lease interest charges under IFRS 16, partially offset by external interest received on deposits. The reduction in net external interest is due primarily to lower yields on lower deposits.

Taxation

The tax charge for the year was $0.75m (2019: $11.28m), giving an effective tax rate of 20% (2019: 21%). The charge comprised a current tax credit of $0.90m, representing net tax receivable arising primarily as a result of US taxable losses carried back to earlier years, and a deferred tax charge of $1.65m.

Earnings per share

Underlying basic earnings per share was 12.55c (2019: 154.41c), a decrease of 91.9%. This reflects the decrease of 91.9% in underlying profit after tax, and a weighted average number of shares in issue similar to prior year.

Basic earnings per share was 11.03c (2019: 152.42c), a decrease of 92.8% over prior year.

Dividends

In April 2020, the Board took the prudent step to cancel the 2019 final dividend due to be paid in May 2020. This decision was taken to maintain maximum flexibility and liquidity for the business at a time of significant uncertainty as to how quickly markets might recover. Whilst the rollout of COVID-19 vaccines provides cause for optimism, significant uncertainty remains over the pace of recovery and the potential risk of further virus strains. As such, the Board is not proposing a final dividend for 2020.

Importantly, the Board has not changed its dividend policy and it will continue to reassess this position in future periods.

Defined benefit pension plan

The Group sponsors a legacy UK defined benefit pension plan (the "Plan") which has been closed to new members and future accruals for several years. The Plan has 101 pensioners and 252 deferred members.

At 2 January 2021, the deficit of the Plan on an IAS 19 basis was $3.31m, compared to $12.31m at 28 December 2019. Gross Plan liabilities under IAS 19 were $42.63m, and assets were $39.32m.

The change in deficit is analysed as follows:

	$m
IAS 19 deficit at 29 December 2019	**12.31**
Company contributions to the Plan	**(13.28)**
Pension administration and past service costs	**0.42**
Pension finance charge	**0.10**
Re-measurement loss due to changes in assumptions	**5.55**
Return on scheme assets (excluding interest income)	**(1.26)**
Exchange gain	**(0.53)**
IAS 19 deficit at 2 January 2021	**3.31**

The net liability reduced by $9.0m in the year, driven primarily by employer's contributions of $13.28m and return on assets of $1.26m, partially offset by remeasurement losses of $5.55m. In Sterling, the net deficit decreased by £6.97m in the year to £2.43m.

The Company paid a 'lump sum' deficit contribution of £7.50m ($9.14m) in May 2020. This was in addition to the regular monthly contributions into the Plan. These contributions are part of a recovery plan agreed by the Company and the Trustee that aims towards funding on a buyout basis by mid-2024.

A triennial actuarial valuation of the Plan was completed in September 2019 and this forms the basis of the 2020 IAS 19 valuation set out above.

Cash flow

The Group had net cash of $39.77m at 2 January 2021, a decrease of $1.37m against the 28 December 2019 balance of $41.14m.

Cash flow in the period is summarised as follows:

	2020 **$m**	2019 $m
Underlying operating profit	**4.39**	53.93
Share option related charges	**0.63**	0.93
Depreciation and amortisation	**3.43**	2.78
Lease depreciation	**1.50**	1.50
Change in working capital	**6.59**	0.70
Capital expenditure	**(3.82)**	(8.18)
Underlying operating cash flow	**12.72**	51.66
Tax and interest	**(0.52)**	(9.57)
Defined benefit pension contributions	**(13.28)**	(3.59)
Own share transactions	**0.94**	(2.56)
Capital element of lease payments	**(1.42)**	(1.69)
Exchange and other	**0.19**	0.07
Free cash flow	**(1.37)**	34.32
Dividends to Shareholders	**-**	(20.66)
Net cash (outflow)/inflow in the period	**(1.37)**	13.66

The Group free cash flow before the special pension contribution of $9.14m was $7.77m (2019: $34.32m), further emphasising the efficient and cash generative qualities of the Group's business model, even in the challenging circumstances resulting from the COVID-19 pandemic.

Working capital inflow of $6.59m (2019: $0.70m) reflects the flexibility and continuing efficient cash characteristics of the direct marketing business model.

Capital expenditure of $3.82m (2019: $8.18m) was moderated during the year in order to conserve cash.

The maturity of the 2018 US Employee Stock Purchase Plan in December 2020 led to a net cash inflow from own share transactions of $0.94m (2019: net cash outflow of $2.56m), as the proceeds from the exercise of the options exceeded purchases of 4imprint Group plc shares in the year by the Employee Benefit Trust to cover the requirements of the Group's employee and incentive plans.

Balance sheet and Shareholders' funds

Net assets at 2 January 2021 were $65.37m, compared to $62.95m at 28 December 2019. The balance sheet is summarised as follows:

	2 January 2021	28 December 2019
	$m	$m
Non-current assets	**43.27**	31.84
Working capital	**(1.50)**	5.15
Net cash	**39.77**	41.14
Lease liabilities	**(13.21)**	(2.05)
Pension deficit	**(3.31)**	(12.31)
Other assets/(liabilities) – net	**0.35**	(0.82)
Net assets	**65.37**	62.95

Shareholders' funds increased by $2.42m since the 2019 year-end. Constituent elements of the movement were net profit in the period of $3.09m, exchange gains of $0.86m, own share transactions of $0.94m and $0.58m of share option related movements, net of the after tax impact of returns on pension scheme assets and re-measurement losses on pension obligations of $(3.05)m.

The Group had a net negative working capital balance of $1.50m at 2 January 2021 (net positive balance of $5.15m at 28 December 2019). This reflects lower year-over-year receivables resulting from lower trading activity and reduced supplier rebate receivables which more than offset the reduced payables balance.

The Group signed an extension to its Oshkosh office lease commencing on 1 October 2020 for a five year period with an option to renew for a further five years from 2025 to 2030. In accordance with the requirements of IFRS 16, the Group has assessed the likelihood of exercising the new option to extend as reasonably certain and consequently, accounted for the renewal over a lease term of ten years. This has led to additions to both the right-of-use asset (included within non-current assets) and lease liabilities of $12.58m in the year.

The net pension deficit, stated on an IAS 19 basis, reflects the 'lump sum' payment of $9.14m made into the Plan in May 2020.

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 are unchanged, and 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.
- To meet our pension contribution commitments as they fall due.

The quantum of the cash 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.

As a result of this approach, the Group entered the COVID-19 crisis with a substantial cash balance and no debt. Despite the effects of COVID-19 on financial performance, the Group remained in a strong financial position at the 2020 year-end, enabling management to make decisions that look to the longer-term health of the Group and which support 4imprint's distinctive culture.

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 most of its cash with its principal US and UK bankers.

The Group has a $20.0m working capital facility with its principal US bank, JPMorgan Chase, N.A. The facility has a minimum EBITDA test and standard debt service coverage ratio and debt to EBITDA covenants. The interest rate is US$ LIBOR plus 2.0%, and the facility expires on 31 May 2022. 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 judgments are in respect of revenue and leases.

Key sources of estimation uncertainty

Determining the carrying amount of some assets and liabilities requires estimation of the effects of uncertain future events. The key sources of estimation uncertainty are considered to be in relation to the valuation of the defined benefit Plan liabilities and assets.

Principal risks and uncertainties

The Group may be affected by a number of risks and uncertainties. The principal risks, as reported in the 2019 Annual Report and Accounts, comprise: macroeconomic conditions; markets & competition; currency exchange; business facility disruption; disruption to the product supply chain or delivery service; disturbance in established marketing techniques; reliance on key personnel; failure or interruption of information technology systems and infrastructure; failure to adapt to new technological innovations; and cyber threats.

At the 2020 year end these risks, uncertainties and associated mitigating activities remain consistent with the detailed review set out on pages 22 to 26 of the Group's Annual Report 2019, a copy of which is available on the

Group's website: https://investors.4imprint.com, except for the addition of a new risk category, climate change & environment, which is detailed below.

Description of risk

Climate change potentially affects our operations, facilities, supply chain, team members, communities and our customers in a variety of ways. As such, it presents a multitude of risks to the business and threatens our ability to achieve our strategic objectives.

Potential impact

- Extreme weather-related events that impact our customers and/or our suppliers can have 'episodic' negative impact on revenue, customer acquisition and retention, and they can also cause increases to our product and distribution costs. Some of our suppliers are located in geographic areas that are subject to increased risk for these events.
- The transition to a low-carbon economy presents several key risks:
  - Potential for increased operational costs related to mitigation efforts, increased regulatory compliance and carbon taxes.
  - Increased product costs charged by our suppliers due to increased input costs and regulatory compliance.
  - Customers will increasingly require a wider range of low-carbon, sustainable product options that may be difficult to identify and source, negatively impacting demand.
  - Increasingly stakeholders will demand that companies are actively and appropriately addressing climate change and there is an increased level of reputational risk for companies who are perceived not to be doing so.

Mitigating activities

- The flexible nature of our 'drop-ship' model allows for relatively rapid adjustment to episodes of extreme weather. The business has very low customer concentration which helps mitigate an element of the risk as well.
- The business has set a goal to become 'carbon neutral' by no later than December 2022 and management is actively monitoring and measuring progress towards this goal.
- Our merchandising teams actively collaborate with our suppliers to continuously curate our range of products to adapt and meet the needs and tastes of our customers.

In addition, whilst the existing risk categories remain the same, the COVID-19 pandemic in 2020 has placed significant focus on certain risk areas. The Group's effective response to these evolving risks has been crucial, and it will inform the risk agenda for the 2021 financial year. The heightened risk areas identified, with associated commentary, are:

Macroeconomic conditions:	The COVID-19 crisis has led to severe economic disruption and a significant reduction in overall demand in the promotional products industry. Recovery in 4imprint's primary markets will be dependent on the duration and scope of the pandemic, the nature and severity of possible future containment measures, and the potential further deterioration in the financial health of customers. The Group's mitigation strategies remain unchanged, but there is closer monitoring of economic conditions for signs of recovery as well as maintaining liquidity and preserving the marketing platform.
Business facility disruption:	The 4imprint business model relies on centralised facilities. 'Lockdown' orders have meant that office and distribution facilities were essentially closed for periods in the year. A repetition of these facility closures might conceivably recur. In mitigation, a robust 'work from home' capability was in place for customer service well before the pandemic hit and was rapidly expanded in the first half of the year to include most support functions.
Disruption of supply:	At the start of the pandemic the supply chain looked like it could present a problem, with around 60% of blank product originating in China. Significant disruption in supply would lead to lost revenue. This eventuality was largely avoided through good timing of bulk inventory purchases by domestic suppliers. Geo-political risk has increased as a result of heightened trade tensions between the US and China. Mitigation activities are unchanged, however relationships with key suppliers have become even closer in recent months.

The Board has ultimate responsibility for risk management. In practice this takes the form of a pragmatic overall approach that is tailored specifically towards the nature of the Group's business model and operations, and the way that it is structured and controlled. Business operations are conducted from centralised facilities, with short reporting lines. The Executive Directors are close to day-to-day business operations, facilitating early identification of and proactive response to ongoing and emerging risks.

This approach proved to be particularly appropriate in the first half of 2020, including early and regular senior management team meetings leading to the rapid assembly and deployment of working groups within the business to assess impacts and make plans covering, for example: internal/team member communications; health and safety protocols and escalation procedures; shut-down of facilities; continuity of customer service; supply chain; and embroidery production. The Board has met regularly since the onset of the pandemic, receiving regular operational updates.

Going concern

In accordance with the UK Corporate Governance Code 2018 the Directors are required to state whether or not it is appropriate to adopt the going concern basis of accounting, and to identify any material uncertainties over the Group's ability to do so over a period of at least twelve months from the date of these financial statements.

Assessment of prospects

In making their assessment of the Group's liquidity risk, the Directors have carefully considered:

- The Group's strategy, market position and business model.
- The principal risks and uncertainties facing the Group, as outlined in the Principal risks and uncertainties section of this Financial Review.
- Information contained in this Financial Review concerning the Group's financial position, cash flows and liquidity position.
- Regular management reporting and updates from the Executive Directors.
- Recent detailed financial forecasts and analysis.

Whilst the COVID-19 pandemic has had a major impact on trading volumes, the Board considers that the Group's strategy, competitive position, and business model remain entirely relevant and, indeed, have proved to be resilient and agile under stress.

Business operations have been able to adapt successfully to the challenging and rapidly changing conditions in a timely manner. The marketing portfolio was radically re-shaped in a very short space of time and, whilst retaining headcount and payroll at 2019 levels or higher, discretionary overhead spend has been tightly controlled, demonstrating the essentially minimal fixed cost base of the direct marketing model.

In addition, capital spend has been minimised and dividend payments have been temporarily halted. These actions, coupled with the strong financial position of the Group going into, and maintained through, this global pandemic, give the Board confidence that despite substantial residual uncertainty as to future market conditions, the Group will be in a good position both to withstand further economic stress and to take market share opportunities as demand continues to recover.

In light of the assessment of prospects outlined above, the Group's financial results over recent years, and its performance throughout 2020 and year-to-date in 2021, the Board considers that the key factor that would prejudice the liquidity and going concern of the Group would be a significant additional decline in demand.

A 'base case' was developed for the purposes of financial modelling. The commercial underpin to this model is the Board's view that whilst the promotional products market has contracted in 2020, for example due to the cancellation of trade shows and physical events, our recent experience is that market demand has remained resilient across the product range and customer base. The base case started with current order volumes at around 60% of pre-pandemic 2019 levels, with further improvement continuing throughout the review period. Marketing costs were modelled to increase in line with revenue with the Group's revenue per marketing dollar KPI at historic levels. This base case shows improving financial results, an accumulating cash balance and no liquidity concerns.

An alternative 'distressed' forecast was then produced to model the effects on the Group's liquidity of a downside scenario based on severe, but plausible, demand assumptions. This model assumed a significant deterioration in demand patterns beginning in January 2021, with order volumes for the full year dropping back to around 50% of 2019 levels. Marketing and direct costs were flexed in line with revenue, but other payroll and overhead costs remained at 2020 levels with some allowance for inflationary increase. This distressed model involved periods of demand significantly below the actual experience of the second half of 2020 and was intended to simulate continued elevated levels of COVID-19 infections with associated regional lockdowns and no immediate benefit from mass vaccination, resulting in sustained diminished corporate demand in a downsized promotional products market.

Even under the severe stress built into the distressed model, the Group retains sufficient liquidity throughout the assessment period. This liquidity is in the form of cash balances. In addition, there are further mitigating actions that the Group could take, including further cutting marketing costs and reducing headcount, that are not reflected in the distressed forecast but would, if required, be fully under the Group's control.

Given the scalability of the Group's business model, as demonstrated over the past few years, the absence of external financing, and low fixed or working capital requirements, a reverse stress testing scenario has not been undertaken. The Group has proven during 2020 its ability to flex its marketing and other costs to mitigate the impact of falls in revenue driven by COVID-19 and retains flexibility to further reduce other costs should the need arise.

Though the Group maintains a $20m line of credit with its US bankers that expires on 31 May 2022, and a small overdraft facility with its UK bankers that expires on 31 December 2021, the modelling in both the base case and distressed scenarios shows the maintenance of positive cash balances throughout the assessment period and, as such, there is no current requirement to utilise the facilities or intention to secure any additional facilities.

The assumptions used in the base forecast 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 flexibility in its variable costs, a very low fixed cost base and enters the 2021 financial year with a strong net cash position of $39.77m, enabling it to remain cash positive even under severe economic stress.

Based on the assessment outlined above, the Directors have reasonable expectations that the Group and Company will have adequate resources to continue to operate from the date these financial statements were approved until at least 2 July 2022. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Kevin Lyons-Tarr
Chief Executive Officer

David Seekings
Chief Financial Officer

16 March 2021

Group Income Statement for the 53 weeks ended 2 January 2021

	Note	**2020 53 weeks $'000**	2019 52 weeks $'000
Revenue	1	**560,040**	860,844
Operating expenses		**(556,068)**	(807,224)
Operating profit	1	**3,972**	53,620
Finance income		**168**	818
Finance costs		**(193)**	(67)
Pension finance charge		**(104)**	(378)
Net finance (cost)/income		**(129)**	373
Profit before tax		**3,843**	53,993
Taxation	2	**(753)**	(11,276)
Profit for the period		**3,090**	42,717

		Cents	Cents
Earnings per share			
Basic	3	**11.03**	152.42
Diluted	3	**11.00**	151.87
Underlying* basic	3	**12.55**	154.41

* Underlying is before defined benefit pension charges.

Group Statement of Comprehensive Income for the 53 weeks ended 2 January 2021

	2020 53 weeks $'000	2019 52 weeks $'000
Profit for the period	**3,090**	42,717
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to the income statement:		
Currency translation differences	**863**	(173)
Items that will not be reclassified subsequently to the income statement:		
Return on pension scheme assets (excluding interest income)	**1,261**	2,372
Re-measurement losses on post-employment obligations	**(5,550)**	(2,164)
Tax relating to components of other comprehensive income	**1,000**	(570)
Effect of change in UK tax rate	**241**	(9)
Total other comprehensive expense net of tax	**(2,185)**	(544)
Total comprehensive income for the period	**905**	42,173

Group Balance Sheet at 2 January 2021

	Note	**2020 $'000**	2019 $'000
Non-current assets			
Property, plant and equipment		**24,832**	24,369
Intangible assets		**1,100**	1,152
Right-of-use assets		**13,065**	1,985
Deferred tax assets		**4,272**	4,338
		43,269	31,844
Current assets			
Inventories		**11,271**	11,456
Trade and other receivables		**36,799**	52,899
Current tax debtor		**1,976**	140
Cash and cash equivalents		**39,766**	41,136
		89,812	105,631
Current liabilities			
Lease liabilities		**(1,117)**	(1,630)
Trade and other payables		**(49,569)**	(59,209)
Current tax creditor		**(432)**	-
		(51,118)	(60,839)
Net current assets		**38,694**	44,792
Non-current liabilities			
Lease liabilities		**(12,089)**	(415)
Retirement benefit obligations	5	**(3,310)**	(12,305)
Deferred tax liabilities		**(1,193)**	(968)
		(16,592)	(13,688)
Net assets		**65,371**	62,948
Shareholders' equity			
Share capital		**18,842**	18,842
Share premium reserve		**68,451**	68,451
Other reserves		**6,117**	5,254
Retained earnings		**(28,039)**	(29,599)
Total Shareholders' equity		**65,371**	62,948

Group Statement of Changes in Shareholders' Equity for the 53 weeks ended 2 January 2021

				Retained earnings		
	Share capital $'000	Share premium reserve $'000	Other reserves $'000	Own shares $'000	Profit and loss $'000	Total equity $'000
Balance at 30 December 2018	18,842	68,451	5,427	(1,466)	(48,174)	43,080
Profit for the period					42,717	42,717
Other comprehensive income/(expense)						
Currency translation differences			(173)			(173)
Re-measurement gains on post-employment obligations					208	208
Deferred tax relating to post-employment obligations					(40)	(40)
Deferred tax relating to losses re post-employment obligations					(530)	(530)
Effect of change in tax rates					(9)	(9)
Total comprehensive income			(173)		42,346	42,173
Proceeds from options exercised					339	339
Own shares utilised				1,343	(1,343)	-
Own shares purchased				(2,906)		(2,906)
Share-based payment charge					928	928
Deferred tax relating to share options					94	94
Deferred tax relating to losses re share options					(101)	(101)
Dividends					(20,659)	(20,659)
Balance at 28 December 2019	18,842	68,451	5,254	(3,029)	(26,570)	62,948
Profit for the period					**3,090**	**3,090**
Other comprehensive income/(expense)						
Currency translation differences			**863**			**863**
Re-measurement gains on post-employment obligations					**(4,289)**	**(4,289)**
Deferred tax relating to post-employment obligations					**816**	**816**
Deferred tax relating to losses re post-employment obligations					**184**	**184**
Effect of change in tax rates					**241**	**241**
Total comprehensive income			**863**		**42**	**905**
Proceeds from options exercised					**2,170**	**2,170**
Own shares utilised				**3,677**	**(3,677)**	**-**
Own shares purchased				**(1,229)**		**(1,229)**
Share-based payment charge					**625**	**625**
Deferred tax relating to share options					**(83)**	**(83)**
Deferred tax relating to losses					**35**	**35**
Balance at 2 January 2021	**18,842**	**68,451**	**6,117**	**(581)**	**(27,458)**	**65,371**

Group Cash Flow Statement for the 53 weeks ended 2 January 2021

	Note	**2020 53 weeks $'000**	2019 52 weeks $'000
Cash flows from operating activities			
Cash generated from operations	6	**3,184**	56,248
Tax paid		**(507)**	(10,318)
Finance income received		**168**	818
Finance costs paid		**(49)**	(22)
Lease interest		**(132)**	(45)
Net cash generated from operating activities		**2,664**	46,681
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3,427)**	(7,673)
Purchases of intangible assets		**(390)**	(505)
Proceeds from sale of property, plant and equipment		**93**	-
Net cash used in investing activities		**(3,724)**	(8,178)
Cash flows from financing activities			
Capital element of lease payments		**(1,418)**	(1,687)
Proceeds from share options exercised		**2,170**	339
Purchases of own shares		**(1,229)**	(2,906)
Dividends paid to Shareholders	4	**-**	(20,659)
Net cash used in financing activities		**(477)**	(24,913)
Net movement in cash and cash equivalents		**(1,537)**	13,590
Cash and cash equivalents at beginning of the period		**41,136**	27,484
Exchange gains on cash and cash equivalents		**167**	62
Cash and cash equivalents at end of the period		**39,766**	41,136

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 accounting policies applied in these financial statements are consistent with those of the annual financial statements for the period ended 28 December 2019, as described in those annual financial statements, except for a new policy for Government grants. Government grants are recognised at fair value when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants compensating for expenses incurred are recognised as a deduction of the related expenses in the consolidated income statement on a systematic basis in the same periods in which the expenses are incurred. Grants deducted from expenses are included in ‘cash generated from operations’ in the consolidated cash flow statement on a consistent basis with the related expenses.

New accounting standards applicable for the first time in this reporting period have no impact on the Group’s results.

Basis of preparation

This announcement was approved by the Board of Directors on 16 March 2021. The financial information in this announcement does not constitute the Group’s statutory accounts for the periods ended 2 January 2021 or 28 December 2019 but it is derived from those accounts. Statutory accounts for 28 December 2019 have been delivered to the Registrar of Companies, and those for 2 January 2021 will be delivered after the Annual General Meeting. The auditor has reported on those accounts. Their reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The audited consolidated financial statements from which these results are extracted have been prepared under the historical cost convention in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU that applied to the 2020 financial year, which started on 29 December 2019.

Judgments, estimates and assumptions

Impact of COVID-19 on estimates

The impact of COVID-19 on the consolidated financial statements has been considered in determining the estimates required in relation to the expected credit loss provision for trade and other receivables, inventory provisioning, impairment of property, plant and equipment, and intangibles, and the recoverability of deferred tax assets.

Whilst the uncertainty surrounding the ultimate impact of the COVID-19 pandemic has resulted in significant estimation in respect to the future cash flows of subsidiary companies and in determining appropriate discount rates, growth rates, and probability of default rates necessary for undertaking impairment reviews and assessing the recoverability of assets these are not considered to represent critical accounting judgments or key sources of estimation uncertainty in the preparation of the financial statements.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies, the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

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.

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 critical accounting policies:

Critical accounting judgments

Revenue

For most of its product line, the Group operates a 'drop-ship' business model whereby suppliers hold blank inventory, imprint the product and ship directly to customers. In order to determine the amount of revenue to recognise, it is necessary for the Group make a judgment to assess if it is acting as principal or an agent in fulfilling the performance obligations and promises to customers for these transactions.

The Group has full discretion to accept orders, agrees artwork with the customer, sets the transaction price, selects the suppliers used to fulfil orders, and considers its customer satisfaction promises ('on-time or free', price and quality guarantees) to be integral to meeting its performance obligations. Accordingly, the Group is of the opinion that it acts as principal in providing goods to customers and recognises the gross amount of consideration as revenue.

Leases

The Group signed an extension to its Oshkosh office lease commencing on 1 October 2020 for a five-year period with an option to renew for a further five years from 2025 to 2030. In accordance with the requirements of IFRS 16, the Group has made a judgment on the likelihood of exercising the new option to extend in determining the lease term.

Key sources of estimation uncertainty

Pensions

As disclosed in note 5, the Group sponsors a defined benefit pension scheme closed to new members and future accruals. Period end recognition of the liabilities under this scheme 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 5. In addition, the assets held by the scheme include funds that may contain: gilt repos; reverse gilt repos; gilt total return swaps; inflation swap contracts; and interest rate swaps, the valuations of which are complex.

1 Segmental reporting

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

At 2 January 2021, the Group has two operating segments, North America and UK & Eire. The costs of the Head Office are reported separately to the Board, but this is not an operating segment.

Revenue	**2020 $'000**	2019 $'000
North America	**549,873**	839,284
UK & Eire	**10,167**	21,560
Total Group revenue	**560,040**	860,844

Profit	**2020 $'000**	2019 $'000
North America	**9,170**	57,446
UK & Eire	**(1,605)**	(42)
Underlying* operating profit from 4imprint Direct Marketing	**7,565**	57,404
Head Office costs	**(3,173)**	(3,472)
Underlying operating profit	**4,392**	53,932
Defined benefit pension scheme administration costs and past service costs (note 5)	**(420)**	(312)
Operating profit	**3,972**	53,620
Net finance (cost)/income	**(25)**	751
Pension finance charge (note 5)	**(104)**	(378)
Profit before tax	**3,843**	53,993

*Underlying is before defined benefit pension charges.

2 Taxation

	2020 $'000	2019 $'000
Current tax		
UK tax – current	**-**	-
Overseas tax – current	**(845)**	10,845
Overseas tax – prior periods	**(53)**	(523)
Total current tax	**(898)**	10,322
Deferred tax		
Origination and reversal of temporary differences	**1,575**	954
Adjustment in respect of prior periods	**76**	-
Total deferred tax	**1,651**	954
Taxation	**753**	11,276

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:

	2020 $'000	2019 $'000
Profit before tax	**3,843**	53,993
Profit before tax for each country of operation multiplied by rate of corporation tax applicable in the respective countries	**523**	12,927
Effects of:		
Adjustments in respect of prior periods	**23**	(523)
Expenses not deductible for tax purposes and non-taxable income	**20**	14
Other differences	**101**	(91)
Adjustments in respect of tax losses	**(806)**	(1,051)
US BEAT liability	**892**	-
Taxation	**753**	11,276

The net deferred tax asset at 2 January 2021 has been calculated at a tax rate of 19% (2019: 17%) in respect of UK deferred tax items and 25% (2019: 25%) in respect of US deferred tax items.

The UK Budget 2021, on 3 March 2021, included an announcement that the UK's main corporation tax rate would increase to 25%, effective from 1 April 2023. This change was not substantively enacted at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that this change will have a material impact on the Company's deferred tax balances.

Management do not consider that there are any material uncertain tax positions.

'Other differences' comprises adjustments in respect of share options.

'Adjustments in respect of tax losses' includes the tax effect of US tax losses carried back to prior years.

US BEAT is an additional US federal tax imposed on US corporations that make certain types of payment to foreign related parties.

3 Earnings per share

Basic, diluted and underlying

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

	2020 $'000	2019 $'000
Profit after tax	**3,090**	42,717

	2020 $'000	2019 $'000
Profit before tax	**3,843**	53,993
Adjustments:		
Defined benefit pension scheme administration and past service costs (note 5)	**420**	312
Pension finance charge (note 5)	**104**	378
Underlying profit before tax	**4,367**	54,683
Taxation (note 2)	**(753)**	(11,276)
Tax relating to above adjustments	**(100)**	(131)
Underlying profit after tax	**3,514**	43,276

	2020 Number '000	2019 Number '000
Basic weighted average number of shares	**28,003**	28,026
Adjustment for employee share options	**95**	102
Diluted weighted average number of shares	**28,098**	28,128

	2020 Cents	2019 Cents
Basic earnings per share	**11.03**	152.42
Diluted earnings per share	**11.00**	151.87
Underlying basic earnings per share	**12.55**	154.41
Underlying diluted earnings per share	**12.51**	153.85

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 82,090 (2019: 59,908).

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 defined benefit pension charges and is included because the Directors consider this gives a measure of the underlying performance of the ongoing business.

4 Dividends

Equity dividends – ordinary shares		2020 $'000	2019 $'000
Interim paid:	00.00c (2019: 25.00c)	-	7,146
Final paid:	00.00c* (2019: 49.20c)	-	13,513
		-	20,659

* Given the inherent uncertainty as to how quickly markets might recover from the COVID-19 pandemic, and in order to maintain maximum flexibility, the Board took the prudent step of withdrawing its recommendation to pay the 2019 final dividend of 59.00c.

The Directors are not proposing a final dividend in respect of the period ended 2 January 2021

5 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:

	2020 $'000	2019 $'000
Defined contribution plans – employers' contributions	**2,023**	1,580

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:

	2020 $'000	2019 $'000
Administration costs paid by the scheme	**343**	312
Past service costs – GMP equalisation on transfers	**77**	-
Pension finance charge	**104**	378
Total defined benefit pension charge	**524**	690

The past service cost relates to an estimate of the Guaranteed Minimum Pension ("GMP") equalisation provision on transfers out of the scheme following the High Court ruling in the Lloyds case in November 2020. The charge is an estimate calculated by the Company's actuaries and the actual result may differ from this estimate.

The amounts recognised in the balance sheet comprise:

	2020 $'000	2019 $'000
Present value of funded obligations	**(42,627)**	(36,322)
Fair value of scheme assets	**39,317**	24,017
Net liability recognised in the balance sheet	**(3,310)**	(12,305)

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

	2020 %	2019 %
Rate of increase in pensions in payment	**2.85**	2.90
Rate of increase in deferred pensions	**2.30**	2.15
Discount rate	**1.25**	1.95
Inflation assumption – RPI	**2.90**	2.95
– CPI	**2.30**	2.15

The mortality assumptions adopted at 2 January 2021 reflect the most recent version of the tables used in the September 2019 triennial valuation. The assumptions imply the following life expectancies at age 65:

	2020 Years	2019 Years
Male currently age 40	**22.3**	22.3
Female currently age 40	**24.2**	24.1
Male currently age 65	**21.3**	21.3
Female currently age 65	**23.0**	23.0

6 Cash generated from operations

	2020 $'000	2019 $'000
Profit before tax	**3,843**	53,993
Adjustments for:		
Depreciation charge	**2,992**	2,345
Amortisation of intangibles	**443**	440
Amortisation of right-of-use assets	**1,498**	1,499
Gain on disposal of property, plant and equipment	**(80)**	-
Share option charges	**625**	928
Net finance cost/(income)	**129**	(373)
Defined benefit pension administration charge	**420**	312
Contributions to defined benefit pension scheme*	**(13,278)**	(3,593)
Changes in working capital:		
Decrease/(increase) in inventories	**186**	(1,577)
Decrease/(increase) in trade and other receivables	**16,119**	(6,579)
(Decrease)/increase in trade and other payables	**(9,713)**	8,853
Cash generated from operations	**3,184**	56,248

*Includes a special pension contribution of $9.14m (2019: $nil)

7 Related party transactions

Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation. The Group did not participate in any related party transactions with parties outside of the Group.

Statement of Directors' responsibilities

Each of the Directors confirms that, to the best of their knowledge:

- The financial statements within the full Annual Report and Accounts from which the financial information within this Final Results Announcement has been extracted, have been prepared in accordance International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole.
- The Chief Executive's Review and Financial Review, and Principal risks and uncertainties include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Alternative performance measures

An Alternative Performance Measure ("APM") is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified within IFRS.

The Group uses APMs to supplement standard IFRS measures to provide users with information on underlying trends and additional financial measures, which the Group considers will aid the users' understanding of the business.

Definitions

Underlying operating profit is profit before defined benefit pension charges and exceptional items. The defined benefit pension plan relates to employees and former employees of businesses sold by the Group and not to employees of the ongoing business. Exceptional items are defined below. Both these items may be volatile in magnitude and distort the underlying performance measures of the ongoing business. A reconciliation of underlying operating profit to operating profit is shown in note 1.

Underlying operating margin % is underlying operating profit divided by total revenue.

Exceptional items are income or costs that are both material and non-recurring.

Revenue per marketing dollar is the total revenue of the Group divided by the total marketing expense of the Group. This provides a measure of the productivity of the marketing expenditure, which is a cornerstone of the Group's organic revenue growth strategy.

Free cash flow is defined as the net movement in cash and cash equivalents before distributions to Shareholders but including exchange gains/(losses) on cash and cash equivalents. It is a measure of cash available for allocation in line with the Group's capital allocation policy (see Financial Review).

Cash conversion is defined as the percentage of underlying operating cashflow to underlying operating profit and is provided as a measure of the efficiency of the Group's business model to generate cash.

Return on average capital employed is defined as underlying profit before tax divided by the simple average of opening and closing non-current assets, excluding deferred tax, plus net current assets and non-current lease liabilities. This is given to show a relative measure of the Group's efficient use of its capital resources.

Capital expenditure is defined as purchases of property, plant and equipment and intangible assets net of proceeds from the sale of property, plant and equipment. These numbers are extracted from the cash flows from investing activities shown in the Group cash flow statement.

Underlying operating cash flow is defined as cash generated from operations, before pension contributions and defined benefit pension administration charges, less capital expenditure. This reflects the cash flow directly from the ongoing business operations.

Underlying profit before tax is defined as profit before tax excluding defined benefit pension scheme charges and exceptional items. A reconciliation of profit before tax to underlying profit before tax is shown in note 3.

Underlying profit after tax is defined as profit after tax before defined benefit pension scheme charges and exceptional items, net of any related tax charges. A reconciliation of profit before tax to underlying profit after tax is shown in note 3.

Underlying earnings per share is defined as underlying profit after tax divided by the weighted average number of shares in issue during the financial year. The calculation of underlying EPS is shown in note 3.