4imprint Group plc

ANNUAL REPORT AND ACCOUNTS 2020

OUR PURPOSE

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

We deliver on this trust by nurturing an authentic environment where our people are valued and empowered to do their best work.

By placing a particular emphasis on personal fulfilment, we believe that we can attract and retain like-minded teammates who are committed to providing the truly remarkable service that our customers require and deserve.

Our people go above and beyond to look after our customers, to help each other, to ensure productive outcomes for our supplier partners, and to have concern for and give back to their communities.

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

OVERVIEW

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Find out more online:
investors.4imprint.com

HIGHLIGHTS

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

FINANCIAL OVERVIEW

REVENUE

$560.04m
-35%
2019: $860.84m

UNDERLYING* PROFIT BEFORE TAX

$4.37m
-92%
2019: $54.68m

PROFIT BEFORE TAX

$3.84m
-93%
2019: $53.99m

CASH

$39.77m
-3%
2019: $41.14m

UNDERLYING* BASIC EPS

12.55¢
-92%
2019: 154.41¢

BASIC EPS

11.03¢
-93%
2019: 152.42¢

PROPOSED TOTAL DIVIDEND PER SHARE (CENTS)

Nil
2019: 84.00¢

PROPOSED TOTAL DIVIDEND PER SHARE (PENCE)

Nil
2019: 66.68p

2020 is a 53 week period and 2019 is a 52 week period. See page 21.

* Underlying is before defined benefit pension charges.

AT A GLANCE

FOCUSED ON SUSTAINABLE GROWTH

We are a direct marketer of promotional products with operations in North America and the UK and Ireland. Prior to the impact of the COVID-19 pandemic in 2020 we had delivered a decade of uninterrupted market-beating organic revenue growth.

OUR OBJECTIVE

Our aim is to return to our pre-COVID-19 trajectory of organic revenue growth by expanding our share in the still fragmented markets in which we operate. Our target is to achieve $1bn in Group revenue, although the achievement of this objective may now be delayed until after the original target date of 2022.

WHAT WE DO

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

WHERE WE DO IT

NORTH AMERICA

Most of our revenue is generated in the USA and Canada, serviced from an office and a distribution centre in Oshkosh, Wisconsin.

REVENUE

$549.87m

98%

EMPLOYEES

1,097

December 2020

UK AND IRELAND

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

REVENUE

$10.17m

2%

EMPLOYEES

43

December 2020

HOW WE DO IT

Our business operations are focused around a highly developed direct marketing business model. Organic growth is delivered by using a wide range of data-driven, online, offline and brand-based direct marketing techniques to capture market share in the large and fragmented promotional product markets that we serve.

Reaching our customers

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

Looking after our customers

We have an exceptional culture revolving around the delivery of remarkable customer service, and a robust satisfaction guarantee that our customers can rely on.

Our product range

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

Application of technology

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

FIVE YEAR GROWTH

REVENUE

$560.04m

20	560.04
19	860.84
18	738.42
17	627.52
16	558.22

UNDERLYING PROFIT BEFORE TAX

$4.37m

20	4.37
19	54.68
18	45.59
17	41.91
16	37.92

UNDERLYING EARNINGS PER SHARE

12.55¢

20	12.55
19	154.41
18	129.77
17	106.74
16	98.03

CHAIRMAN'S STATEMENT

FOCUSED ON OUR STAKEHOLDERS

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 11.03¢ (2019: 152.42¢). 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 reopened, 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

FOCUSED ON OPERATIONAL RESILIENCE

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 trade show 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.

CHIEF EXECUTIVE'S REVIEW CONTINUED

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. Further details can be found in the 'Sustainability' section of this Strategic Report on pages 36 to 44. 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.

KEVIN LYONS-TARR
CHIEF EXECUTIVE
16 March 2021

WE REMAIN VERY CONFIDENT IN OUR STRATEGY AND IN THE CLEARLY PROVEN AGILITY AND RESILIENCE OF OUR LOW FIXED COST DIRECT MARKETING BUSINESS MODEL

STRATEGIC OBJECTIVES

MARKET LEADERSHIP DRIVING ORGANIC REVENUE GROWTH

OBJECTIVES

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

KEY ENABLERS

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

RISKS

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

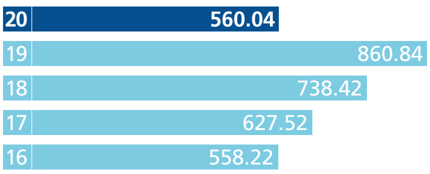
FOR MORE INFORMATION:
SEE PAGES 26 TO 31

KPIs

REVENUE GROWTH ($m)

$560.04m

-35%

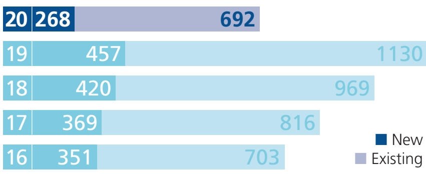


Year-over-year revenue growth gives the clearest measure of progress towards our target of $1bn in Group revenue. The Group's record of organic revenue growth was halted in 2020 due to the effects of the COVID-19 pandemic.

NUMBER OF ORDERS RECEIVED (000s)

960

-40%



Orders received statistics are collated on a daily, weekly and monthly basis to evaluate performance against the targets in our operational plan for both new and existing customers. Analysis of order patterns offers a clear and immediate measure of operational performance.

24-MONTH CUSTOMER RETENTION (%)

42.7%

The 24-month retention rate offers visibility as to the broad stability and strength of the Group's customer file. It will vary year-to-year to some degree and as such performance should be viewed relative to an acceptable bandwidth. The impact of the pandemic will affect the retention profile over a multi-year period.

STRATEGIC OBJECTIVES CONTINUED

CASH GENERATION AND PROFITABILITY

OBJECTIVES

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

KEY ENABLERS

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

RISKS

- **Macroeconomic conditions**
- **Competition**
- **Currency exchange**
- **Climate change & environment**
- **Business facility disruption**
- **Disruption to product supply chain or delivery service**
- **Disturbance in established marketing techniques**
- **Reliance on key personnel**
- **IT failure/interruption**
- **Cyber threats**

FOR MORE INFORMATION:
SEE PAGES 26 TO 31

KPIs

REVENUE PER MARKETING DOLLAR
($)

$6.03

Revenue per marketing dollar provides a measure of the productivity of our marketing investment. A gentle reduction in this KPI is typical and is in keeping with the nature of marketing yield curves. Clearly 2020 was not a typical year; revenue per marketing dollar actually rose due to a successful recalibration of the marketing portfolio in response to adverse trading conditions.

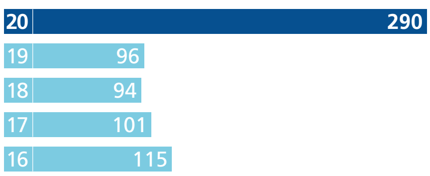
UNDERLYING OPERATING MARGIN
(%)

0.78%

This KPI shows the profitability of the Group's trading operations. In recent years our strategy has been to maintain a broadly constant operating margin. It is possible, however, that specific immediate marketing opportunities may arise, impacting operating margin in the near term but strengthening our position in the market with recovery in operating margin in subsequent years. Operating margin in 2020 was severely affected due to the pandemic.

CASH CONVERSION
(%)

290%



Cash conversion measures the efficiency of the 4imprint business model in the conversion of operating profits into underlying operating cash flow. A high percentage reflects good working capital management and disciplined capital investment. The flexibility and resilience of the 4imprint business model was shown in the 2020 cash conversion KPI.

EFFECTIVE CAPITAL STRUCTURE

OBJECTIVES

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

KEY ENABLERS

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

RISKS

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

FOR MORE INFORMATION:
SEE PAGES 26 TO 31

KPIs

CASH BALANCE ($m)

$39.77m

	$m
20	39.77
19	41.14
18	27.48
17	30.77
16	21.68

Our balance sheet funding guidelines call for the business to aim for a target cash balance at the end of each financial year. This KPI measures the Group's performance in managing its cash resources relative to its capital allocation priorities and shows the funding efficiency of the business model even in times of economic stress.

RETURN ON AVERAGE CAPITAL EMPLOYED ("ROACE") (%)

6%

	%
20	6
19	87
18	84
17	85
16	82

This provides a measure of the Group's efficiency in the use of its capital resources. We aim to maintain or improve this KPI via increased profitability, strong working capital management and productive capital investment, along with disciplined adherence to clear capital allocation principles. ROACE in 2020 was lower due to the effect on profit of COVID-19.

PENSION DEFICIT/MARKET CAPITALISATION (%)

0.5%

	%
20	0.5
19	1.0
18	2.3
17	2.5
16	3.1

This KPI quantifies the substantial efforts made so far in de-risking the Group's legacy defined benefit pension liability and will chart future progress in moving towards our eventual aim of full buyout. The lump sum contribution of $9.1m is reflected in the 2020 KPI.

STRATEGIC OBJECTIVES CONTINUED

SHAREHOLDER VALUE

OBJECTIVES

- To deliver increasing Shareholder value through execution of the Group's growth strategy

KEY ENABLERS

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

RISKS

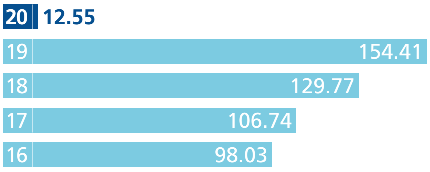
- **Macroeconomic conditions**
- **Currency exchange**
- **Reliance on key personnel**
- **Cyber threats**
- **Ultimately all other risks noted in previous objectives relating to revenue, profitability and cash generation**

FOR MORE INFORMATION:
SEE PAGES 26 TO 31

KPIs

UNDERLYING EARNINGS PER SHARE
(¢)

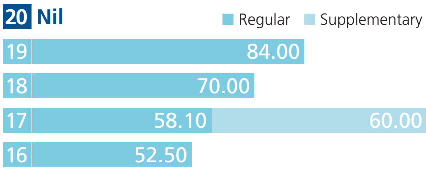
12.55¢



EPS growth over time gives a clear indication of the health of the business and is a key component in the delivery of Shareholder value. The pandemic clearly had a major impact on this KPI in 2020.

DIVIDENDS PER SHARE ("DPS")
(¢)

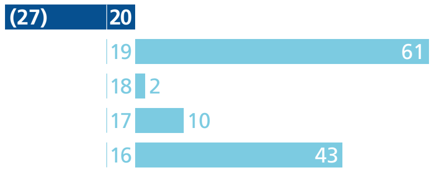
0.00¢



DPS provides a tangible measure of the delivery of Shareholder value. Dividend payments were cancelled in 2020 to maintain liquidity in light of the extraordinary circumstances of COVID-19.

TOTAL SHAREHOLDER RETURN ("TSR")
(% IN YEAR)

-27%



Our aim is to deliver consistent performance and attractive TSR. 2020 performance was driven by a falling share price and dividend cancellations as a result of the pandemic.

BUILDING A SUSTAINABLE BUSINESS THAT DELIVERS VALUE TO ALL STAKEHOLDERS

OBJECTIVES

To protect and enhance the value of the 4imprint brand through:

- Delivery of the extraordinary customer service required to acquire and retain the customer relationships that support long-term value creation
- Preservation and curation of a distinct and diverse culture that develops, empowers and values team members
- Collaborative and mutually beneficial relationships with our supplier partners, grounded in clear social and ethical expectations
- Embracing environmental initiatives tailored to achieve maximum impact in the context of our business and operations
- Supporting and participating in our local communities

KEY ENABLERS

- **Relentless focus on the delivery of excellence in customer service**
- **Culture guided by application of the 4imprint Compass and "The Golden Rule"**
- **Clear social & ethical policies and expectations**
- **4imprint Supply Chain Code of Conduct**
- **Investment in environmental initiatives, and setting of clear and measurable performance targets**
- **Charitable giving programme and encouragement of all team members to volunteer or otherwise participate in their local communities**

RISKS

- **Macroeconomic conditions**
- **Markets and competition**
- **Climate change & environment**
- **Disruption to the product supply chain or delivery service**
- **Reliance on key personnel**
- **Failure to adapt to new technological innovations**

FOR MORE INFORMATION:
SEE PAGES 26 TO 31

KPIs

We are in the process of developing meaningful and appropriate KPIs in respect of our sustainability objectives, with the ultimate aim of linking performance against sustainability measures to executive remuneration.

MARKET POSITION

SECURE AND FOCUSED ON THE FUTURE

Market leadership driving organic revenue growth is the primary objective in our strategic framework. We aim to establish 4imprint as '**the**' recognised brand for promotional products, driving the aspiration that our organic revenue growth profile will significantly outpace the overall growth rate of the industry.

4imprint retained its position (based on 2019 US revenue) as the largest distributor in the US promotional products industry according to the rankings of both PPAI and ASI, the leading industry trade bodies. The rankings for 2020 will not be available until after the date of this report.

Our proposition

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

- **Certain delivery:** It's on time or it's on us. If your event is missed because we didn't ship on time, your order is free.
- **Certain value:** If you find within 30 days of purchase that your order would have cost less elsewhere, let us know and we'll refund double the difference.
- **Certain happiness:** If you're not 100% satisfied with your order, we'll pay to pick it up and rerun it or refund your money – your choice.

Our 360° Guarantee® promises free samples, complementary art assistance and personal, expert service on every order. We aim to take away the worry, making 4imprint the trusted right hand minding the details every step of the way.

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

Where we do business

We operate in two primary geographical markets:

- *North America:* The US and Canadian promotional products markets together were estimated in 2020 to total around $20.7bn in annual revenue, showing a significant year-on-year decline due to the effects of the COVID-19 pandemic. We serve these markets from a centralised base in **Oshkosh, Wisconsin**.
- *UK and Ireland:* The UK and Irish promotional products market size was estimated in 2019 to be around $1.5bn. Typical industry surveys have not yet been released for 2020, but unofficial estimates indicate that market size may have reduced by up to 50% due to the effects of the COVID-19 pandemic. Our office serving these markets is in **Manchester, UK**.

The marketplace for promotional products is fragmented. The US industry trade body, PPAI, estimates that our largest market, the USA, is served by just under 26,000 distributors, of whom fewer than 1,000 have annual revenue of more than $2.5m. The distribution structure is similar in the Canadian and UK/Irish markets.

Our customers

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

We define our customer as the individual placing the order, rather than the business or organisation for which the individual works or with which he/she is associated. Our customer base is widely dispersed geographically, by size of business/organisation and across commercial, governmental, educational, charitable, religious and other segments.

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

MARKET POSITION CONTINUED

Our products

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

Our product range comprises tens of thousands of individual products ranging from basic giveaways such as pens, bags and drinkware to higher value items such as embroidered apparel, business gifts and full size trade show displays, enabling our customers to find the perfect product for their promotion and their brand. This range is carefully updated and curated by an experienced merchandising team.

In reaction to circumstances in 2020, particularly restrictions affecting conferences, trade shows and meetings, customers still looked for ways to deliver promotional products into the hands of clients, employees, donors and other constituents. In response, we developed appropriate product fulfilment services for our customers, assembling and mailing packages of products and printed materials directly to individuals, helping them stay in touch through the pandemic.

Product trends

Our merchandisers track market trends to identify the products that our customers are looking for. Needless to say, the nature of the COVID-19 pandemic in 2020 impacted product trends with some obvious developments such as face masks complemented by more subtle developments indicative of existing underlying trends.

Trade show & signage was a mixed bag. Trade show giveaways and displays saw a very steep decline in sales as any type of group convention, conference, meeting or gathering of any kind was prohibited in most locations. Conversely, signage sales were boosted by the promotion of safety guidelines and businesses pivoting their services, including pick-up and delivery activities.

Wellness & safety was an important category in 2020 in terms of both increased demand and product line additions. Two sub-categories stand out:

- Face coverings saw a significant increase in business, starting with a surge in existing bandana and neck gaiter products, and shifting quickly to adding face masks. Our merchandising team worked closely with key suppliers on availability of product and to ensure that mask products were of sufficient quality to meet FDA and Health Canada standards. The depth and mutually beneficial spirit of our supplier relationships was highlighted at one of our supplier partner's factories, a small business with 18 employees, where demand for its primary beverage holder product was clearly suppressed. In conjunction with our supplier we supported a 'pivot' to utilise the factory's sewing expertise to become our main supplier of face masks.
- Hand sanitiser has always been a good seller, but showed exponential growth due to COVID-19 in March 2020, followed by steady year-on-year increases running around double the prior year's volume. Demand shifted from a primary use as an event giveaway to organisational and personal use, with an increase in quantity of product per container. Several existing suppliers diverted entire production lines to 4imprint to support our customers, with intense collaboration to maximise efficiency and ensure on-time delivery. Our expectation is that hand sanitiser will remain a strong, steady category going forward.

Team motivation became a more important factor. As the usage of promotional products as 'in-person' giveaways declined, many customers shifted products and usages to say 'Thank You' to team members and business partners. This theme was reflected in several product categories and complemented an underlying pre-COVID-19 shift into long-lasting, high-quality products. Categories such as stainless steel vacuum mugs, wireless earbuds and popular brands with a high price point such as North Face® and Carhartt benefitted from this trend.

Work from home ("WFH") was, unsurprisingly, an important factor as 2020 unfolded. Like 4imprint, many of our customers have partial or complete teams working from home. Demand has highlighted products that are applicable to both home and work settings. An example is the blanket category, which is popular in the office setting due to air conditioning but is equally useful in the home environment in winter months. We have also seen positive momentum in the fitness and outdoor recreation/leisure categories.

Apparel remains our largest category and has been an important growth driver in recent years as we have built out our in-house embroidery and printing capabilities. Demand for apparel has remained relatively robust, particularly in the fourth quarter of 2020. The retail shift to comfort and casual wear was also reflected in our apparel trends. Sweatshirts, hoodies and fleece jackets all performed well. Headwear, particularly baseball caps and beanies, also showed resilient demand. In general, customers continued to navigate to higher price points for both style options and popular brands.

4IMPRINT 'OWN LABEL' BRANDS

Over the last few years 4imprint has developed and continues to evolve its own exclusive brands to fill a gap in certain product categories.

- **Crossland®.** The Crossland® brand began as an 'outdoor' apparel brand, primarily in fleece jackets. In 2018 the brand was successfully expanded into other product categories, including 'beanie' hats, blankets and vacuum mugs. 2019 saw additional apparel lines, as well as vacuum drinkware, backpacks and coolers added under the Crossland® brand. The pandemic in 2020 has not deterred further expansion of the range, including outdoor chairs, and additional outerwear, including 'puffer' style jackets and vests. These new products have received a positive response and round out the line for further growth.
- **reFresh®.** The exclusive reFresh® brand was launched in 2017 with a core line of affordable water bottles in a variety of designs and colours. Through 2019, the brand has evolved to include competitively priced, brightly coloured tumblers and travel mugs. In late 2020 three new metal drinkware items were added to the brand to become leading products in their respective sub-categories: a single wall aluminium bottle, a double wall vacuum bottle and a double wall wine tumbler.
- **TaskRight®.** Launched in spring 2020 with a range of notepads and sticky pads, the TaskRight® brand is a line of everyday stationery products. 2021 will bring expansion into notebooks and memo sets, which are positioned to become leading products in their respective sub-categories.

BUSINESS MODEL

Our business is the sale and distribution of promotional products. Our commercial operations are built around a direct marketing business model designed to introduce millions of potential customers to tens of thousands of customised promotional products. Our business model is very well-established and has proved to be flexible and resilient during the COVID-19 pandemic.

KEY STRENGTHS

Our people

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

Reaching our customers

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

Our platform

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

Financial strength

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

WHAT WE DO

1 Customer proposition

- **Fast, easy and convenient**
- **Expansive and relevant product range**
- **Industry-leading customer guarantee**
  - Online or over the phone
  - Free samples and artwork
  - Remarkable customer service
  - Certain delivery. It's on time or it's on us
  - Certain value. Or we'll refund double the difference
  - Certain happiness. If you're not 100% satisfied, we'll refund or rerun your order

2 'Drop-ship' from suppliers

- **Unrestricted access to tens of thousands of products**
- **Efficient delivery of orders to short lead times**
- **Minimal investment in inventory**
  - Supplier holds the inventory
  - Supplier prints the product
  - Order shipped direct to customer
  - Close relationships with suppliers
  - Merchandisers ensure the product range is continually updated and curated

3 Innovative marketing

- **Data-driven heritage and discipline**
- **Multi-faceted, evolving marketing portfolio**
- **Brand, search, catalogue**
  - New customer acquisition
  - Growing customer file
  - Existing customer retention
  - Blue Box™

4 Application of technology

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

STAKEHOLDER OUTCOMES

Shareholders

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

SEE PAGE 12

Customers

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

SEE PAGE 15

Team members

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

SEE PAGES 37 TO 39

Suppliers

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

SEE PAGE 41

Community

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

SEE PAGE 40

Pension Trustee

We stand firmly behind our legacy defined benefit pension scheme obligations.

SEE PAGE 22

Details of engagement with stakeholders are on pages 32 to 35, covering the Directors' duties under section 172 (1) Companies Act 2006.

FINANCIAL REVIEW

FOCUSED ON FINANCIAL DISCIPLINE

	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 (note 20).
- Most of the constituent elements of the Group balance sheet are US dollar based. The main exception is the Sterling-based defined benefit pension liability. Currency movements produced an exchange gain on the pension liability in the year of $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.

FINANCIAL REVIEW CONTINUED

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 12.55¢ (2019: 154.41¢), 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 11.03¢ (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 re-measurement 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 gain 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 $m	28 December 2019 $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.

Full impairment reviews have been undertaken during the year in response to the impact of COVID-19. There have been no charges to the consolidated Group income statement, but the Company has recognised an expected credit loss of £106k on a loan to a subsidiary undertaking in its individual financial statements.

FINANCIAL REVIEW CONTINUED

Viability statement
In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the prospects and viability of the Group.

Assessment of prospects
In making their assessment of the Group's prospects, the Directors have carefully considered:

- The Group's strategy, market position and business model, as set out in the Strategic Report section on pages 9 to 19 of the 2020 Annual Report.
- The principal risks and uncertainties facing the Group, as outlined in the Principal Risks & Uncertainties section on pages 26 to 31 of the 2020 Annual Report.
- 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 for the three-year period to 30 December 2023.

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 reshaped 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.

Viability assessment period
In their assessment of viability, the Directors have reviewed the assessment period and have determined that a three-year period to 30 December 2023, in line with the Group's rolling strategic planning process, continues to be most appropriate.

In the context of the fast-moving nature of the business, its markets, and the short-term nature of the order book, the Directors consider that the robustness of the strategic plan is higher in the first three years and recognises that forecast information beyond this period is significantly less meaningful.

The Group's business model does not rely heavily on fixed capital, long-term contracts, or fixed external financing arrangements.

Assessment of viability
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 ongoing viability and liquidity 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 three-year period towards 2019 levels. 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, and only recovering very gradually through to the end of 2023 to around 80% of 2019 order 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 downside 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.

Confirmation of viability

Based on this review of the Group's prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and to meet its liabilities as they fall due, for the next three years to 30 December 2023.

Going concern

Based on the assessment outlined in the viability statement above, the Directors also believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

Non-financial reporting regulations

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

Reporting requirement	Section of the Annual Report	Page(s)
Environmental matters	Sustainability	42-44
Employees	Sustainability	37-39
Social matters	Sustainability	40
Human rights	Sustainability/ Statement on Corporate Governance	41/51
Anti-corruption and anti-bribery	Sustainability	41
Business model	Business Model	18-19
Non-financial KPIs	Strategic Objectives	9-13
Principal risks	Principal Risks & Uncertainties	26-31

Management report

The Strategic Report is considered to form the management report for the purpose of DTR4.1.8R.

PRINCIPAL RISKS & UNCERTAINTIES

The UK Corporate Governance Code 2018 requires the Board to carry out a robust assessment of the Group's principal and emerging risks. Risk appetite, the risk management process, and associated mitigating activities are all essential elements of the Group's strategic and operational planning processes.

Risk appetite

4imprint's business model means that it may be affected by a number of risks, not all of which are within its control. The Board seeks to take a balanced approach to the risks and uncertainties that it faces, encouraging an appetite for measured risk-taking that contributes to both the operational agility and innovative culture that it believes is necessary to meet the Group's strategic objectives. That risk appetite is, however, tempered by risk identification, evaluation and management.

Risk management process

The Board has ultimate responsibility for the Group's risk management process, although responsibility for reviewing specific risk controls has been delegated to the Audit Committee. The Executive Directors and operational management teams are responsible for the identification and evaluation of risks and the subsequent implementation of specific risk mitigation activities. A formal risk review is conducted by the Board at least annually. During 2020 valuable progress has been made in developing and enhancing the Group's risk management process through the establishment of a more rigorous risk management and internal control framework. Work on this was hampered during the year due to more pressing COVID-19 concerns; however, the new framework was launched in January 2021, including quarterly meetings of the newly established Business Risk Management Committee.

Emerging risks

It is important to note that business operations are conducted from centralised facilities in Oshkosh and Manchester, with short reporting lines. The Executive Directors are close to day-to-day matters, facilitating early identification of, and response to, evolving risks. Going forward, emerging risks will be reported and assessed on a quarterly basis at meetings of the Business Risk Management Committee. Urgent issues arising will continue to be escalated as appropriate and discussed at regular Board meetings.

Outlined below are the current principal potential risks and uncertainties to the successful delivery of the Group's strategic goals. The list is not exhaustive and other, as yet unidentified, factors may have an adverse effect.

ECONOMIC, MARKET AND ENVIRONMENTAL RISKS

Macroeconomic conditions

Description of risk

The business conducts most of its operations in North America and would be affected by a downturn in general economic conditions in this region or negative effects from tension in international trade. In previous economic downturns (excluding the COVID-19 pandemic), the promotional products market has typically softened broadly in line with the general economy.

Potential impact

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

Link to strategy

- Organic revenue growth
- Cash generation and profitability

Mitigating activities

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

Direction

- The COVID-19 pandemic has had a significant negative impact on demand for our products due to the overall economic impact of the pandemic as well as the resulting restrictions/concerns around meetings/gatherings
- International trade tensions and political instability have increased economic volatility in the US
- Brexit uncertainty in the UK has led to lack of business confidence
- Significantly increased

Markets & competition

Description of risk

The promotional products markets in which the business operates are intensely competitive. New or disruptive business models looking to break down the prevailing distributor/supplier structure may become a threat. Buying groups and online marketplaces may allow smaller competitors access to improved pricing and services from suppliers. Private equity interest in the promotional products industry has increased in recent years, offering potential funding for existing competitors or new entrants. The effects of the COVID-19 pandemic may reduce the use of promotional products in the future.

Potential impact

- Aggressive competitive activity or a disruptive new model could result in pressure on prices, margin erosion and loss of market share, impacting the financial results.
- The Group's strategy based on achieving organic revenue growth in fragmented markets may need to be reassessed.
- Customer acquisition and retention could fall, impacting revenue in current and future periods.

Link to strategy

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

Mitigating activities

- An open-minded culture and an appetite for technology are encouraged, with the aim of positioning the business at the forefront of innovation in the industry.
- Management closely monitors competitive activity in the marketplace.
- Price, satisfaction and service level guarantees are an integral part of the customer proposition. Negative customer feedback is investigated and addressed rapidly.
- Management regularly surveys customers and engages in research to monitor changing customer interests and perceptions. Merchandising and supply chain teams, in collaboration with our suppliers, have experience in rapidly adapting the product range to meet evolving consumer demand. Management is prepared to test and/or add additional products to meet changing customer service requirements.

Direction

- **The competitive landscape to date has been relatively consistent in our main markets**
- **No disruptive model has yet gained much traction in the industry**
- **Unchanged**

Currency exchange

Description of risk

There is some exposure to currency exchange risk. Although the business trades predominantly in US dollars, it also transacts business in Canadian dollars, Sterling and Euros, leading to some currency risk on trading. In addition, Head Office costs, pension scheme commitments, purchases of own shares and dividends are payable in Sterling. Consequently, the business may be adversely impacted by movements in the Sterling/US dollar exchange rate when it repatriates cash to the UK and on translation of Sterling costs into US dollars.

Potential impact

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

Link to strategy

- **Cash generation and profitability**
- **Robust financial structure**

Mitigating activities

- The Group reports its results in US dollars, minimising currency impact on reported revenue, operating profit and net assets since trading operations are concentrated mainly in North America.
- The Group can use forward contracts to hedge anticipated cash receipts from its overseas operations, giving some certainty of amounts receivable in Sterling.

Direction

- **Political instability, interest rate policy and trade tensions (US) and the consequences of Brexit (UK) have led to increased volatility in currency markets**
- **Increased**

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

Climate change & environment

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 that are perceived not to be doing so.

Link to strategy

- Cash generation and profitability
- Building a sustainable business

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.

Direction

- There is an increasing sense of urgency globally, and as such, the risks in this area will increase as well
- Increased

OPERATIONAL RISKS

Business facility disruption

Description of risk

The 4imprint business model means that operations are concentrated in centralised office and distribution facilities. The performance of the business could be adversely affected if activities at one of these facilities were to be disrupted, for example, by pandemic, fire, flood, loss of power or internet/telecommunication failure.

Potential impact

- The inability to service customer orders over any extended period would result in significant revenue loss, deterioration of customer acquisition and retention metrics and diminished return on marketing investment.
- A significant portion of our apparel orders are embroidered in-house at our distribution centre, therefore disruption at this facility would impact our ability to fulfil these orders.
- The Group's reputation for excellent service and reliability may be damaged.

Link to strategy

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

Mitigating activities

- Back-up and business continuity procedures are in place to ensure that customer service disruption is minimised.
- Websites are cloud-based, and data is backed up immediately to off-site servers.
- Relationships are maintained with third party embroidery contractors to provide an element of back-up in the event of facility unavailability.
- A significant proportion of our office and customer service staff can work from home, mitigating some risk should offices become unavailable.

Direction

- The COVID-19 pandemic raises the risk of potential shutdown of one or all of our facilities
- Increased

Disruption to the product supply chain or delivery service

Description of risk

As a consequence of the Group's 'drop-ship' distribution model, trading operations could be interrupted if: (i) the activities of a key supplier were disrupted and it was not possible to source an alternative supplier in the short term; (ii) a key supplier's own supply chain is compromised by 'force majeure' events in the country of original product manufacture, for example natural disasters, social/political unrest or pandemic; or (iii) the primary parcel delivery partner used by the business suffered significantly degraded service levels. As the Group continues to grow, the volume of orders placed with individual suppliers becomes significant.

Potential impact

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

Link to strategy

- Market leadership
- Organic revenue growth
- Cash generation and profitability
- Building a sustainable business

Mitigating activities

- A rigorous selection process is in place for key suppliers, with evaluation and monitoring of quality, production capability and capacity, ethical standards, financial stability and business continuity planning.
- Very close relationships are maintained with key suppliers, including a detailed shared knowledge of factory locations, operations and capabilities in the country of original product manufacture, allowing swift understanding of and appropriate reaction to events.
- Dialogue with key suppliers has been increased during the pandemic to monitor for signs of distress.
- Wherever possible, relationships are maintained with suitable alternative suppliers for each product category.
- Secondary relationships are in place with alternative parcel carriers.

Direction

- Risk inherent in increasing supplier concentration
- COVID-19 pandemic has increased risk
- Increased

Disturbance in established marketing techniques

Description of risk

The success of the business relies on its ability to attract new and retain existing customers through a variety of marketing techniques. These methods may become less effective as follows:

- **Offline:** The flow of print catalogues and sample packages would be disrupted by the incapacity of the US Postal Service to make deliveries, for example due to natural disasters or labour activism. Pandemic conditions that lead to increased levels of people working from remote locations may diminish the effectiveness of this technique.
- **Online:** Search engines are an important source for channelling customer activity to 4imprint's websites. The efficiency of search engine marketing could be adversely affected if the search engines were to modify their algorithms or otherwise make substantial changes to their practices.
- **TV/Video/Brand:** Fluctuations in available inventory may cause the price of this technique to increase beyond our acceptable thresholds. The evolving nature of how consumers access this type of content can change our ability to effectively access our audience.

In addition, the evolving landscape around data privacy legislation potentially affects our ability to access and analyse customer data information.

Potential impact

- If sustained over anything more than a short time period, an externally driven decrease in the effectiveness of key marketing techniques would cause damage to the customer file as customer acquisition and retention fall. This would affect order flow and revenue in the short term and the productivity of the customer file over a longer period, impacting growth prospects.
- Restrictive data privacy legislation could decrease the yield on our marketing activities and might increase compliance costs and the possibility of lawsuits.

Link to strategy

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

Mitigating activities

- **Offline:** Developments in the US Postal Service are closely monitored through industry associations and lobbying groups. Alternative parcel carriers are continuously evaluated.
- **Online:** Management stays very close to new developments and emerging platforms in the online space. Efforts are focused on anticipating changes and ensuring compliance with both the requirements of providers and applicable laws.
- **TV/Video/Brand:** Given that this is the newest element of our marketing portfolio, our utilisation of this technique is still in the early stages of its development, allowing for a high degree of flexibility.
- Data privacy requirements are monitored closely and assessed.

Direction

- Marketing diversification continues via the successful integration of a brand component to the marketing portfolio
- The COVID-19 pandemic has negatively impacted offline response rates
- Increased

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

Reliance on key personnel

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

Potential impact
- The loss of key employees or inability to attract appropriate talent could adversely affect the Group's ability to meet its strategic objectives, with a consequent negative impact on future results.

Link to strategy
- **Market leadership/revenue growth**
- **Cash generation and profitability**
- **Building a sustainable business**

Mitigating activities
- The business is proactive in aiming to deliver a first class working environment. In addition, competitive employment terms and incentive plans are designed with a view to attracting and retaining key personnel.
- Succession planning, both at Board and operational levels.

Direction
- **The business has been able to attract and retain appropriate talent**
- **Unchanged**

TECHNOLOGICAL RISKS

Failure or interruption of information technology systems and infrastructure

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

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

Link to strategy
- **Market leadership**
- **Organic revenue growth**
- **Cash generation and profitability**

Mitigating activities
- There is significant ongoing investment in both the IT team supporting the business and the hardware and software system requirements for a stable and secure operating platform.
- Back-up and recovery processes are in place, including immediate replication of data to an alternative site, to minimise the impact of information technology interruption.
- Cloud-based hosting for eCommerce and other back end functionality.

Direction
- **The IT platform is mature, and performance has been efficient and resilient, including through the COVID-19 pandemic with high levels of staff working from home**
- **Unchanged**

Failure to adapt to new technological innovations

Description of risk

The operating platforms of the business may not be able to respond and adapt to rapid changes in technology. If the development of websites and customer-facing applications for alternative devices and platforms is slow or ineffective the business could lose competitive edge. In addition, the development of order processing, supplier-facing and data analytics technologies could fail to deliver the improvements in speed, ease and efficiency necessary to attract and retain a productive customer base.

Potential impact

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

Link to strategy

- **Market leadership**
- **Organic revenue growth**
- **Building a sustainable business**

Mitigating activities

- Management has a keen awareness of the need to keep pace with the rapidly changing and continuously evolving technological landscape.
- An appetite for technological innovation is encouraged in the business. Sustained investment is made in the development of both outward-facing and back office systems.

Direction

- **Innovation remains a priority**
- **Unchanged**

Cyber threats

Description of risk

Malware, ransomware and other malicious cyber threats can lead to system failure and/or unauthorised access to and misappropriation of customer data, potentially leading to reputational damage and loss of customer confidence. This is a rapidly changing environment, with new threats emerging on an almost daily basis.

Potential impact

- Revenue and profitability are directly related to order flow and would be adversely affected as a consequence of system compromise.
- A significant security breach could lead to litigation and losses, with a costly rectification process. In addition, it might be damaging to the Group's reputation and brand.
- An event of this nature might result in significant expense, impacting the Group's ability to meet its strategic objectives.

Link to strategy

- **Cash generation and profitability**
- **Shareholder value**

Mitigating activities

- The business employs experienced IT staff whose focus is to identify and mitigate IT security vulnerabilities. Investment in software and other resources in this area continues to be a high priority.
- Due to the ever-evolving nature of the threat, emerging cyber risks are addressed by the IT security team on a case-by-case basis.
- Technical and physical controls are in place to mitigate unauthorised access to customer data and there is an ongoing investment process to maintain and enhance the integrity and efficiency of the IT infrastructure and its security.

Direction

- **The general incidence and publicity around cyber-crime continues to increase**
- **Increased incidence of malicious cyber activity during the current COVID-19 pandemic**
- **Increased**

STAKEHOLDER ENGAGEMENT

The following disclosure describes how the Directors have had regard to the matters set out in section 172 (1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2016.

Section 172 Statement

4imprint understands and embraces the responsibility of balancing the interests of a wide stakeholder base. A strong and distinctive culture encouraging responsible practice has been deeply embedded at all levels of our business for many years. Our team members observe clear guiding principles that drive ethical interactions with, and positive outcomes for, our key stakeholders (see Business Model on pages 18 and 19 and Sustainability on pages 36 to 44). Our statement of corporate purpose (see inside front cover) reflects and reinforces these important principles.

The Board of 4imprint sets the tone by nurturing, monitoring and reaffirming these principles, and demonstrating through its discussions and actions that the interests of stakeholders are central to its decision-making. Within this framework, the Directors discharge their duties by monitoring and assessing stakeholder interests in two primary ways:

(i) Regular information flow from the Executive Directors. The Executive Directors are directly involved in day-to-day business operations as a result of a flat organisational structure and a business model conducted from centralised facilities. The Non-Executive Board members receive regular written and verbal business updates from the Executive Directors via monthly reports, face-to-face at regular Board meetings or between Board meetings as required.

(ii) Direct engagement of Board members. Directors are expected, where appropriate, to engage directly with, or on behalf of, stakeholders. In particular, the Chairman, Senior Independent Director, Board Committee Chairs and 'Employee Voice' Director seek to understand the needs and priorities of each stakeholder group and are encouraged to engage independently with stakeholders depending on the issue in question.

The Directors consider the interests of each of our key stakeholder groups when considering their duties under S172 and take into account the information gathered through engagement with these stakeholders when determining the Group's strategies and key decisions.

A summary of our stakeholder engagement activities, (together with the issues and factors the Directors have considered in respect of our stakeholders in complying with section 172 (1) (a) to (f)) is set out in the tables below.

Team members	
Why we engage	Investment in our people is a key driver of our competitive advantage. We can only deliver an exceptional customer experience if we have exceptional team members who subscribe to our principles and values. We engage with our team members to ensure that we are fostering an environment that they are happy to work in and a culture that they identify with. See pages 37 to 39 for further discussion on people and culture.
How we engage	• Open and honest culture involving regular communications with team members, whether in-person, via our in-house social media platform or by email/video call for those team members working from home • The Executive Directors are based at the Oshkosh site, and have day-to-day interaction with team members • Team members typically attend quarterly 'all-company' briefings, with the CEO in the US and the General Manager in the UK, that provide updates on business performance and other relevant topics • Site visits by Chairman and NEDs, usually including an annual two-day visit and Board meeting in Oshkosh • Competitive base compensation, excellent benefits package and opportunity for results-based bonus • Wide range of training and development opportunities available for team members (see Sustainability on page 38)
Key topics	• Impact of COVID-19 pandemic on the business and measures to ensure employee health and safety are our first priority, including temporary closure of offices and distribution centre, gradual reopening in a COVID-secure manner and supporting team members with enhanced work from home capabilities • Continuous development and cultivation of 4imprint culture and working environment, even during the upheaval created by the pandemic • Opportunities for personal development and career progression • Fair, merit-based pay structures complemented by attractive and innovative benefits package • Ability to participate in the Group's success through bonus plans and share ownership • Health and safety at work; more acute focus than ever during COVID-19
Outcomes & actions	• Pursued a people-led approach through the COVID-19 pandemic in line with our culture; the protection and retention of our team was our first priority • No enforced layoffs due to the COVID-19 crisis, and benefits package not diluted • Additional support provided to increased number of team members working from home for safety reasons • Single digit staff turnover rates • 4imprint was included, for the twelfth consecutive year, on the Great Place to Work list of the Best Medium Sized Workplaces in the USA. In the UK our business is accredited by Investors in People • High participation rates in employee share ownership plans – SAYE in UK and ESPP in US • Regular input from the NED with responsibility for championing the interests of team members ('Employee Voice')

Customers	
Why we engage	Our purpose (see inside front cover) revolves around providing relevant, quality promotional products to our customers to help them convey their message. Our customers rely on us to make them and their organisations look good.
How we engage	• Clear focus on new customer acquisition and existing customer retention KPIs and trends in management reporting and Board information packs • Emphasis on providing remarkable customer service within a culture of continuous improvement • Regular customer surveys, including statistics such as net promoter score, and periodic extensive customer market research projects • Team members empowered to make decisions in the customer's interest, and managers (up to and including CEO) available to address customer concerns
Key topics	• Ability to find the 'perfect product' for each customer • Quality and effectiveness of customer service • Product quality, price and range development • Product safety, environmental considerations and sustainability in general • Responsible use of personal data
Outcomes & actions	• Ongoing development of a curated, easy to access range of products allowing customers to make informed decisions over what they purchase • Continuous monitoring and measurement of service quality • Increasing awareness of environmental considerations throughout the supply chain and development of products with genuine sustainable characteristics (see page 44) • Monitoring of product trends and developments; particularly important in the market conditions created by the COVID-19 pandemic • Continued focus on ethical sourcing and product safety/compliance • Successful management of office and distribution centre closures during 'lockdown' periods; uninterrupted first class customer service maintained by team members largely working from home

Suppliers	
Why we engage	Our suppliers are integral to the 'drop-ship' pillar of our business model. Effective supplier partnerships are fundamental to providing the remarkable customer service and efficient, on-time delivery of great products that meet functional, safety and environmental requirements that are essential to the success of the business. Our supplier relationships are discussed in more detail on page 41.
How we engage	• Regular meetings, information sharing, and site visits; more video consultation due to COVID-19 • Supplier agreements and expectation setting • 4imprint 'Supply Chain Code of Conduct' • Visits, in conjunction with suppliers, to offshore factories where the base product is manufactured; programme curtailed in 2020 due to COVID-19 • Cooperation with suppliers in marketing campaigns
Key topics	• Product range development; changing product mix • Exclusive and 'own-brand' products • Production efficiency, service levels and capacity planning • Challenging production and delivery environment due to pandemic • Product safety/compliance • Payment and rebate arrangements
Outcomes & actions	• In 2020 we worked more closely than ever with our suppliers to address the supply chain issues resulting from COVID-19 • Retained and reinforced our commitment to paying all suppliers promptly to terms • 4imprint's Social & Ethical Policy Statement was updated and reissued in 2020 • Annual review of Modern Slavery Statement • All suppliers sign an annual vendor agreement with 4imprint, including a Supply Chain Code of Conduct • Suppliers have been able to benefit from our mutual ability to grow

STAKEHOLDER ENGAGEMENT CONTINUED

Community & environment	
Why we engage	Most of our team members live locally, so it is clearly in our interests to have a positive influence in our local communities. This begins with stable and competitively remunerated employment, extending to involvement in many community activities. Our community involvement initiatives are described more fully on page 40.
How we engage	• Paid time off work for our team members to volunteer for a local charity or non-profit organisation • Support and sponsor many local organisations, events and good causes • Donations of promotional products for events • Involvement in environmental initiatives • 'one by one®' charitable giving programme in the US/'Helping Hand' charitable initiative in the UK
Key topics	• Charitable donations • Time available for volunteering • Environmental impact (see pages 42 to 44); expansion of environmentally-focused projects in the business • Use of the power of promotional products to spread the message
Outcomes & actions	• Over 750 'one by one®' charitable grants made in 2020, despite the problems presented by COVID-19 • 4imprint profile and reputation in the local community enhanced • Ability to attract and retain high-quality team members • Environmental initiatives: carbon neutral target (see page 42)

Pension Trustee	
Why we engage	The Group sponsors a legacy defined benefit pension scheme (the "Plan"). We are fully committed to satisfying our pension obligations in full, with the ultimate aim of full funding and complete de-risking of the remaining liability.
How we engage	• Regular interaction with the Trustee of the Plan • Regular advice from our own pension consultants • Periodic evaluation of Plan funding
Key topics	• Plan funding level • Developments in the pension industry, including increasing powers of the UK Pension Regulator • Eventual 'endgame' for the Plan, leading to final de-risking phase
Outcomes & actions	• Regular Board updates on pension matters • Contributions paid into the Plan at the agreed level throughout 2020 • Triennial Plan revaluation completed, with new funding schedule agreed with the Trustee in February 2020 • 'Lump sum' of £7.5m ($9.1m) paid into the Plan in May 2020, as agreed with the Trustee, leading to significantly improved funding level for the Plan • On track with the agreed target to position the Plan for full buyout within five years

Shareholders	
Why we engage	We aim to attract Shareholders whose requirements are aligned with our strategic objectives, and who are interested in a long-term holding in our Company. This involves a good understanding of our strategic objectives, our business model and our culture.
How we engage	Our key Shareholder engagement activities are: • Annual Report & Accounts • Investor Relations website • Annual General Meeting ("AGM") • Results announcements • Investor roadshows • Periodic trading/performance updates • Meetings and calls throughout the year with existing and potential investors, including Environmental, Social and Governance ("ESG")/Compliance departments • Meetings with Chair, NEDs and Company Secretary as required
Key topics	• Effect of COVID-19 on the business • Growth strategy and evolution of marketing portfolio • Market dynamics and opportunity for a return to organic revenue growth • Capital allocation priorities • ESG • Remuneration Policy • Culture, ethics and sustainability in the business
Outcomes & actions	• Frequent communication and active governance at Board level throughout the pandemic • Effective and timely communications to the market of the effects of COVID-19 on the business, including mitigating actions taken addressing order intake, operational adjustments and the Group's liquidity position • Shareholder register and investor relations activity regularly reviewed by the Board • Involvement of Company Secretary and Chairman in ESG discussions with Shareholders and compliance agencies • Extensive review of Remuneration Policy and Shareholder consultations in preparation for requesting Shareholder approval at the AGM in May 2021

SUSTAINABILITY

PROTECTING OUR PEOPLE AND CULTURE

Principles and values

Our well-established culture and values are firmly grounded in the broad principles set out in our statement of corporate purpose and in our long-standing, principled approach to corporate responsibility (see inside front cover). The Board believes that it is fundamentally important that these principles and values result in a commitment to sustainability that is the cornerstone of 4imprint's future success.

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

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

Our people and culture

Our primary strategic objective (see page 9) specifically identifies investment in our people as a key driver of competitive advantage. We are committed to a culture that encourages the training, development, wellbeing and participation of every team member.

People first

As set out earlier in this Strategic Report, the COVID-19 pandemic had a severe effect on our business in 2020. We are pleased to report that we pursued a people-led approach throughout this very difficult time. Our first priority was to attend to the immediate health threat to our team members – see the Health and Safety section below. In addition, we resolved at an early stage to retain all of our team members on the payroll, staying true to the culture that has been essential to our success over many years. Keeping our team members in their jobs clearly involved short-term investment, but we are certain that this approach was the right thing to do and has affirmed and strengthened the culture which is essential to our success over the long term.

Communication and participation

Business objectives and performance updates are typically shared with team members via quarterly briefings with the CEO. As a direct consequence of the spread of COVID-19, with many team members working from home and larger gatherings not being possible, the quarterly in-person updates were replaced by more regular detailed and informative email updates from the CEO. These updates offered timely assurance about the priorities in the business looking forward including the plan to keep the entire team intact and paid even during times when the business was essentially closed.

All team members are eligible to participate in a quarterly 'gain share' bonus plan that is based on the achievement of tangible, clearly communicated performance targets. In 2020 financial challenges driven by economic circumstances meant that no 'gain share' bonus was earned; however, we look forward to re-establishing pay-outs under this popular plan.

CULTURE IN ACTION

The 4imprint culture was vividly demonstrated during the darkest point of the initial lockdown.

Several team members independently and spontaneously formed a Facebook group with the name **'4imprint Strong'**. The group gave team members who were inactive or working from home the ability to recount their stories, demonstrate solidarity in adversity, and ultimately to recreate, in a different forum, the camaraderie that they would normally experience in the workplace. The 4imprint Strong Facebook group now has more than 600 members, representing more than half of the North American workforce. In our UK business team members kept in contact and shared their news through similar online groups.

OVERVIEW
STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

SUSTAINABILITY CONTINUED

Workplace

Our Oshkosh-based North American business has, for twelve consecutive years, been included on the prestigious Great Place To Work list of the Best Small & Medium Workplaces in the USA. In 2020, following many years of growth, the business has moved up into contention for the 2021 Fortune 100 Best Companies to Work For® list. After a COVID-19 related delay, this list will be published in April 2021. Our UK-based business maintains its Investors in People accreditation. We are very proud of these accolades, which are indicative of team members who go above and beyond every day to help each other, to provide our customers with remarkable service and to give back to their communities because they know and believe that it is the right thing to do.

INVESTORS IN PEOPLE

Best Small & Medium Workplaces™ Great Place To Work. USA 2019

Training

We strongly support a lifetime of learning. Throughout the year we offer a wide variety of training classes, courses and other learning opportunities.

Training of new team members teaches essential job-specific skills, as well as covering other soft skills and a grounding in the 4imprint philosophy. Newly hired Customer Service Representatives usually undertake an intensive six-week induction programme with in-person sales trainers, followed by two weeks of 'on-the-floor' exposure taking live customer orders before being assigned to their new teams. In 2020 the training team was faced with an especially challenging situation as the usual customer service training schedule was cut short by the first 'lockdown' order. The team was able to react quickly to circumstances, setting up work from home capacity and putting in place remote support for the new Customer Service Representatives, who completed their training and subsequently joined their assigned teams remotely.

4imprint teammates become volunteers at animal shelters.

Since the original 'lockdown' order, the majority of our office-based team members have been working from home temporarily. The training team was able to transfer almost seamlessly to virtual learning, using the very effective online learning management system already in place. Team members whose time was under-utilised due to COVID-19 were able to use their time well by taking advantage of professional development training sessions, including mandatory classes on 'Unconscious Bias', 'Harassment', 'Bystander Intervention', 'Active Shooter Training', and multiple classes on 'Cyber Security'. In addition, we revamped our online course curriculum and compiled almost 100 online classes that team members could enrol in and complete from home. A wide variety of topics is covered in our professional development training. Since in-person classes were put on hold indefinitely due to COVID-19, we have worked on transferring some in-class training classes to a webinar format, enabling remote participation in the sessions.

Typically, we encourage our team members to take a holistic approach to their personal development, offering classes on understanding personality types, stress management and relaxation techniques, cultural diversity, emotional intelligence and other related topics. In the COVID-19 environment, we quickly realised that team members needed help with more immediate topics, so our training team developed a series of classes to make working remotely easier and less challenging. Classes included 'Wearing a Face Mask While on the Phone', 'Tips for a Successful Phone Interview', 'Video Conference Etiquette', 'Microsoft Teams', 'Managing Remote Teammates', 'Working Remotely', 'Communicating While Wearing a Face Mask' and 'DiSC – People Reading'.

Professional development remains a priority. A leadership programme includes roundtables, book discussions and development of management techniques. These activities have been adapted where possible to the remote work setting. The pursuit of external educational opportunities and professional qualifications is supported through our popular tuition reimbursement programme.

Welfare

The welfare of our team members is further addressed through a competitive benefits package, including strong medical, dental and retirement plans. We also offer resource aimed at personal financial wellbeing through classes and meetings (many virtual in 2020) with specialist advisors covering financial planning, budgeting, tax matters and retirement planning.

Many of the usual workplace perks and activities that differentiate the 4imprint workplace have been curtailed due to COVID-19. In response, our team came up with a variety of other activities. For example, over the years pet ownership has emerged as a very important part of the lives of many of our team members. In 2020 we were able to add an animal adoption reimbursement programme under which team members are eligible to receive up to $100 to adopt an animal from a rescue shelter. This perk has proved to be very popular, and as an added bonus several 4imprint teammates have gone on to become volunteers at these animal shelters.

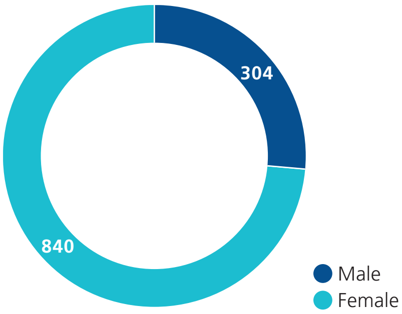
Diversity

We understand the importance and beneficial effect of diversity within our Company, and we aim to foster a culture that recruits, develops and promotes team members regardless of background. We are committed to the principle of equal opportunity in employment, and no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, sexual orientation, religion, race, ethnicity or disability. We recognise our responsibility to disabled persons and endeavour to assist them to make their full contribution at work. Where team members become disabled, every practical effort is made to allow them to retrain for suitable alternative work.

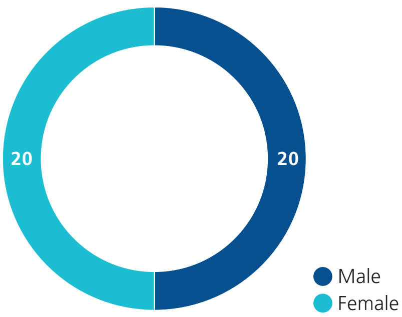
Gender representation

At 2 January 2021 the Group employed **1,144** team members. Female representation at the management level increased over 2019.

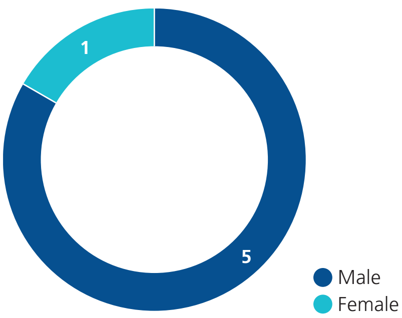
HEADCOUNT
PERMANENT AND TEMPORARY EMPLOYEES



MANAGEMENT
EMPLOYEES WHO OPERATE AT A SENIOR LEVEL IN THE GROUP



BOARD
4IMPRINT GROUP PLC BOARD MEMBERS



Health and safety

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

We have an extensive employee wellness programme, including an on-site medical clinic at both sites in the US operation. We have continued to expand our health services to include a nurse practitioner, registered nurse, occupational therapist, nutritionist, massage therapist, chiropractor, physical therapist and a health coach. These professionals are available to deal with a wide range of medical issues and needs. As well as increasing productivity and being cost-effective for the company, the wellness programme offers great convenience and has proved very popular with employees: basic medical services such as flu shots, blood draws or consultation with a nurse or nurse practitioner on minor conditions can take 15 minutes compared to hours spent travelling to and from attending an external medical facility. All on-site medical services are available for free to our team members.

COVID-19 RESPONSE

The virulence of the spread of the COVID-19 virus in 2020 presented a clear and immediate threat to our people.

From the start of the pandemic our first priority has been the health, safety and wellbeing of our team members. We have operated diligently in compliance with evolving governmental guidelines and best practices, and robust safety, cleaning and social distancing protocols have been implemented in our facilities. 'Lockdown' directives in both the USA and the UK resulted in the closure of all our operational facilities at various times during the year. When facilities were reopened, the focus was to minimise the potential spread of the virus. We did this by making sure that the environment that our team members came back to was as safe as possible, taking their thoughts and feedback into account. At the Oshkosh distribution centre, where most activities cannot be performed from home, we rotated shifts so as only to bring in the minimum number of people necessary at any one point in time to cover the workload. In the Oshkosh and Manchester offices most team members are still successfully and productively working from home.

SUSTAINABILITY CONTINUED

Social matters

Community involvement and volunteering

We continue to encourage involvement with volunteer causes within our communities. Paid time off is available to our teammates to be used specifically for volunteering for a local charity or non-profit organisation of their choice. In 2020, despite the restrictions caused by COVID-19, our team members gave 960 hours of their paid time and countless hours of their own time to schools, religious organisations, clubs, non-profit organisations and other special events.

Community involvement can take many forms:

- Last year we started offering the opportunity to ride the 'Give Back Bus' during regular work hours. The bus takes team members to a destination that is only revealed on arrival to volunteer for a nearby organisation in need – such as an area non-profit. The 'Give Back Bus' has proved to be a great way to send a positive message by helping out in the local community, as well as offering an excellent opportunity to get to know other co-workers. Unfortunately COVID-19 has restricted participation opportunities during 2020, but we expect that this way of becoming involved in the community will remain popular in coming years.

'Give Back Bus'

- The spread of the pandemic made community involvement and volunteering more challenging in 2020, but many of our team members were able to overcome the obstacles, finding safe and innovative ways to engage. Activities included the 'Big Brothers Big Sisters' mentoring programme, bell ringing for the Salvation Army, involvement in 'Frosty's Fosters Animal Rescue', and other charitable fundraisers.

Under normal circumstances, 4imprint is actively involved in its local communities in many other ways, for example in team sponsorships, student scholarships at local colleges, product donations for events such as fun runs, 5Ks and marathons, and encouragement of team members to participate on volunteer boards and committees. In 2020 this kind of activity has been curtailed by the spread of COVID-19; we hope more of these opportunities return in 2021.

Charitable giving

The 4imprint culture, values and principles are reflected in the 'one by one®' charitable giving programme operated in our North American business. Each business day we aim to donate at least three $500 grants to non-profit organisations. These grants are to be used on promotional products to help the recipients spread the word, recruit volunteers, thank donors and generally make their communities a better place during the unprecedented challenges presented by COVID-19. In 2020, despite restrictions caused by the pandemic, more than 750 grants were awarded, including just over 200 grants in the fourth quarter of the year.

CASE STUDY: ONE BY ONE®: HYDROCEPHALUS CANADA

Hydrocephalus Canada offers Canadians support and education about hydrocephalus and spina bifida. The organisation used its 'one by one®' grant on promotional tote bags to help make connections and share knowledge, especially with those most susceptible to these conditions.

Product and supply

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

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

To set the tone, the Board has developed, approved and issued a Social & Ethical Policy Statement. This policy statement sets broad guidelines within which the Group should conduct its business operations in accordance with best practice, in compliance with relevant legislation and respecting human rights and ethical practices throughout our value chain.

These broad principles are reinforced in our '4imprint Supply Chain Code of Conduct'. This is based on the International Labour Organization's 'Declaration on Fundamental Principles and Rights at Work' and is fully aligned with the Fair Labor Association's Workplace Code of Conduct. 4imprint team members are actively involved in the FLA's activities.

At the operational level, this means that 4imprint's goal is to work with tier 1 suppliers who are diligent in managing their sourcing practices and selecting tier 2 manufacturing facilities, and who commit to ensuring safe working environments where employees are adequately compensated and respected. These ethical sourcing expectations are communicated and reviewed through our document '4imprint Factory & Product Compliance Expectations', signature of which reaffirms the supplier's commitment to these principles within their own organisation and supply base.

Such principles have taken on additional importance and meaning during 2020 as we have worked to ensure that the health and wellness of our suppliers' employees is appropriately considered before restarting business operations after lockdowns and disruptions.

Although COVID-19 curtailed visits to suppliers and limited auditing opportunities in 2020, the monitoring and development of our supply chain (tiers 1 & 2) continues to form an important part of our business. During 2020 we appointed Elevate as our lead auditing firm for both North America and offshore. We are already utilising their remote auditing program for North American based suppliers. Their expertise and analytics in this space will enable us to raise the reach and quality of our programmes in the years ahead.

We consider that training and education, for our own teams and those of our suppliers, forms an important part of our supplier-focused activities. 4imprint supply chain professionals continue to lead the work of our US trade association (Promotional Products Association International) in supply chain management, driving education and collaboration in our industry's supplier network.

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

Ethical practices

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

Our Modern Slavery Statement describes the activities we are undertaking to prevent slavery and human trafficking in our business operations and supply chain, in line with section 54 of the UK Modern Slavery Act 2015. Our Modern Slavery Statement and further details of our social & ethical and corporate responsibility policies are available at *https://investors.4imprint.com/*.

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

SUSTAINABILITY CONTINUED

Environmental matters

At 4imprint we see climate change mitigation and other aspects of environmental stewardship as a fundamental part of our responsibility. We are committed to incorporating environmental matters into our strategic decision-making, to evaluating our environmental performance across all the activities of the Group and to finding appropriate and innovative ways to minimise the environmental impact of our operations.

We support the TCFD's disclosure framework, and we will adapt our current practices where necessary as we continue to prioritise full compliance over the coming months.

The Board is ultimately responsible for oversight of the Group's climate-related risks and opportunities. The potential impacts of environment-related risks on 4imprint's business operations are set out on page 28 of the Strategic Report. The Group's environmental strategy was a major topic at the Board's 2020 annual strategy session, culminating in an agreed framework designed to bring together disparate existing initiatives and set the environmental agenda for the Group going forward.

A new Group Environmental Committee composed principally of operational executive team members was formed to manage the development and implementation of the framework.

This Committee will typically meet quarterly, although the initial 'kick-off' meetings have been monthly. The framework is split into three primary areas of focus:

- Climate change
- Natural resources
- Products and supply chain

Climate change

An initial materiality assessment guided the Environmental Committee towards climate change mitigation as the most direct and realistic way to demonstrate a real and immediate commitment to a low-carbon future.

A CARBON NEUTRAL BUSINESS

- We commit to becoming carbon neutral regarding greenhouse gas (GHG) emissions at our operational facilities (Scope 1 and Scope 2), and also in respect of impactful elements of Scope 3, such as shipping of our products to customers, **no later than December 2022**.
- We will work to achieve external certification of our carbon neutral status by our target date.
- We will reach our target through prioritising internal carbon reduction initiatives supplemented by other effective environmental stewardship tools as needed.

The Group Environmental Committee has engaged with Natural Capital Partners to assist with the refinement of our detailed carbon reduction plan and to guide us towards achieving their 'CarbonNeutral®' certification within our specified timeframe. It is anticipated that a portfolio approach will be taken, combining different initiatives and techniques including:

- Carbon reduction projects, such as further LED lighting, insulation, and renewable power options such as solar. Over time, the aim is for accumulating internal reductions to result in mitigating future gross emissions.
- Environmental stewardship tools, such as carbon offset products and/or renewable energy certificates to mitigate residual emissions not covered by carbon reduction investments.
- Specific programmes that are highly relevant to the nature of our business operations, for example participation from January 2021 onwards in the UPS carbon neutral shipping programme, (Scope 3), which supports emissions reduction projects that help mitigate the impact of the shipment of parcels to our customers.

	Unit	2020	2019	Change
GHG emissions				
Scope 1: Direct emissions from combustion of fuel and operation of facilities	Tonnes CO_2-e	**413**	317	30%
Scope 2: Indirect emissions from purchased and consumed electricity	Tonnes CO_2-e	**3,196**	2,951	8%
Total Group emissions Scope 1 & 2	Tonnes CO_2-e	**3,609**	3,268	10%
Proportion of emissions that relate to the UK:				
– Scope 1		**0.0%**	0.0%	
– Scope 2		**0.4%**	0.6%	
Intensity measurements				
Emissions by Group revenue	Tonnes CO_2-e/$m Group revenue	**6.4**	3.8	70%
Emissions by employee numbers	Tonnes CO_2-e/$m ave. employees	**3.0**	2.9	6%
Energy consumption				
Gas	kWh	**2,225,482**	1,672,442	33%
Electricity	kWh	**4,206,876**	3,895,031	8%
Total	kWh	**6,432,358**	5,567,473	16%
Proportion consumed in UK		**0.8%**	1.2%	

The Group's GHG Scope 1 and Scope 2 emissions increased in 2020 compared to 2019. Various factors contributed to this increase, including: (i) heating costs due to colder winter weather in early 2020; (ii) warmer summer weather, particularly in July and August, meaning increased running of air conditioning units; (iii) major investment in 'direct to garment' printers during 2020; and (iv) increased air circulation and filters, in response to COVID-19, placing a heavier burden on air conditioning equipment.

Across all of the activities and projects aimed at delivering our carbon neutrality goal, we will remain committed to observing the '4imprint Compass' values, particularly accountability and flexibility. We will be careful to ensure relevance to the 4imprint business operations and culture. In addition, our carbon neutrality target and plan will give us a platform to use our influence in our supply chain (Scope 3 downstream) by spreading the message and promoting similar initiatives at our tier 1 suppliers and potentially beyond.

Our GHG reporting for 2020 has been updated in line with the UK Government regulations on Streamlined Energy and Carbon Reporting introduced in 2019, and emissions have been calculated based on the GHG Protocol Corporate Standard. The emissions data set out opposite relates to the operations of the Group for the period ended 2 January 2021. Certain 2019 comparatives have been restated to reflect more rigorous and improved data capture and reporting procedures.

Natural resources

Our physical operations cover office and distribution centre activities. In recent years environment and sustainability initiatives have become an integral part of our daily operations.

SMART
Sustainability. Making A Renewable Tomorrow.

Our SMART (Sustainability. Making A Renewable Tomorrow) committee celebrated its third anniversary in September 2020. This initiative has been supported enthusiastically throughout the business, with our in-house social media platform proving to be the ideal forum to engage our team members in SMART initiatives and sustainability discussions. Many projects and ideas have come to fruition, varying in scope and nature, but all with an emphasis on sustainability.

Some examples of SMART activities are:

- Major upgrade in the recycling of waste materials across the business, taking advantage of advanced single stream recycling capability. This has had a beneficial effect in terms of diversion of waste from landfill: trash pickups from the distribution centre have been halved and landfill waste per employee at the main office significantly reduced.
- Lights and water faucets have been fitted with motion sensors and we have switched over to electronic hand towel dispensers. No idea is considered too small, such as replacing plastic drinking straws and stirrers with reusable or recyclable versions.
- Attention to small details. Many ideas come direct from team members via the in-house social media platform. For example, one initiative was to repurpose used mascara wands by forwarding them to a Wildlife Refuge where they can be cleaned, upcycled and used to clean away oil, bugs, infections, mud and other contaminants from wildlife.
- Our team remains involved in several other initiatives, including the 'Adopt a Highway' programme, (clean-up of waste along an 'adopted' stretch of highway), and celebration of Earth Day/ Arbor Day by giving our team members a choice of a seed packet or a tree seedling. 2020 was a tougher year for physical participation due to restrictions caused by COVID-19, but we fully intend to resume or extend these activities as soon as circumstances allow.
- Some of our Oshkosh-based team members are engaged with the Green Masters Program promoted by the Wisconsin Sustainable Business Council ("WSBC"). In 2020 we are pleased to have achieved the 'Green Professional' designation for the second year.

Wisconsin Sustainable Business Council

Green Masters Program™

The Group Environmental Committee has a clear remit to drive more efficient use of natural resources. Some current and future areas of focus are:

- Commitment to sustainable forestry practices. In North America, printed marketing materials such as catalogues use paper sourced from sustainable forests, conforming to Forestry Stewardship Council requirements. In the UK, our catalogue mailings meet the Royal Mail's Responsible Mail criteria, based on sourcing paper from recycled/ sustainable sources, elimination of poly wrap and robust suppression procedures.
- LED lighting. Our Oshkosh distribution centre is fully equipped with LED lighting. LED fixtures use around 50% less energy than the fluorescent bulbs that they replaced. We estimate that our annual energy usage has reduced by over 400,000 kWh, even with more equipment and more burn time, as a result of LED installation. We intend to retro-fit LED fixtures throughout our Oshkosh office facility as a project for 2021.
- Embroidery backing recycling. One of our most successful initiatives is a recycling project to turn embroidery backing waste product into fuel pellets. As the scale of our embroidery operation has grown, this initiative has gained momentum. Since launch in 2018, we estimate that around 150,000 pounds of waste have been diverted from landfill.
- Packaging. A key project in 2020 was a substantial reduction in the poly-bagging of garments prior to shipment from our Oshkosh embroidery and direct to garment printing operation. Previous practice was automatic bagging of all dress shirts and polo shirts. We estimate that over 25,000 pounds of poly bags will be eliminated on an annual basis as a result. Looking ahead, we plan to work with our suppliers to share our experience and customer feedback on this project and work to eliminate as much packaging as possible in our value chain, or at least introduce sustainable options and clear instructions on recycling options, whilst remaining cognisant of the need to protect our customer's product and imprint during shipment.

SUSTAINABILITY CONTINUED

Our products

Our product range is very diverse, covering an incredibly wide array of many different materials, substrates, manufacturing processes and imprinting techniques. We are aware that some of the products that we sell are produced using plastics and other potentially non-recyclable materials. However, sustainability considerations are increasingly important at several levels of our supply chain and in the product decisions made by our merchandising teams.

Consistent with our corporate purpose, our products are designed to promote our customers' messages time after time through repeated usage and impressions. In other words, products should, wherever possible, be lasting rather than throwaway and we see increasing evidence of this trend towards utility, longevity and meaning in our customers' product choices.

We are also very conscious of the requirement to adapt to the changing needs of our customers by helping them find the 'perfect product' – and this 'perfect product' increasingly comes with sustainable characteristics. We have many opportunities to make sustainability improvements across all product categories; however, our priority is to identify and deliver a number of projects each year that are realistic, measurable and will make a difference. These initiatives are driven with reference to one or both of the following themes:

- **Curate and educate:** We aim to provide our customers with a curated, easy to access range of products with sustainable characteristics, allowing them to make informed decisions over the items they purchase. This will include:
  - Partnering with our suppliers on sustainability initiatives in the supply chain
  - Publicising products or brands with strong sustainability credentials
  - Working with our suppliers to increase the availability of legitimate 'eco-friendly' options and highlighting those products to our customers
  - Being vigilant and disciplined in rejecting products with false 'eco' claims
  - Educating our customers through placing emphasis on items that will be used many times over during a long product lifetime
- **The 3 R's:** We will be guided by these environmentally friendly principles as we assess and evolve our product range:
  - Reduce: Less raw material, packaging, waste, scrap and pollution
  - Reuse: Find ways for products not utilised or at the end of their useful life to be repurposed or returned into the product stream to avoid landfill
  - Recycle: Inclusion, where possible, of recyclable products and products manufactured from recycled content, along with information on what and how to recycle

Our ongoing product and supply chain sustainability initiatives can be broken down into four key, but overlapping areas, with some highlights summarised as follows:

- **Customer-facing communication:** Communicating accurate product attributes to customers, whilst meeting best practice and regulatory requirements:

  Web copy
  - Standardise web copy for materials and recycling/disposal; move from recycling code to resin code tag
  - Reverify existing 'eco' products or claims; identify sustainable items not flagged as such
  - Add material tags where appropriate, e.g. sustainable cotton, recycled content, biobased plastics, certified forestry programmes
  - Deepen merchandising category knowledge accordingly; emphasis on veracity of claims

  Web architecture
  - Update product search pages and filters as well as product detail pages and info pages to help customers find products that are aligned with their objectives and better communicate sustainable features and benefits to customers
  - Highlight products, suppliers and brands with sustainable features
  - Description or link to sustainability perspectives, material content, environmental programmes, all tagged or searchable by attribute

  Marketing
  - When and why are sustainable products promoted over other non-sustainable options
  - Ability to promote material attributes, certification bodies etc
  - Sustainable items highlighted in catalogues, emails, sample mailings
- **Product:** Working to better understand product materials and environmental impact, increasing genuine sustainable options:

  Materials
  - Improve understanding of all materials in terms of environmental impact; enhance training and technical knowledge across supply chain and merchandising activities
  - Identify products to promote and problem areas to avoid; lean on suppliers where appropriate
  - Seek out expert advice and identify sustainability collaborations and verification bodies

  Private label
  - Enhance sustainability credentials of our own private label brands
  - Consult with suppliers to look back into the supply chain for opportunities

  Verification
  - Establish acceptable verification standards for key materials and claims
  - Ongoing research, both independently and involving suppliers
- **Packaging:** Removing excess packaging and moving to more sustainable materials where feasible, always ensuring that customer expectations are met for safe and undamaged product delivery:

  Materials
  - Study/research common packaging used by suppliers for core categories
  - Understand environmental impact in context of functionality

  Plan development
  - Start with several smaller case studies
  - Put together a wider plan across the supply chain during 2021
- **Suppliers:** Gaining a better understanding of our suppliers' views on sustainability issues in their businesses, and where we can collaborate on product development:

  Product
  - Understand the appetite of suppliers for expanding their range of sustainable products, and identify projects and programmes where we can work together to lead in this area
  - Research supplier capability and knowledge on materials and verification

  Carbon footprint
  - Develop an opinion on framing up an approach to Scope 3 downstream GHG emissions, using our commitment and experience to help facilitate productive discussion and action
  - Engage with supplier senior management

  Scrap
  - Review on a supplier-by-supplier basis
  - Opportunities in handling, tracking or disposal

The Strategic Report was approved by the Board on 16 March 2021.

KEVIN LYONS-TARR **CHIEF EXECUTIVE OFFICER**	**DAVID SEEKINGS** **CHIEF FINANCIAL OFFICER**

CORPORATE GOVERNANCE REPORT

FOCUSED ON OUR IDENTITY AND VALUES

Chairman's introduction

On behalf of the Board of 4imprint Group plc, I am pleased to introduce the 2020 Corporate Governance Report.

The Board remains committed to strong and appropriate corporate governance, and supports the principles and provisions contained in the UK Corporate Governance Code 2018 (the "Code"). I am pleased to confirm that in the 2020 financial year 4imprint has operated in full compliance with the Code.

This Corporate Governance Report contains:

- Details of the Board of Directors
- The Statement on Corporate Governance
- The Report of the Nomination Committee
- The Report of the Audit Committee
- The Report of the Remuneration Committee
- The Directors' Report

During 2020 we experienced unprecedented disruption to our business due to the spread and effects of the COVID-19 pandemic. In response, the Board devoted significant time during the year to understanding the impact on our operational businesses, assessing that the Group's strategy remained relevant, ensuring that the direction remained consistent with our culture and considering the consequences for all stakeholders.

I am proud of the Board's work in 2020 in proving the Group's resilience in the face of adversity at the same time as maintaining high standards of corporate governance. I would like to thank my fellow Directors for their continued support and commitment to 4imprint.

PAUL MOODY
CHAIRMAN
16 March 2021

BOARD OF DIRECTORS

Paul Moody

Non-Executive Chairman

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

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

Kevin Lyons-Tarr

Chief Executive Officer

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

Based in Oshkosh, Wisconsin, Kevin has been with the business since 1991, serving in several capacities, including Chief Information Officer and Chief Operating Officer. He was appointed President of the Direct Marketing business in 2004 and has led its substantial growth since then.

David Seekings

Chief Financial Officer

Appointed as Chief Financial Officer in March 2015.

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

Committees:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Chair

John Warren

Senior Independent Non-Executive Director

Appointed as Non-Executive Director in June 2012.

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

Charles Brady

Independent Non-Executive Director

Appointed as Non-Executive Director in June 2015.

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

Christina (Tina) Southall

Independent Non-Executive Director

Appointed as Non-Executive Director in May 2019.

Tina is Chief People Officer at gaming operator and developer Gamesys, which she joined in 2014 and which operates some of the world's biggest gaming and sports media sites. It has more than 35 million customers and 1,300 employees. Prior to joining Gamesys, Tina held significant sales and marketing roles at Vodafone Group Plc, culminating in her appointment as Regional Director, Northern Europe for Vodafone Global Enterprise, as well as being a Trustee of The Vodafone Foundation. Prior to joining Vodafone, Tina held senior positions as Director of Customer Experience at Avis Europe and also at RAC Plc.

John Gibney

Independent Non-Executive Director

Appointed as Non-Executive Director in March 2021.

John is a chartered accountant who has extensive public company experience, having served for 17 years as Chief Financial Officer of Britvic plc, a leading European soft drinks business, where he was responsible for finance, legal, estates, risk management, quality, safety and environment and procurement. Prior to joining Britvic John was Senior Corporate Finance & Planning Manager for Bass plc, and prior to that role, Finance Director and subsequently Deputy Managing Director of Gala Clubs. John has previously been a Non-Executive Director and Chair of the Audit Committee at PureCircle PLC and Dairy Crest PLC.

STATEMENT ON CORPORATE GOVERNANCE

Statement of compliance with the UK Corporate Governance Code

The Board supports the principles and provisions of the UK Corporate Governance Code 2018 (the "Code"). The Code sets out guidance on how companies should be directed and controlled to follow good governance practice. Companies listed in the UK are required to disclose how they have applied the main principles and whether they have complied with the Code's provisions throughout the financial year. Where the provisions have not been complied with, companies must provide an explanation.

For the year ended 2 January 2021, the Board considers that the Company has complied with the provisions of the Code.

The 2018 Code is publicly available on the FRC website.

Role of the Board

The primary responsibility of the Board is to promote the long-term success of the Company and to look after the interests of all of its stakeholders. The Board has responsibility for the management, direction and performance of the Group and is committed to delivering the Group's strategy through meaningful engagement with all stakeholder groups.

The Board is also responsible for ensuring that management maintains a system of control that provides assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. To that end, the Board has created an ongoing system of internal control, the effectiveness of which it reviews on a regular basis. The Group's business operations complete an annual internal control questionnaire, the results of which are reported back to the Board, highlighting any major changes or weaknesses identified. The aim of this system is to manage and mitigate the risk of any failures to meet business targets and can only provide reasonable and not complete assurance against such failures.

The Board is the decision-making body for all matters material to the Group's finances, strategy and reputation. The powers of the Company's Directors, as well as the rules relating to the appointment and removal of Directors, are set out in the Company's Articles of Association.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness. The Chairman promotes a culture of openness and debate and ensures that each Board member is given opportunity to contribute their views to each topic under discussion.

Board composition and structure

As at the date of this report, the Board comprised seven members, namely the Independent Non-Executive Chairman, four Independent Non-Executive Directors and two Executive Directors, being the Group Chief Executive Officer and the Group Chief Financial Officer. The biographies of the Directors can be found on pages 46 and 47.

On 8 March 2021 the Board appointed John Gibney as a Non-Executive Director. John will replace John Warren as Chair of the Audit Committee following his retirement from the Board at the close of the 2021 AGM.

The Board is satisfied that there is a sufficient balance between Executive and Non-Executive Directors on the Board to ensure that no one individual has unfettered decision-making powers and that the Board has the appropriate balance of skills, experience, independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. Having undertaken a review of the Non-Executive Directors' outside commitments, the Board is satisfied that all Non-Executive Directors have sufficient time available to allocate to the Company in order to discharge their duties effectively.

The role of the Non-Executive Directors includes assisting in the development of strategy; monitoring the integrity of financial information and systems of risk management; reviewing the performance of management including the alignment of performance with Company culture and values; assisting the Company in engaging effectively with all its stakeholders; and determining the appointment, removal and remuneration of Executive Directors.

The current Non-Executive Directors have letters of appointment for three years from 11 June 2018 for John Warren, 11 June 2018 for Charles Brady, 1 February 2019 for Paul Moody, 8 May 2019 for Tina Southall and 8 March 2021 for John Gibney. These letters are available for inspection by any person at the Company's registered office during normal business hours and also at the AGM.

Operation of the Board

The Board has a formal schedule of matters reserved for its decision. This schedule was updated during 2020 to reflect the recommendations of the FRC's Guidance on Board Effectiveness and the requirements of the Code. The schedule was considered and approved by the Board at its meeting on 8 December 2020.

The schedule of matters reserved for the Board includes, but is not limited to:

- Considering and approving the Group's purpose, values and strategic aims and objectives
- Overseeing the Group's operations, management and performance
- Approving any changes to the Group's capital, corporate or management structures
- Approving Interim and Preliminary results announcements and the Annual Report and Accounts
- Approval of dividend policy, declaration of interim dividend and recommendation of final dividend
- Maintaining a sound system of internal control and risk management
- Approval of major capital expenditure and commercial agreements
- Ensuring effective communications with Shareholders and the market
- Overseeing Board structure, membership and continuity
- Determining the remuneration policy for Directors, Company Secretary and senior executives
- Approving delegation of authority to Board committees and executive management
- Ensuring that appropriate corporate governance procedures are in place
- Approval of Group policies and statements
- Review and approval of any other matter likely to have a material impact on the Group.

The Board delegates other specific responsibilities to its principal committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. The details of the Board Committees and their activities are set out on pages 52 to 71.

The Board delegates day-to-day management of the Group to the Executive Directors. Detailed management accounts and operational reports are distributed to the Board on a monthly basis, in addition to information prepared for presentation at regular Board meetings.

The Board has at least six scheduled meetings per year and additional Board meetings are convened as and when required. In order to address the issues arising from the COVID-19 pandemic, additional Board meetings were held during 2020 alongside supplementary calls as appropriate. Board and Committee meetings were held via video and voice conferences during 2020. A table detailing the number of Board and Committee meetings held during the period and attendance by Directors at those meetings is set out below:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings(i)	Nomination Committee meetings
P. Moody	9	2*	3*	2*
K. Lyons-Tarr	9	2*	3*	2*
D. Seekings	9	2*	3*	2*
C. Brady	9	2	3	2
C. Southall	9	2	3	2
J. Warren	9	2	3	2

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

All Board and Committee meetings are minuted by the Company Secretary and these minutes are formally approved at the following Board meeting. Board minutes contain details of the Directors' decision-making processes and any concerns raised by Directors.

Board Committees

The Board has three permanent Committees being the Audit Committee, the Nomination Committee and the Remuneration Committee. Other than the Committee members, further participants may attend by invitation of the Committee. Each Committee's roles and responsibilities are set out in formal terms of reference which were updated during 2020. These terms of reference were reviewed and approved by the Board at its meeting on 8 December 2020. Reports from each of these Committees are provided on pages 52 to 71.

Board information and support

The Chairman, in conjunction with the Company Secretary, ensures that the Board receives accurate, timely and clear information. In advance of each meeting, the Board receives an agenda for the meeting, minutes of the previous meeting, detailed financial information on the performance of the business and items for discussion. This enables the Directors to make informed decisions on the corporate and business issues under consideration. Additionally, all Directors have access to senior management should they require additional information on the items to be discussed.

Due to the travel restrictions in place due to the COVID-19 pandemic, the UK-based Non-Executive Directors were unable to visit the 4imprint site in Oshkosh, Wisconsin during 2020. Instead, the annual strategy review day in October was held via videoconference and included opportunities for the Non-Executive Directors to speak directly with members of the Senior Management Team.

The Company provides resources, as appropriate, to enable Directors to update their skills and knowledge, including an induction programme for new Directors joining the Board. Independent professional advice is available to all Directors as required, at the Company's expense. All Directors have access to the advice and services of the Company Secretary and may address issues to the Senior Independent Non-Executive Director, if required. The Non-Executive Directors meet from time to time without the Executive Directors being present.

Directors' conflicts of interest

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

Board activities in 2020

Strategy

- Consideration of the continued relevance of the Group's strategy and associated planning in context of COVID-19 pandemic
- Consideration and approval of proposed responses to the pandemic, including cash conservation measures and significant recalibration of the marketing budget
- Consideration of employee matters including strategic decision to retain all employees on the payroll and prioritisation of employee health and wellbeing throughout the pandemic
- Consideration of environmental initiatives

Governance

- Corporate governance review including implementation of changes to ensure compliance with the Code
- Consideration of new Remuneration Policy for approval at 2021 AGM
- Recruitment of a new Non-Executive Director and Chair of Audit Committee
- Discussion of company culture and employee engagement, including reports from the Employee-Voice NED
- Review of Group's key policies and procedures
- Update of Matters Reserved for the Board and Terms of Reference of Committees
- Internal Board Effectiveness Review

Finance

- Review and approval of full year and half year results
- Review and approval of 2021 budget and three-year plan including scenario planning
- Regular market updates on trading throughout COVID-19 pandemic
- Withdrawal of 2019 final dividend and consideration of dividend position throughout 2020
- Consideration and approval of special pension contribution in May 2020

Risk management

- Ongoing consideration and discussion throughout 2020 on impact of and response to COVID-19 pandemic
- Review of principal risks and uncertainties
- Review of information security and cyber risk
- Initial reassessment and review of Group risk management and internal control procedures, with improvements to be implemented in 2021

STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Throughout the period ending 2 January 2021 and in accordance with provision 28 of the Code, the Board has carried out a robust assessment of the principal risks and uncertainties and the possible longer-term emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This is described in the Principal Risks & Uncertainties section on pages 26 to 31.

The Board has assessed the future prospects of the Group in accordance with provision 31 of the Code. Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. Details of the assessment performed by the Board, including an assessment of those risks most likely to impact the Group's future prospects and viability, have been set out on pages 24 and 25.

Board Effectiveness Review

The Code requires the Board to conduct an external evaluation of the performance and effectiveness of the Board and its Committees every three years. During 2019 a Board Effectiveness Review was undertaken by independent external consultants Odgers Berndtson and during 2020, the Board has addressed the feedback from this review as set out below.

Feedback from 2019 Board Effectiveness Review	Activities during 2020
The Board should develop its processes and reporting of the alignment of purpose, values and strategy with Group culture and with the interests of all stakeholders	• Considered and reviewed by the Board throughout 2020, particularly in the context of the COVID-19 pandemic • Specific reports to the Board on 4imprint culture and employee engagement
The Board should reassess its processes for engaging with all its stakeholders as required by s172 CA 2006	• Board's activities in relation to stakeholder engagement are set out in s172 statement on pages 32 to 35
During 2020 the Board should commence planning for a replacement Chair of the Audit Committee who retires in 2021	• Odgers Berndtson appointed to assist the Board with the recruitment process, including the preparation of a candidate brief and identifying potential candidates for interview
The Board should further develop its succession planning	• Nomination Committee has reviewed succession plans for Executive Directors and Senior Management Team during 2020 • New Remuneration Policy aims to give increased flexibility in event of external recruitment of a new Executive Director
As the Group continues to grow, the Board should continue to review the Group's risk mitigation actions including a broader challenge in respect of disruptive or emerging risks	• During 2020, the Board has focused on the business risks arising from the COVID-19 pandemic • Review commenced of Group risk management and internal control procedures • Consideration of the impact of climate change is included on page 28 of the Annual Report
The Board should review gender pay ratios in the UK and US workforce	• Gender pay ratios for 2020 have been calculated and details are included on pages 70 and 71 of the Annual Report
The Remuneration Committee Chair should engage proactively with Shareholders on key remuneration policies	• Remuneration Committee Chair has engaged with key Shareholders on proposed changes to the Remuneration Policy for Executive Directors

In November 2020, an internal Board Effectiveness Review was carried out by the Chairman and Company Secretary. The Review took the form of a questionnaire, with each Director asked to provide a score for each question and a written comment if appropriate. The questionnaire was supplemented by one-to-one discussions between the Chairman and each of the Directors. The output of the evaluation was presented in a report to the Board at its December 2020 meeting and the Directors discussed the points raised by the review. The main areas of focus identified for 2021 are set out below:

Topic	Feedback
Board interaction with the Senior Management Team	Travel restrictions imposed due to the COVID-19 pandemic have made interaction between the Senior Management Team in the US and the UK-based NEDs more challenging. Improving the interaction between the NEDs and Senior Management Team will be an area of focus for 2021.
Board communication with stakeholders	Progress has been made on this during 2020, despite the communication challenges arising from the COVID-19 pandemic (see s172 statement on pages 32 to 35). Increased focus on this during 2021 will help the Board develop a more effective communication with stakeholders.
Succession planning	The appointment of a new NED/Chair of the Audit Committee to replace John Warren was identified as a critical issue. John Gibney was appointed on 8 March 2021 and his induction will be an area of focus in the coming year. The Nomination Committee has a succession plan for the Executive Directors in place. The focus for 2021 will be to develop this into a firm action plan.
Environmental initiatives	Considerable work has been undertaken during 2020 on 'Environmental' initiatives. The focus for 2021 will be to develop these initiatives into specific actions for implementation.

In addition, in November 2020 the Senior Independent Director undertook an assessment of the performance of the Chairman throughout 2020. This assessment took the form of individual interviews between the Senior Independent Director and each Board member, excluding the Chairman, and the feedback from the assessment was presented in a report to the Board and discussed at its December 2020 meeting. The feedback on the Chairman was entirely positive and the Board members were fully satisfied with his performance during 2020.

Corporate Governance Policies

All Corporate Governance Policies were reconsidered and approved by the Board at a meeting on 8 December 2020.

The Board is committed to guarding against any form of modern slavery or human trafficking taking place in any part of its business operations or in the Group's supply chains. In accordance with section 54(1) of the Modern Slavery Act 2015, our slavery and human trafficking statement is published annually on the Company's website and can be found at https://investors.4imprint.com/modern-slavery-statement.

Engagement with stakeholders

The Board is committed to its responsibilities to all of its stakeholders, including Shareholders, team members, customers, suppliers, the communities in which it operates and the Pension Trustee, and strives to ensure effective engagement with, and encourage participation from, each of these groups. The Directors are mindful of these responsibilities and consider them as part of their decision-making process. The Companies Act 2016 s172 statement on pages 32 to 35 sets out how the Board has engaged with these different stakeholder groups.

NOMINATION COMMITTEE REPORT

2020 Highlights

- Executive Director succession planning
- Recruitment of new Non-Executive Director to succeed John Warren as Chair of Audit Committee

2021 Priorities

- Recruitment of additional Non-Executive Director
- Induction process for new Non-Executive Directors
- Further development of succession planning for Executive Directors and Senior Management Team
- Further development of diversity and equality initiatives

As Chairman of the Nomination Committee, I am pleased to present my report for 2020. The focus of the Committee in 2020 has been on further developing plans for succession to the Board, including the recruitment of a new Independent Non-Executive Director to also act as Chair of the Audit Committee.

Responsibilities of the Nomination Committee

The responsibilities of the Nomination Committee include:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes
- Ensuring plans are in place for orderly succession to Board and senior management positions, and overseeing the development of a diverse pipeline for succession
- Identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise
- Making recommendations to the Board concerning membership of the Audit and Remuneration Committees, and any other Board Committees as appropriate, in consultation with the Chair of those Committees.

The Nomination Committee ensures that Directors are appointed to the Board on merit, against objective criteria and with due regard to ensuring that the Board shows a balance of skills, knowledge and experience. The Nomination Committee has terms of reference which were updated during 2020 and were considered and approved by the Board at its meeting on 8 December 2020. These terms of reference are available for inspection on the Company's website.

Composition of the Nomination Committee

I chair the Nomination Committee and I am an Independent Non-Executive Director. The other members of the Committee during the period were John Warren, the Senior Independent Non-Executive Director, and Tina Southall, an Independent Non-Executive Director. Paul Moody, the Non-Executive Chairman of the Company, is usually invited to attend formal meetings of the Committee. Executive Directors may also be invited to attend meetings of the Nomination Committee. The Company Secretary also attends the meetings.

Meetings of the Nomination Committee

The Nomination Committee meets as frequently as is required to fulfil its duties. During the period ended 2 January 2021 there were two meetings of the Nomination Committee which were attended by myself, John Warren and Tina Southall (as members of the Nomination Committee) and by the Non-Executive Chairman and the Executive Directors by invitation. Further details on attendance of meetings of the Nomination Committee is set out in the Statement on Corporate Governance, found at page 49.

Members and attendance	
Charles Brady (Chair)	2/2
Tina Southall	2/2
John Warren	2/2

Main activities of the Nomination Committee during the period ended 2 January 2021

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

- Scoping and initiation of a recruitment exercise for a new Independent Non-Executive Director and Chair of the Audit Committee to replace John Warren who will retire from the Board of 4imprint at the 2021 AGM after nine years of service.
- Review of the skills and experience of the current Non-Executive Directors to identify gaps which could be filled by the recruitment of the new Non-Executive Director.
- Review and discussion with the Executive Directors on talent management and succession planning to ensure a rich pipeline of potential internal candidates for vacancies that arise. The Committee is dedicated to ensuring that an effective succession plan is maintained in respect of the Company's Directors and for the Senior Management Team.
- Review of the Company's Diversity and Equality strategy with a view to developing specific initiatives to support this (see page 39 for details).
- Participation in the Internal Board Effectiveness Review undertaken in November 2020 (see pages 50 and 51 for details).

External search consultancy

A search process using an external recruitment consultant, Odgers Berndtson, has been conducted for the recruitment of an Independent Non-Executive Director to join the Board and Chair the Audit Committee, following the retirement of John Warren at the 2021 AGM. Odgers Berndtson was also engaged to conduct the recruitment of Tina Southall in May 2019 and a Board Effectiveness Review in October 2019 but otherwise has no connection with the Company or any individual Directors.

Diversity Policy

The Committee supports the Code provision that boards should consider the benefits of diversity, including gender and ethnicity, when making appointments and is committed to ensuring diversity, not just at Board level, but also across the Group's senior management.

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

In relation to gender diversity, at the date of this report the Board is 14.2% female (one female out of seven Board members). This will return to 16.6% female following the retirement of John Warren in May 2021. In November 2020 the Company took part in the Hampton-Alexander Review which monitors gender balance in FTSE 100 and FTSE 250 companies. In addition to reviewing gender diversity at Board level, the Hampton-Alexander Review reports on the gender diversity of the Senior Management Team and their direct reports. Based on data as at 31 October 2020, 54.6% of the Senior Management Team including direct reports were female (compared with 42.9% based on data at 30 June 2019).

The Committee's aim as regards the composition of the Board is that it should have a balance of experience, skills and knowledge to enable each Director and the Board to discharge their duties effectively. The Committee agrees that it is appropriate that it should seek to have diversity on its Board; however, it does not consider that this can be best achieved by establishing specific quotas and appointments will continue to be made based on merit, with diversity in mind.

This was demonstrated by the recent appointment of John Gibney to replace John Warren as a Non-Executive Director and Chair of the Audit Committee, which was made after an extensive search in which he was the stand-out candidate. However, in order to continue to build diversity at Board level, it is our intention to appoint an additional Non-Executive Director in 2021 with the aim of recruiting a person with skills, competencies and relevant experience that will strengthen those of the existing Board and will increase diversity. The recruitment of this additional Non-Executive Director will be a priority of the Committee in 2021.

More information about the Company's people and culture can be found in the Sustainability section on pages 37 to 39.

Appointment and replacement of Directors

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

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

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

Full biographies of each Director can be found on pages 46 and 47. Each Director named therein, apart from John Warren, will be seeking re-election at the 2021 AGM. The Board is satisfied that, having been subject to a recent formal performance evaluation in relation to the fulfilment of their s172 duty, each Director seeking re-election continues to be an effective member of the Board.

Independence of Directors

The Code states that at least half the members of the boards of public companies in the FTSE 350, excluding the Chairman, should be Independent Non-Executive Directors, meaning that those directors should be independent in character and judgment, and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment.

The Independent Non-Executive Directors play a key role in ensuring the maintenance of high business standards, assist in the formation of strategy and provide a constructive and experienced perspective. The Board considers that Paul Moody, Charles Brady, John Warren, Tina Southall and John Gibney are independent for the purposes of the Code. The Board reviews the independence of Non-Executive Directors on an ongoing basis and manages a succession plan which considers the balance of skills of the Board, the tenure of existing Non-Executive Directors and the Company's strategy and Diversity Policy.

CHARLES BRADY
CHAIRMAN OF THE NOMINATION COMMITTEE
16 March 2021

AUDIT COMMITTEE REPORT

2020 Highlights

- Ensuring appropriate consideration of the impact of COVID-19 in the disclosures throughout the Annual Report and Accounts and in the preparation of the financial statements
- Reviewing key judgments and estimates taken by management in the preparation of the financial statements
- Overseeing the management and the satisfactory conclusion of the year-end audit process in the light of restrictions imposed by the pandemic
- Supporting the design of the new risk management and internal control framework

2021 Priorities

- Embedding the new risk management and internal control framework
- Ensuring that the Group's internal controls continue to operate effectively through the COVID-19 pandemic

As Chairman of the Audit Committee, I am pleased to present my report for 2020. The focus of the Committee in 2020 has been on the impact of the pandemic on the Group's results, risk and controls, the audit process and ensuring that external reporting remains fair, balanced and understandable. In addition, the Committee has been involved with the review of the new risk management and internal control framework.

Responsibilities of the Audit Committee

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

The Audit Committee has terms of reference which were updated during 2020 and were considered and approved by the Board of the Company at its Board meeting on 8 December 2020. These terms of reference are available for inspection on the Company's website.

The Board considers that the Audit Committee members have an understanding of the following areas:

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

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

Composition of the Audit Committee

I chair the Audit Committee and I am the Senior Independent Non-Executive Director. I am a chartered accountant and was Group Finance Director of United Biscuits (Holdings) Plc and WH Smith PLC. The Board is of the view that I have recent and relevant financial knowledge and experience derived in particular from current roles as Chairman of the Audit Committee at Bloomsbury Publishing Plc, Welsh Water and, until earlier this year, Greencore Group plc.

The other members of the Committee during the period were Charles Brady and Tina Southall, both Independent Non-Executive Directors. The Chairman of the Company and the Chief Financial Officer are normally invited to attend meetings of the Audit Committee as are, from time to time, the Chief Executive Officer and the Group Financial Controller. The Company Secretary and external audit partner also attend the meetings.

Members and attendance

John Warren (Chair)	2/2
Charles Brady	2/2
Tina Southall	2/2

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

The Audit Committee meets at least twice each year and has an agenda linked to events in the Group's financial calendar. The Audit Committee met twice during 2020.

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

Main activities of the Committee in regard to the period ended 2 January 2021
In regard to the period ended 2 January 2021, the Audit Committee's business has included the following items:

- Consideration and approval of half year results announcement
- Consideration and approval of full year results announcement and the Annual Report and Accounts
- Principal judgmental accounting matters affecting the Group based on reports from both the Group's management and the external auditor, in particular the key judgments and estimation uncertainties relating to the impact of COVID-19 and the treatment of the new lease signed on the Group's offices in Oshkosh
- Review of external audit
- Input into the design of the new risk management and internal control framework
- Consideration of the internal controls within the Group
- Consideration and approval of risk assessments relating to the Group's businesses

Annual Report and Accounts and results announcements
During the period, the Audit Committee formally reviewed draft half and full year results announcements and the Annual Report and Accounts. These reviews considered:

- The accounting principles, policies and practices adopted in the Group's financial statements and proposed changes to them
- Significant accounting issues and areas of judgment and complexity
- The integrity of the financial and non-financial information

The Committee was satisfied with management's presentation of the 2020 half and full year results announcements and the Annual Report and Accounts for the period ended 2 January 2021.

The external auditor confirmed to the Committee that they were not aware of any material misstatements during the course of their audit.

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

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

In arriving at the conclusion that the Annual Report and Accounts were fair, balanced and understandable the Committee considered:

- Any feedback provided by Shareholders on the Group's 2019 Annual Report and Accounts and trading updates, and information received by the Board throughout the period
- The processes underpinning the compilation of the Annual Report and Accounts and the Group's reporting governance framework
- The reviews and findings of the Group's external auditor

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

Financial reporting and significant financial judgments
The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgments. Where necessary the Committee discusses accounting policies, judgments and estimates with management.

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

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

Impact of COVID-19
The impact of the COVID-19 pandemic has required careful consideration in the preparation of the financial statements and in assessing the appropriateness of the continued adoption of the going concern assumption.

The Committee has reviewed the material assumptions in the forecast financial performance and cash flows of the Group that underpin management estimates and critical accounting judgments in relation to going concern, viability, adequacy of provisions and potential impairments, and is satisfied that they are appropriate.

Accounting for defined benefit pension plan
The defined benefit pension plan is material to the financial position of the Group. The calculation of the present value of defined benefit obligations is sensitive to changes in key actuarial assumptions. Additionally, the funds in which the Plan invests contain certain assets, such as bond repurchase agreements, which do not have publicly available pricing information, and this presents a risk that these assets may be valued incorrectly.

The Committee reviewed the appropriateness and consistency of the assumptions used in the valuation of the obligations and the auditor confirmed that the assumptions used were reasonable and within an acceptable range. The funds in which the Plan invests are managed and valued by one of Europe's largest asset managers and the Committee believes they have procedures and controls in place that would prevent any material misstatement of the value of these funds. Also, the Committee reviewed the finding of the auditor, which confirmed that the carrying value of the pension assets is fairly stated.

Full disclosure of the pension plan is provided in note 17 to the financial statements, which includes the key period end assumptions and the sensitivities on pages 107 and 108.

Revenue
The Committee reviewed management's assessment of whether the Group acts as principal or an agent in fulfilling the performance obligations and promises to customers for sales transactions. The Committee is satisfied that the Group acts as principal in providing goods to customers and that it is appropriate to continue to recognise the gross amount of consideration as revenue.

AUDIT COMMITTEE REPORT CONTINUED

Leases

The lease of the Oshkosh offices was renewed in October 2020 and a management judgment has been made on the likelihood of a five-year extension option being exercised and a new discount rate used to calculate the current value of the lease liability (note 15).

The Committee has reviewed these assumptions with management and is satisfied they are appropriate.

Supplier rebates

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

The Committee has discussed, with management and the external auditor, any estimates made in accruing supplier rebates and the collectability of these amounts. The Committee is satisfied that the amounts accrued are appropriate and are recoverable.

External audit

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit, overseeing relations with the external auditor and making recommendations to the Board on appointment or reappointment of the external auditor.

The Company complies with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Uses of Competitive Tender Process and Audit Committee Responsibilities) Order 2014 and undertook a competitive tender process in 2018, described in the 2018 Annual Report and Accounts. Following this process Ernst & Young LLP was appointed as the Group's external auditor at the 2019 AGM for the financial year commencing 30 December 2018. It is the intention of the Committee that the Company tender the external audit at least every ten years.

The Group's policy on external audit prohibits certain types of non-audit work from being performed by the external auditor, particularly in cases where the external auditor's objectivity and independence would be put at risk. Before any significant non-audit work is commissioned, the nature and extent of such work is considered, initially by the Chief Financial Officer and the Company Secretary, to determine if such work would put at risk the external auditor's objectivity and independence. This process includes discussion with the audit partner at Ernst & Young LLP. The matter is then referred to the Audit Committee for approval, prior to commissioning. During 2020, the Group's external auditor provided no non-audit services to the Group.

Details of fees paid to the auditor in respect of audit services are shown in note 2 to the consolidated financial statements.

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

- Changes and rotation of external audit team members in the audit plan for the current year
- A report from the external auditor describing their arrangements to identify, report and manage any conflicts of interest
- The nature and extent of non-audit services, if any, provided by the external auditor

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

- The relevant skills and experience of the audit partner and team and their knowledge of the business
- Planning and scope of the audit and identification of areas of audit risk
- Execution of the audit plan
- Formal reports presented to the Audit Committee

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

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

Based upon its reviews, the Committee has recommended the reappointment of Ernst & Young LLP, as external auditor, to the Board.

Risk management and internal control

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

- The external auditor's review of internal controls and audit highlights memoranda
- Any reports on the systems of internal controls and risk management

The Group has developed a new risk management and internal control framework during the year to enhance the existing processes. This was approved in January 2021 and the Audit Committee will oversee the implementation of this framework and the establishment of a new Business Risk Management Committee through the year. Please refer to the Principal Risks & Uncertainties section of the Strategic Report on pages 26 to 31 for further information.

The establishment of a separate internal audit function is not currently considered to be necessary due to: the present nature of the business model and structure of the Group with one main operating site; stable operating and financial systems; the close involvement of the Executive Directors in the day-to-day running of the business; regular review by senior management of detailed management information; other self-monitoring; no history of control breakdown or fraud; and when considered necessary, external advice.

However, this matter is reviewed by the Board at least annually. The absence of internal audit may result in additional substantive testing by the external auditor, but the overall impact is difficult to assess.

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

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

Additionally, through the management process outlined in the Statement on Corporate Governance on pages 48 to 51, the Group operates a continuous process of identifying, evaluating and managing the significant risks faced by each business and the Group as a whole. This process, which has been in place throughout 2020 and up to the date of the approval of this Annual Report, complies with the FRC guidance and includes the following:

- A defined organisational structure with appropriate delegation of authority
- Formal authorisation procedures for all investments
- Clear responsibilities on the part of management for the maintenance of good financial controls and the production and review of detailed, accurate and timely financial management information
- The control of financial risks through clear authorisation levels
- Identification of operational risks and the development of mitigation plans by senior management
- Regular reviews of both forward-looking business plans and historic performance
- Regular reports to the Board from the Executive Directors

The internal controls extend to the financial reporting process and the preparation of the consolidated financial statements. The basis of preparation of the consolidated financial statements is set out on page 89.

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

The 2021 AGM will provide the opportunity to ask questions on this report, matters within the scope of the Audit Committee's responsibilities and any significant matters brought to the Audit Committee's attention by the external auditor.

JOHN WARREN
CHAIRMAN OF THE AUDIT COMMITTEE
16 March 2021

ANNUAL STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

2020 Highlights

- Developed a new Remuneration Policy for consideration by Shareholders at the 2021 AGM
- Engaged with Shareholders on new Remuneration Policy proposals
- Considered the remuneration-related provisions of the 2018 Code and market trends
- Monitored governance, regulatory and investor developments on executive compensation matters
- Considered incentive plan performance against targets
- Considered broader employee pay

2021 Priorities

- Obtain approval for the new Remuneration Policy at the 2021 AGM
- Keep our remuneration strategy under review in the context of business developments and the impact of the COVID-19 pandemic on business performance
- Set the bonus targets for 2021 if appropriate
- Continue to monitor governance, regulatory and investor developments on executive compensation matters particularly in the light of the pandemic

Key remuneration principles

The Committee's long-held view regarding remuneration is that it should be:

- Competitive when compared to organisations of a similar size, complexity and type
- Linked to the long-term strategy of the Group
- Clear, easy to understand and motivational
- Structured to not promote unacceptable behaviour or encourage unacceptable risk-taking
- Structured to avoid reward for failure

On behalf of the Remuneration Committee (the "Committee") I am pleased to present the Directors' Remuneration Report for the year ended 2 January 2021.

The report contains:

- This Annual Statement which summarises the remuneration decisions made during the year and the context in which these decisions have been taken
- The Remuneration Report for the year ended 2 January 2021 (see pages 60 to 71) which details how our Remuneration Policy was implemented in the year ended 2 January 2021 and includes a summary of how we intend to implement our new Remuneration Policy in 2021/22
- The Remuneration Policy report which includes the proposed new Remuneration Policy for approval by Shareholders at the 2021 AGM.

Members and attendance

Charles Brady (Chair)	3/3
Tina Southall	3/3
John Warren	3/3

Business context for executive remuneration

As with many businesses, during 2020 4imprint Group plc (the "Group") was severely impacted by the COVID-19 pandemic. After a strong start to the financial year in January and February 2020, order intake fell to a low of c20% of the prior year in April 2020. The recovery of the promotional products market since then has been slow but steady and for the final quarter of the financial year order numbers were running at c70% of the prior year. Further recovery of the market remains highly uncertain as the pandemic continues to spread in the US and will be influenced by the timing of restrictions being eased and group gatherings (meetings, trade shows and other gatherings) being permitted. For 2020 the financial results of the business included:

- Group revenue down by 35%
- Decrease in underlying operating profit of 92%
- Decrease in basic earnings per share of 93%
- No dividends paid in 2020
- Continued investment in marketing and people, positioning the business well for recovery
- Retained a strong financial position and good liquidity with net cash at the year-end of $39.8m

Decisions on executive remuneration during 2020 have been made in the context of the COVID-19 pandemic and its impact on the financial results of the business.

Committee decisions and undertakings in 2020

Rewarding performance

For the year ended 2 January 2021, owing to the impact of the COVID-19 pandemic, the financial results of the North American business were significantly below the bonus targets set by the Committee in January 2020 and resulted in no bonus being payable to the Executive Directors per the target grid. At its meeting in January 2021, the Committee acknowledged the outstanding effort of the Executive Directors and Senior Management Team during an incredibly challenging year, but confirmed that there would be no bonus awards payable in respect of 2020 and the Committee decided not to use its discretion to alter this position.

In March 2020, both Executive Directors renounced the conditional share awards due to them in respect of 2019 in response to the impact of COVID-19 on the Group.

Committee decisions and undertakings for 2021

Implementation of policy in 2021

Due to the impact of the COVID-19 pandemic on the business, at its meeting in January 2021, the Remuneration Committee awarded no 2021 basic salary increase to the Chief Executive Officer and the Chief Financial Officer, in line with the approach taken across the business.

At its meeting in January 2021, the Remuneration Committee decided that it would not be appropriate to set annual bonus performance targets for 2021 for the Executive Directors at this time. The business does not have a clear view of the rate or trajectory of recovery from the pandemic, a critical factor being the ability for group gatherings (events, trade shows, meetings) to take place. The significant uncertainty around the timing and scale of the recovery of this key element of the business makes setting meaningful bonus targets for revenue growth and operating profit very challenging.

The Committee is also mindful of the position of other stakeholders and is supportive of management's view that pay rises and bonus/gain share schemes should be reintroduced across the business before implementing a specific bonus plan for the Executive Directors, an approach which reaffirms a key element of the 4imprint culture. The Committee is also cognisant of the views of Shareholders and any bonus outturns for the year will be reviewed in the context of these Shareholder views, including whether dividend payments have been made.

This decision on executive bonus targets will be kept under review throughout 2021.

The Group does not operate a long-term incentive plan. This was reconsidered as part of the Remuneration Policy review but given the context of the impact of the COVID-19 pandemic on the financial results of the business, it was decided that it was not an appropriate time to introduce a new incentive plan for Executive Directors.

Remuneration Policy review

The 4imprint Group plc Remuneration Policy approved at the 2018 AGM will expire at the AGM in 2021. The Board is proposing a new Remuneration Policy, details of which are set out in this report. The Committee has consulted with our major Shareholders to obtain their feedback and we were delighted to receive their comments of support for the proposed new policy.

During 2020 the Committee has worked with its remuneration consultants at Willis Towers Watson to review the current Remuneration Policy and consider possible changes. The Committee concluded that the main features of the current policy remain fit for purpose, are aligned with Group strategy and do not require radical change. The current policy has been motivational and has enabled the Company to achieve consistent organic growth over its duration. Moreover, many aspects of current best practice have already been adopted, such as 50% of any cash bonus paid to Executive Directors being deferred into shares for five years and pension allowance being aligned with the wider workforce for both current and future Executive Directors.

However, the Committee observed that a number of features of the policy have fallen behind market and/or best practice, and consequently, the Committee is proposing the following changes to policy:

1. No increase to ongoing annual bonus award levels for the current Executive Directors for 2021 (maximum opportunity of 100%). An increase in the overall maximum annual bonus opportunity to 150% of base salary for potential use in future years to maintain the ongoing competitiveness of remuneration for the life of this policy.
2. An increase in the current Executive Directors' shareholding requirement from 100% to 200% of base salary.
3. A new requirement for Executive Directors to retain a shareholding post-employment of 200% of base salary for the first year post-cessation dropping to 100% for the second year.

In addition, and in accordance with the expectations of the UK Corporate Governance Code and IA Principles of Remuneration, the new policy will include the addition of a clawback provision and will extend the circumstances in which both malus and clawback provisions may be applied.

The Company has also updated the rules of its Performance Share Plan, including the 2015 Incentive Plan, and will be putting them forward for approval by Shareholders at the AGM in May 2021. The rules were last approved by Shareholders in April 2011, with certain amendments approved by Shareholders in May 2015. The new rules have been updated to reflect best practice but are not substantially different from the previously approved rules.

Conclusion

I look forward receiving your support at the upcoming AGM.

CHARLES BRADY
CHAIRMAN OF THE REMUNERATION COMMITTEE
16 March 2021

REMUNERATION REPORT

This report sets out the information required by the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, Listing Rules of the Financial Conduct Authority and the UK Corporate Governance Code 2018. This report is unaudited except where otherwise stated. An ordinary resolution to approve this report will be put to the AGM on 18 May 2021.

Remuneration governance

Remuneration Committee composition

The Remuneration Committee is comprised solely of Independent Non-Executive Directors, being Charles Brady (Chairman of the Committee), John Warren and Christina Southall. The Committee meets at least twice a year and may invite other attendees as it sees fit. There were three Remuneration Committee meetings in 2020, principally to progress the new Remuneration Policy (see pages 60 to 65). Attendance at Committee Meetings in 2020 is shown in the table on page 49.

Remuneration Committee responsibilities

The responsibilities of the Remuneration Committee include:

- Determining the policy for Directors' remuneration and setting remuneration for the Company's Chair, Executive Directors, Senior Management and the Company Secretary, in accordance with the Principles and Provisions of the Code
- Establishing remuneration schemes that promote long-term shareholding by Executive Directors that support alignment with long-term Shareholder interests
- Designing remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to Company purpose and values, clearly linked to the successful delivery of the Company's long-term strategy
- To determine the targets for any performance-related bonus and share incentive schemes operated for Executive Directors and Senior Management

The Remuneration Committee has terms of reference which were updated during 2020 and which were considered and approved by the Board of the Company at its Board meeting on 8 December 2020. These terms of reference are available for inspection on the Company's website.

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

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

Towards the end of 2019 the Committee engaged Willis Towers Watson as remuneration consultants. Fees paid to Willis Towers Watson during 2020 were £68,785 (2019: £nil), principally in relation to advice on the new Remuneration Policy.

Directors' Remuneration Policy

The Company has a well-established and clear Remuneration Policy which includes a simple and transparent approach to both fixed and variable pay. The Remuneration Policy is structured to focus on incentivisation and to avoid reward for failure and is designed not to promote unacceptable behaviour or encourage unacceptable risk-taking, in line with the Company's culture and purpose. The Committee has responsibility for reviewing the Remuneration Policy on an ongoing basis with a view to ensuring that it appropriately reflects the Company's strategy.

The current Directors' Remuneration Policy was approved at the Company's AGM on 8 May 2018 and this can be found on the corporate website at https://investors.4imprint.com/investors/shareholder-information/agm-company-documents/.

During 2020 the Remuneration Committee has worked with its remuneration consultants to update and renew its Remuneration Policy, as set out below. This policy will be put to Shareholders for approval at the 2021 AGM.

Remuneration Policy

The following section sets out 4imprint Group plc's Directors' Remuneration Policy (the "Policy") which will be subject to a binding Shareholder vote at the AGM in 2021 and will take effect from the date of the AGM.

Overview of key changes

The Committee has reviewed the Policy against evolving governance guidelines and market practice and has updated several elements of the Policy to bring it further in line with 'best practice', for example, introduction of a clawback provision on the Deferred Annual Bonus Scheme (or "DABS"); expansion of the 'trigger' events for malus and clawback; increased shareholding guideline limits; and introduction of a post-employment shareholding guideline.

In addition, we have added further explanatory details throughout the report for improved clarity around the Policy's operation (for example, we have expanded the sections on Executive Director recruitments and departures), as well as refreshing the format and style of the report to improve readability.

In addition to changes to the report and policy detail, we have made some changes to the operation of the Policy, as set out below:

Element of Policy	Overview of changes proposed to Policy
Deferred Annual Bonus Scheme ("DABS")	• No increase to ongoing award levels for the current Executive Directors for FY21 (maximum opportunity of 100% of salary) • Introduction of an overall award limit of 150% of salary for use in future years to maintain the ongoing competitiveness of the DABS for the three year life of this Policy • No change to the five year deferral policy
Shareholding guidelines	• Shareholding guidelines have been increased from 100% of salary to 200% of salary. Executive Directors will have until their fifth annual bonus share award grant to accumulate their shareholding and at least 50% of all share incentives (net of tax) will be held back in order to assist the Executive Directors to accumulate their holdings • Post-employment shareholding guidelines have also been introduced. Executive Directors will be expected to hold 200% of salary in Company shares for one year from cessation of employment and hold 100% of salary for a further year (a two year period in total). The post-employment shareholding guideline will apply to all DABS awards granted after the date of this Policy's approval
Malus and clawback provisions on the DABS	• Introduction of a clawback provision and expansion of the malus and clawback 'trigger' events

Principles of Policy

The Committee is made up entirely of independent Non-Executive Directors to avoid any conflicts of interest and no individual is present at a Committee meeting where their own remuneration is discussed. The Committee ensures that it is kept up to date with published guidance from investors and shareholder representative bodies and current market practice, so that it can bear these factors in mind when formulating, and making decisions in connection with, the Policy.

The guiding principles underlying the Policy are:

(i) remuneration should be competitive when compared to remuneration in organisations of similar size and complexity in the relevant external market, without paying more than is necessary;
(ii) subject to satisfying (i) above, remuneration should be considered in the context of wider employee pay and conditions and Shareholder views;
(iii) packages should be structured so that remuneration is aligned to both the strategy of the Company and long-term growth in Shareholder value;
(iv) each element of the remuneration package should be clear, easy to understand and motivating;
(v) the overall package should be designed to take account of the performance of the business, to respond to regulatory changes but not to promote undesirable behaviour or to encourage unacceptable risk-taking; and
(vi) packages should be structured to avoid reward for failure.

Executive Director Policy Table

Element and purpose	Opportunity	Operation	Performance measures
Base salary Enables 4imprint to attract and retain executive talent	Base salaries are reviewed annually; however, increases are not automatic. Base salary adjustments reflect various factors, including increases for other employees across the 4imprint business; individual and Company performance; changes in role and responsibilities; and pay at companies of a similar size and complexity in the relevant external market. Base salaries should be competitive when compared to similar roles at organisations of a similar size and complexity in the relevant external market. Base salary increases are also considered in the context of the value of the total remuneration package.	Base salary increases will not normally exceed the average increase awarded to the wider workforce. However, in exceptional circumstances salary increases may exceed this level.	Not applicable
Retirement benefits To provide a competitive level of retirement benefit in order to attract and retain executive talent	Executive Director retirement benefits are limited to the opportunity offered to the local workforce. This is currently capped at 5% of base salary per annum.	Executive Directors are eligible either: (i) to participate in local Company pension arrangements; or (ii) subject to the discretion of the Committee, to receive a salary supplement in lieu of pension contributions (which is not taken into account as salary for calculation of annual bonus, or other benefits).	Not applicable

REMUNERATION REPORT CONTINUED

Executive Director Policy Table continued

Element and purpose	Opportunity	Operation	Performance measures
Other benefits To maintain competitiveness in attracting and retaining talent	Benefit values are set at an appropriate level taking into account market practice. The Committee reserves the discretion to approve a higher level of benefits if it is considered by the Committee to be necessary, appropriate and in the best interests of the Company and its stakeholders. For example, this may include additional benefits to cover the cost of relocation or insurance premiums.	Typical benefits may include: (i) company car or car allowance paid in cash; (ii) private medical insurance for the executive and his/her family; (iii) life assurance of up to four times base salary; (iv) income protection insurance; and (v) access to independent professional advice when necessary. Other benefits may also be offered in line with those offered to other employees, such as paid holiday. The benefits offering may differ to reflect the market practice of the country of employment or domicile of the individual Director.	Not applicable
Deferred Annual Bonus Scheme ("DABS") To encourage share ownership and to incentivise and reward strong annual performance	The ongoing maximum potential annual bonus opportunity is 100% of base salary for FY21. However, the Policy provides the Committee with an overall maximum of 150% of base salary for use in future years, for example, in a recruitment scenario, or in order to maintain the competitiveness of the bonus relative to the market taking into account Company and individual performance and the potential value of the rest of the remuneration package. *See Recruitment Policy for further details.* The award for on-target performance is 50% of base salary where awards are made in line with the ongoing maximum opportunity of 100% of salary. Where the overall maximum of 150% is employed, the on-target bonus opportunity may be increased to 50% of the maximum, being 75% of base salary.	50% of the annual bonus is delivered in cash. 50% of the annual bonus is deferred into share awards (generally nil cost options, conditional share awards or other forms to meet regulatory or business needs) for five years following the date of grant. *See Leaver Policy for exceptions to this rule.* Cash bonus and deferred share awards are typically allocated to participants following the audit of the Annual Report and Accounts in the March following the performance period. The number of nil cost options or conditional share awards is based on the share price on 31 December of the financial year to which annual performance relates. The cash bonus and deferred share awards are subject to clawback and malus provisions. *See notes to the table.*	Performance may be assessed using financial and non-financial measures. Financial performance measures may include: profitability, revenue growth, cash generation, or other financial metrics that are aligned to the business strategy. Financial objectives generally account for the majority of the annual bonus performance assessment. Non-financial corporate objectives may also be used, such as environmental, social and governance ("ESG") metrics to the extent that they align with the Board's strategy and are deemed to enhance prospective long-term growth in Shareholder value. Performance measures and targets are generally set at the start of the financial year to reflect the Group's strategic priorities. *Further details can be found in the Annual Report on Remuneration.* Once awarded, the deferred component of the annual award will not be subject to further performance targets.
Share plans To encourage employee share ownership and reward long-term value creation	Employees (including Executive Directors) may save an agreed monthly amount, and options are normally granted at a discount of up to 20% to the current share price. Savings are capped at an agreed monthly contribution rate, and the option price is set at the outset of the plan.	Periodic employee share option plans open to all employees are operated in the 4imprint Group. These take the form of HMRC approved Sharesave plans in the UK, and equivalent plans in the USA.	Not applicable

Element and purpose	Opportunity	Operation	Performance measures
Share ownership guidelines Provides alignment with Shareholders whilst encouraging sustainable, long-term value creation	Executive Directors are expected to maintain a holding of shares in the Company of at least 200% of annual base salary. Executive Directors are also expected to maintain a shareholding of at least 200% of base salary for one year following cessation of employment, reduced to a holding of at least 100% of base salary for the second year following cessation. *See Leaver Policy for further details.*	At least 50% of any vested share awards (net of tax) from incentive arrangements are expected to be held in order to accumulate the recommended personal shareholding. Executive Directors will have until their fifth annual bonus share award grant to accumulate their shareholding. The post-employment shareholding guideline will be enforced through contractual means.	Not applicable

Notes to the Policy Table

Remuneration Committee discretion	When assessing incentive plan results and performance, the Committee retains the discretion to reduce (including to nil) incentive pay-out levels if it is considered appropriate in exceptional circumstances, for example, in the context of a significant health and safety failure, or an exceptional negative event significantly impacting employees or Shareholders.
Malus and clawback	Malus and clawback provisions apply to both cash and deferred share elements of the DABS. Malus includes the reduction (including to nil) of in-year and/or future year bonus amounts; and the forfeiture or withholding of unvested deferred share awards and clawback involves the recovery of annual bonus amounts that have been paid. Clawback may apply to cash bonus payments made up to two years after the relevant payment date and for deferred share awards that vested up to five years from the relevant grant date. These provisions may be invoked by the Committee if it deems this to be appropriate in the context of one or more 'trigger' events. These include: • material misstatement (including omission) in the Company's accounts • the bonus/award was based on an error, or inaccurate or misleading information • serious misconduct • corporate failure • serious reputational damage
Discretion to amend the future operation of the DABS	In the event of a variation in share capital or other event that may affect the share price, the number of shares subject to an award may be adjusted.
Minor amendments to the Policy and remuneration under previous arrangements	Minor changes may be made to the Policy for regulatory or administrative purposes without seeking further Shareholder approval for such an amendment. The Committee may make payments notwithstanding that they are not within the current Policy if they were agreed before: • the Company's first Remuneration Policy subject to binding Shareholder approval came into effect; • the Policy came into effect (provided they are in line with the Remuneration Policy at the time of agreement); or • promotion (of the individual to which the payment relates) to the Board of Directors
Performance measures	The Committee has selected financial measures as the primary method of determining performance, as these metrics directly affect Shareholder value. The Committee, when setting the relevant targets, takes into account the Company's business plan and internal and external forecasts for the business. Strategic performance conditions are set in line with the Company's business plan and strategic priorities. At the end of the performance period, the Committee will review performance against targets and may adjust formulaic outcomes for reasons such as (but not limited to) disposals, acquisitions and changes in accounting treatment, if it is considered necessary for a fair outcome in the context of wider Company performance. Where discretion is exercised the rationale and adjustment will be disclosed in the relevant Annual Report.

OVERVIEW
STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

REMUNERATION REPORT CONTINUED

Executive Director service contracts

Executive Directors have rolling service contracts, notice periods are 12 months from the Company and 6 months from the Executive Director. Any new Executive Director would be appointed on similar terms. The Executive Directors' service contracts are available for inspection at the Company's registered office.

Executive Director Recruitment Policy

The following guidelines are followed by the Committee when considering the pay and employment terms for a new Executive Director:

- The Committee aims to pay no more than is necessary to secure the right talent for the business
- The ongoing Remuneration Policy for any new Executive Director will align to the Remuneration Policy for Executive Directors as set out in this Policy
- Base salaries are set at a market rate in order to attract the appropriate person. Factors to be taken into account include: the individual's previous salary and remuneration package; the skills and experience of the individual; the salary of the previous role incumbent; and pay at organisations of similar size, complexity and sector in the relevant external market
- Special arrangements may be made for a new Executive Director in order to secure their appointment. These may include:
  - The Committee may choose to provide additional compensation for incentive awards forfeited by the executive upon joining 4imprint. In such cases, we would seek to apply similar conditions to forfeited awards including performance conditions; vesting and holding periods; and form of award. Any buyout payment will be reduced by an equivalent amount in the event the Executive Director's former employer pays a portion of the remuneration that was deemed foregone. Where possible, existing incentive plans will be used to satisfy such awards; however, in the event that this is not appropriate, the Committee retains the right to use the Listing Rules exemption for the purposes of a 'buyout' award.
  - An increased award limit exists under the DABS of 150% of base salary which may be used upon recruitment of a new Executive Director.
  - For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses and legal fees as it considers to be appropriate. Assistance will be subject to reasonable clawback for service of less than 12 months.

Corporate events

Upon a takeover, unvested deferred share awards under the DABS would normally vest in full immediately. Awards may be exchanged to the extent that an offer to exchange awards for new awards is made and accepted by the award holder.

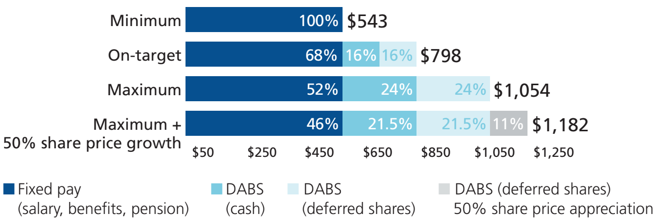
Executive Director Leaver Policy

Element/provision	Policy
Contractual notice period and loss of office compensation	• 12 months' notice from the Company and 6 months from the Executive Director • Executive Directors may be required to work during their notice period or take 'gardening leave'. Payments in lieu of notice may also be made • Contractual non-competition payments may be made on a monthly basis for the 12 months following termination of employment subject to mitigation • Contractual termination payments for Executive Directors include base salary, retirement and other benefits
Treatment of bonuses	• Normally, an Executive Director may, at the Committee's discretion, receive a bonus for the year in which the Executive Director leaves, although US-based Executive Directors are entitled to continue to participate in the bonus plan up to the date of termination of employment (subject to the satisfaction of performance requirements). Any such bonus award may be paid in such proportions of cash or shares as the Committee may determine • For "good leavers" unvested deferred share awards will normally continue to vest as if the Executive Director had not left, with the Committee retaining the discretion to accelerate the vesting of awards where the Committee considers it appropriate (for example, if the Executive Director dies or has a terminal illness). Good leaver reasons are defined as: injury, ill health, disability, redundancy, retirement (as agreed by the Company), the company or business for which the Executive Director works being sold out of the 4imprint Group, death or such other circumstances as the Committee may determine • Leavers for any other reason would result in no bonus being paid, and any unvested deferred share awards would lapse

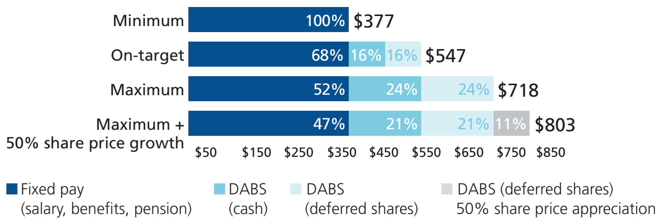
Future reward scenarios

The graphs below provide an indication of the reward opportunity for each of the current Executive Directors based on their roles as at 1 January 2021.

CEO: Total remuneration ($000s)



CFO: Total remuneration ($000s)



The basis of calculation and key assumptions used to complete the charts are as follows:
Minimum – only fixed pay is payable i.e. base salary, benefits and pension or cash in lieu of pension. No cash bonus is payable and no deferred share awards under the DABS are granted.
On-target – fixed pay plus 50% of ongoing maximum payout under the DABS.
Maximum – fixed pay plus 100% of ongoing maximum payout under the DABS.
Maximum + 50% share price growth – shows the maximum scenario plus the impact of 50% share price growth

Consideration of employee conditions in the wider Group

The Board (and therefore each Committee member) receives a report for its consideration at its meeting in January in respect of current salary levels, bonus entitlements, annual pay review and bonus proposals. This is accompanied by a verbal update from the CEO. In combination, this annual update enables the Committee to take into account conditions in the wider workforce when considering executive pay actions.

In addition, we have a dedicated Non-Executive Director who is responsible for championing the interests of team members (our ‘Employee Voice’) and who reports back to the Board on initiatives such as the employee engagement survey results.

The remuneration package available to Executive Directors under the Policy is broadly in line with the remuneration package afforded to our other employees. All employees (including Executive Directors) are entitled to participate in the Company’s Sharesave plans in the same way. Employees may receive discretionary bonuses based on their performance, although in the case of Executive Directors and other members of Senior Management, part of any bonus earned is deferred into awards of the Company’s shares. A three-year deferral period applies to awards for Senior Management and a five-year deferral period applies to awards for Executive Directors.

More information about how we engage with our team members can be found on page 32 of the Annual Report.

Consideration of Shareholder views

The Committee actively seeks and listens to Shareholder views on 4imprint’s executive remuneration arrangements on an ongoing basis. In developing this Policy, the Committee undertook a significant consultation with Shareholders and carefully considered the varied views put forward.

Non-Executive Director remuneration

Element and purpose	Fees are aimed at attracting and retaining high-quality and experienced Non-Executive Directors, with fee levels reflecting the time commitments and responsibilities of the roles. Non-Executive Directors are paid a basic fee which is delivered in cash. Additional fees are not paid for Committee chairmanship and membership.
Operation	Fee levels are reviewed periodically by the Board to maintain competitiveness relative to other listed companies of a similar size, complexity and type. Non-Executive Directors do not participate in any incentive schemes and do not receive a pension.
Opportunity	Fees payable to Non-Executive Directors cannot exceed the maximum that is set out in the Company’s Articles of Association. The Company does not adopt a quantitative approach to pay positioning and exercises judgment as to what it considers to be reasonable in all the circumstances as regards quantum.

Non-Executive Director letters of appointment

Non-Executive Directors are generally appointed for a period of three years, subject to annual re-election. Non-Executive Directors’ appointments may be terminated without notice by either party.

REMUNERATION REPORT CONTINUED

Remuneration implementation

Directors' remuneration – single total figure (audited information)

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

	Base salary £	Benefits £	Annual bonus (i) £	Long-term incentives £	Pension (ii) £	**Total £**	Fixed pay £	Variable pay £
K. Lyons-Tarr								
2020	**398,338**	**14,266**	**–**	**–**	**9,828**	**422,432**	**422,432**	**–**
2019	388,145	14,106	192,563	–	7,783	602,597	410,034	192,563
A. Scull (iii)								
2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2019	202,152	20,047	101,076	–	30,323	353,598	252,522	101,076
D. Seekings								
2020	**265,559**	**18,701**	**–**	**–**	**8,908**	**293,168**	**293,168**	**–**
2019	258,763	18,177	128,375	–	7,674	412,989	284,614	128,375
P. Moody								
2020	**150,000**	**–**	**–**	**–**	**–**	**150,000**	**150,000**	**–**
2019	120,000	–	–	–	–	120,000	120,000	–
J. Warren								
2020	**45,000**	**–**	**–**	**–**	**–**	**45,000**	**45,000**	**–**
2019	45,000	–	–	–	–	45,000	45,000	–
C. Brady								
2020	**45,000**	**–**	**–**	**–**	**–**	**45,000**	**45,000**	**–**
2019	45,000	–	–	–	–	45,000	45,000	–
C. Southall								
2020	**45,000**	**–**	**–**	**–**	**–**	**45,000**	**45,000**	**–**
2019	29,365	–	–	–	–	29,365	29,365	–

Benefits include medical insurance, life assurance, income protection and, for Andrew Scull, a car allowance.

(i) For Kevin Lyons-Tarr and David Seekings 50% of the annual bonus is payable in the form of conditional share awards pursuant to the terms of the 2015 Incentive Plan. In March 2020, both Directors waived the conditional share awards in respect of 2019; the 2019 remuneration table has been restated to reflect this reduction in their annual bonuses.

(ii) In 2019 Andrew Scull received £30,323 pay in lieu of pension contributions.

(iii) Andrew Scull resigned as an Executive Director on 27 December 2019.

Kevin Lyons-Tarr and David Seekings US dollar remuneration

	Base salary $	Benefits $	Annual bonus (i) $	Long-term incentives $	Pension $	**Total $**	Fixed pay $	Variable pay $
K. Lyons-Tarr								
2020	**511,586**	**18,321**	**–**	**–**	**12,623**	**542,530**	**542,530**	**–**
2019	495,583	18,011	245,864	–	9,937	769,395	523,531	245,864
D. Seekings								
2020	**341,057**	**24,018**	**–**	**–**	**11,441**	**376,516**	**376,516**	**–**
2019	330,389	23,208	163,909	–	9,798	527,304	363,395	163,909

Salaries

The Chief Executive Officer and the Chief Financial Officer both received a 3% increase in basic annual salary with effect from 1 January 2020, reflecting the increase in the cost of living. This increase was in line with the increase applied to the remuneration of employees across the business.

Short and long-term incentives: 2015 Incentive Plan

Operation of the 2015 Incentive Plan

The Executive Directors participate in a single variable incentive plan, the 2015 Incentive Plan ("the Plan"), through which they may receive an annual bonus, half of which is paid in cash and half of which is deferred into shares through the award of nil cost options or conditional share awards. The deferral period for shares awarded is five years from date of award.

Bonus outcomes under the Plan are variable and depend on the achievement of stretching and robust performance targets based on the financial results of the Group's North American business. This basis of measurement is considered to be appropriate given that:

- The North American business comprises 98% of the revenue of the Group and substantially all of its operating profit; and
- It enables direct alignment of the incentive remuneration of the Executive Directors with that of the US-based management team.

Rationale for metric selection

The measures used to assess the performance of the Executive Directors were chosen specifically to align directly with the Group's strategic objectives, (see pages 9 to 13). These objectives can be summarised as:

- Expansion of market share in large, fragmented and attractive markets through organic revenue growth; and
- Investment in primarily marketing-based initiatives designed to maximise growth potential up to the point at which this investment no longer produces an acceptable return.

Accordingly, the Committee agreed the following performance measures as most likely to incentivise an optimum outcome in alignment with the Group's strategic priorities:

- **Revenue growth.** This is the primary driver in meeting the Group's market share expansion targets and as such serves as the most heavily weighted measure in calculating incentive remuneration outcomes.
- **Underlying operating profit.** The inclusion of this measure ensures that the marketing investment to build a strong and growing customer file is accompanied by an appropriate financial return.

Bonus outturn under each performance measure is contingent on the performance of the other given the key role that both measures play in ensuring an appropriate balance designed to meet 4imprint's strategic priorities.

Target setting process and outcomes

The specific bonus targets for 2020 were set by the Committee at its meeting in January 2020, with reference to the 2020 budget approved by the Board and to the prior year's target ranges and actual outcomes. As at January 2020, the Committee was confident that the targets set were appropriately stretching.

The bonus measures and targets are inter-related, and as such are best expressed in the matrix format set out below.

2020 Plan								
Revenue growth	*10%*	*11%*	*12%*	*13%*	*14%*	*15%*	*16%*	*17%*
Op. profit =>$64.00m*	20%	30%	40%	50%	75%	100%	100%	100%
Op. profit $63.00–$63.99m*	15%	25%	35%	45%	65%	85%	100%	100%
Op. profit $62.00–$62.99m*	10%	15%	20%	30%	50%	70%	90%	100%
Op. profit <$62.00m*	0%	0%	0%	0%	0%	0%	0%	0%

* Bonus outcome % of base salary.

For the avoidance of doubt:

- If operating profit was below $62m no bonus would have been payable regardless of revenue performance.
- If revenue growth was below 10% no bonus would have been payable regardless of operating profit performance.
- Budgeted revenue growth of 13% and operating profit of $64.0m would have resulted in the Executive Directors earning an on-target bonus of 50% of base salary, with lower and higher combinations of the two measures producing outcomes ranging from 10% of base salary for threshold performance to 100% of base salary for maximum performance.

For the year ended 2 January 2021, owing to the impact of the COVID-19 pandemic, the financial results of the North American business were significantly below the targets set out in the matrix above and resulted in no bonus being payable to the Executive Directors.

REMUNERATION REPORT CONTINUED

Statement of Directors' shareholdings and share interests (audited information)

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

	Holding at 2 January 2021	Holding at 28 December 2019*
Paul Moody	**9,500**	5,000
Kevin Lyons-Tarr	**263,201**	258,180
David Seekings	**184,974**	181,327
John Warren	**5,000**	5,000
Charles Brady	**1,000**	1,000
Tina Southall	**3,000**	–

* Or date of appointment/resignation.

The value of the Executive Directors' shareholdings at the year-end exceeds the 100% of base salary current shareholding requirement and also exceeds the 200% of base salary proposed shareholding requirement in the new Remuneration Policy. The shareholdings included in the table above are not subject to any further performance conditions.

There has been no change in the Directors' interests in the share capital of the Company from 2 January 2021 to the date of this report.

Movement in scheme interests during the financial year (audited information)

The Executive Directors exercised their options under the US ESPP (save as you earn) scheme at maturity during the period. During the period no awards of conditional shares were made under the 2015 Incentive Plan as the Executive Directors renounced the share award element of their 2019 annual bonus. No awards of conditional shares will be made in 2021 in respect of 2020.

Directors' interests in share schemes

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

	Holding at 28 Dec 2019	Granted during the year	Exercised	**Holding at 2 Jan 2021**	Date of grant	Share price at date of grant	Exercise price	Exercisable	
								From	To
K. Lyons-Tarr									
US ESPP	900	–	(900)	**–**	26 Sept 2018	£20.00	$22.16	4 Dec 2020	4 Dec 2020
2015 Incentive Plan	4,121	–	(4,121)	**–**	30 Mar 2017	£17.75	nil	30 Mar 2020	30 Mar 2020
2015 Incentive Plan	4,514	–	–	**4,514**	15 Apr 2018	£15.80	nil	15 Apr 2021	15 Apr 2021
2015 Incentive Plan	10,196	–	–	**10,196**	28 Mar 2019	£24.00	nil	28 Mar 2024	28 Mar 2024

	Holding at 28 Dec 2019	Granted during the year	Exercised	**Holding at 2 Jan 2021**	Date of grant	Share price at date of grant	Exercise price	Exercisable	
								From	To
D. Seekings									
US ESPP	900	–	(900)	**–**	26 Sept 2018	£20.00	$22.16	4 Dec 2020	4 Dec 2020
2015 Incentive Plan	2,747	–	(2,747)	**–**	30 Mar 2017	£17.75	nil	30 Mar 2020	30 Mar 2020
2015 Incentive Plan	3,009	–	–	**3,009**	15 Apr 2018	£15.80	nil	15 Apr 2021	15 Apr 2021
2015 Incentive Plan	6,797	–	–	**6,797**	28 Mar 2019	£24.00	nil	28 Mar 2024	28 Mar 2024

Gains made on exercise of options in the period were £83,199 for Kevin Lyons-Tarr, £58,109 for David Seekings and, after leaving, £1,417 for Andrew Scull (2019: £156,850 for Kevin Lyons-Tarr, £107,822 for David Seekings and £26,908 for Andrew Scull).

During 2020 the middle-market value of the share price ranged from £13.20 to £35.00 and was £25.65 at the close of business on 2 January 2021.

Details of share options granted by 4imprint Group plc as at 2 January 2021 are given in note 22.

None of the terms and conditions of the share options were varied during the period. The performance criteria for all Directors' options were consistent with the Remuneration Policy. Once an award has vested, the exercise of share options is unconditional, subject to the Rules of the option grant.

Payments to past Directors

Andrew Scull, who resigned as a Director on 27 December 2019, continued in employment of the Company until June 2020. During 2020 his remuneration comprised: base salary £101,766; cash in lieu of pension contributions £17,959; and benefits in kind £12,211.

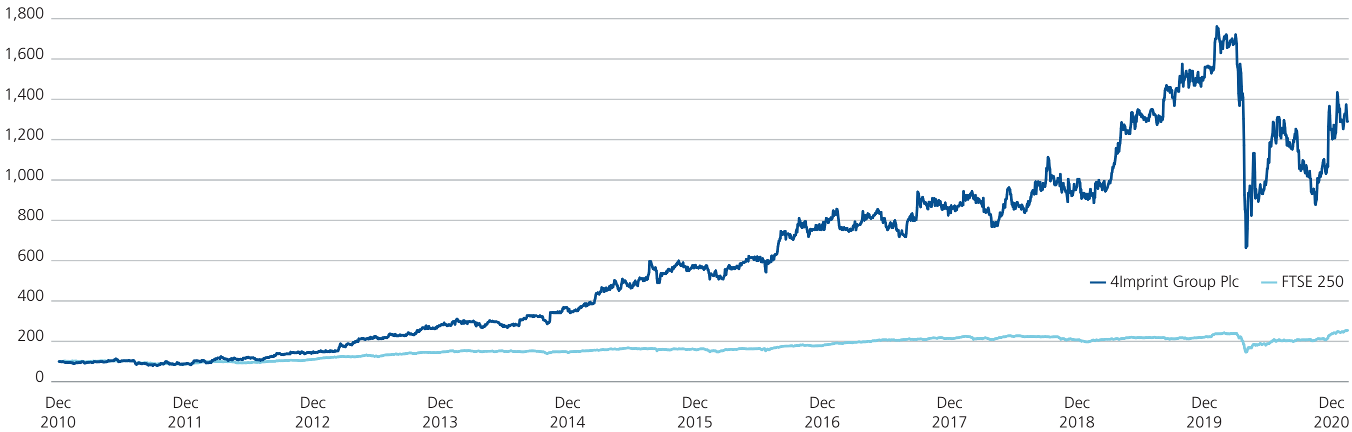
Payments for loss of office

There were no payments for loss of office made during the year.

Performance graph and table

Total Shareholder Return

The graph below illustrates the Company's Total Shareholder Return performance relative to the FTSE 250 Index of which the Company is a constituent. The graph shows performance of a hypothetical £100 invested over the period.



Total remuneration of Executive Chairman/Chief Executive Officer

	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	**2020 £'000**
K. Lyons-Tarr					326	481	564	738	603*	**422**
J.W. Poulter	120	738	1,380	180	45					
Total remuneration	120	738	1,380	180	371	481	564	738	603	**422**
Annual variable award										
Percentage versus max opportunity (%)	n/a	n/a	n/a	100	60	40	50	100	50*	**0**
Long-term incentive										
Vesting rate (%)	–	33.30	66.70	–	–	–	–	–	–	**–**

* In March 2020, Kevin Lyons-Tarr waived his conditional share awards in respect of 2019; the 2019 remuneration table and annual variable award percentage have been restated to reflect this reduction in Kevin's annual bonus.

Kevin Lyons-Tarr was appointed Group Chief Executive Officer on 31 March 2015. Prior to that, the Executive Chairman, John Poulter, fulfilled the role.

Relative importance of spend on pay

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

	2020 $m	2019 $m	Percentage change
Wages and salaries	**57.32**	58.24	-2%
Dividends paid	**0.00**	20.66	-100%

REMUNERATION REPORT CONTINUED

Percentage change in remuneration of Directors and employees

The table below shows the percentage change in remuneration of each of the Directors and the Company's employees as a whole between 2020 and 2019.

	Salary	Bonus	Taxable benefits
Average pay based on all employees	-1%	-100%	-20%
Kevin Lyons-Tarr	3%	-100%	0%
David Seekings	3%	-100%	3%
Paul Moody	25%	–	–
Charles Brady	0%	–	–
Tina Southall	0%	–	–
John Warren	0%	–	–

The small average pay decreases shown in the table for all employees reflect that new employees starting in the period were principally at junior staff levels. Taxable benefits principally apply to UK employees, so the percentage change is skewed by the increasing numbers of US employees. Existing employees typically received a salary increase just below 4% in 2020 and benefits were unchanged.

CEO pay ratio

Year	Country	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	UK	A	33.5:1	26.5:1	19.0:1
2020	US	A	25.2:1	19.9:1	14.7:1

The data in the table above has been calculated using Option A which provides a comparison of the Company's full-time equivalent total remuneration for all employees against the CEO's total remuneration. As the CEO is US based and the Group has just 47 UK employees compared with 1,097 US employees, the calculations are shown for both the UK and US employee populations.

The data set included all employees who received base salary during the year ended 2 January 2021 and were still employed at that date. Where appropriate, remuneration has been annualised to reflect the full-time equivalent amount, for example for part-time employees and new starters in the year.

The calculations were carried out by identifying the 25th, 50th and 75th percentile employee based on total remuneration for the 2020 financial year. The calculation of total remuneration includes base pay and bonuses, benefits and employer pension contributions paid in the financial year. In the US data set, owing to the difficulty in compiling the data for each individual, medical benefits have been excluded from total remuneration. No other remuneration items have been omitted.

The Committee notes the limited availability of comparable pay ratios across companies and sectors given the range of business models and employee population profiles that exist.

Gender pay gap

The tables below show the gender pay gap as at April 2020. As 4imprint has less than 250 employees in the UK it is not required by the regulations to publish gender pay gap data. However, the Company believes it would be good practice to provide this data and has published data for both the US and UK businesses separately.

Gender pay gap in hourly pay

	No. of men	No. of women	Mean average %	Median average %
4imprint US	312	851	12.53	(1.97)
4imprint UK	15	32	47.38	6.52

The mean pay gap is the difference in the average hourly pay for women compared to men.

In 4imprint US, men's mean pay is 12.5% higher than women's mean pay. In 4imprint UK, men's mean pay is 47% higher than women's mean pay. This is due to the higher representation of men in more senior roles in the employee group.

The median pay gap represents the difference in hourly pay between the salary mid-point average of women and men. In 4imprint US, the median hourly pay is slightly higher for women than for men. In 4imprint UK, the median hourly pay is 6.5% higher for men than for women.

Gender pay gap – bonus pay

Employees receiving a bonus

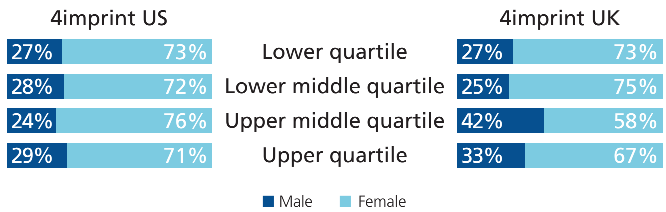
	Male %	Female %
4imprint US	96.47	97.90
4imprint UK	100.00	93.75

Across the 4imprint Group, over 93% of all employees received a bonus in the year to April 2020.

Gender pay gap in bonus pay

	No. of men	No. of women	Mean average %	Median average %
4imprint US	312	851	76.29	0.00
4imprint UK	15	32	83.98	0.00

Men's mean bonus pay is higher than women's mean bonus pay due to the higher representation of men in senior roles in the employee group. The median bonus pay amount is the same for men and women.



This is the proportion of men and women in each pay quartile. Each quartile represents 291 employees of 4imprint US and 12 employees of 4imprint UK.

Statement of voting at general meetings

Votes cast by proxy and in the meeting in respect of Directors' remuneration were as follows:

Resolution	AGM	Votes for	% for	Votes against	% against	Votes withheld (abstentions)
Approval of Remuneration Report	**2020**	**18,793,405**	**97.01**	**579,858**	**2.99**	**3,260,820**
Approval of Remuneration Report	2019	20,803,509	98.20	382,305	1.80	317,155
Approval of Remuneration Policy	2018	19,117,268	85.97	3,120,163	14.03	190,697

Implementation of Policy in 2021

As noted in the Chairman's Statement on page 59, at its meeting in January 2021, the Remuneration Committee decided that, due to the impact of the COVID-19 pandemic on the business, it would not be appropriate to set annual bonus performance targets for 2021 for the Executive Directors at that time. The business does not have a clear view of the rate or trajectory of recovery from the pandemic, a critical factor being the ability for group gatherings (events, trade shows, meetings) to take place. The significant uncertainty around the timing and scale of the recovery of this key element of the business makes setting meaningful bonus targets for revenue growth and operating profit very challenging.

The Committee is also mindful of the position of other stakeholders and is supportive of management's view that pay rises and bonus/gain share schemes should be reintroduced across the business before implementing a specific bonus plan for the Executive Directors, an approach which reaffirms a key element of the 4imprint culture. The Committee is also cognisant of the views of Shareholders and any bonus outturns for the year will be reviewed in the context of these Shareholder views, including whether dividend payments have been made.

This decision on bonus performance targets will be kept under review throughout 2021.

On behalf of the Board

CHARLES BRADY
CHAIRMAN OF THE REMUNERATION COMMITTEE
16 March 2021

DIRECTORS' REPORT

The Directors present their report and the audited consolidated and Company financial statements for the period ended 2 January 2021.

The Company's Statement on Corporate Governance is included in the Corporate Governance section on pages 48 to 51 of this Annual Report. The Statement on Corporate Governance forms part of the Directors' Report and is incorporated into it by cross-reference.

4imprint Group plc (registered number 177991) is a public limited company incorporated in England and Wales, domiciled in the UK and listed on the London Stock Exchange. It is limited by shares. Its registered office is 25 Southampton Buildings, London WC2A 1AL.

Dividends

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

No interim dividend was paid in 2020 and the Directors do not recommend a final dividend.

The total distribution paid and recommended for 2020 on the ordinary shares is $nil (2019: $7.15m or 25.00c (20.52p) per share, after the withdrawal of the recommendation to pay a final dividend of 59.00c per share).

Cross-reference to Strategic Report

The Strategic Report is set out on pages 6 to 44 of the Annual Report. It includes the Chief Executive's Review and Financial Review, which contain information and disclosures concerning the Group's financial performance and position, future prospects, key performance indicators, principal risks and uncertainties, risk management objectives and policies, going concern and viability. The Board regularly considers the Company's approach to its risk management objectives and policies and reviewed the Company's risk management processes at a Board meeting in October 2020. The Board concluded that the current risk management processes are appropriate for the nature of the business and current Group structure. Details of the Company's risk management processes are set out on page 26.

In addition, the Sustainability section, which is included within the Strategic Report, contains information in respect of the Group's approach to social and ethical responsibility, the environment, health and safety, diversity, disabled persons and employee welfare. These policies and practices demonstrate the importance which the Directors place on fostering the Group's relationships with its employees, customers and suppliers. These elements of the Strategic Report are incorporated into the Directors' Report by cross-reference.

Directors

The names and biographical details of the present Directors, their committee memberships, independence status and identification of the Senior Independent Director are given on pages 46 and 47. The Directors served throughout the period ended 2 January 2021 and up to the date of signing of these financial statements, with the exception of John Gibney who was appointed on 8 March 2021.

The interests of the Directors in the shares of the Company are shown on page 68.

None of the Directors, nor their associated companies, nor any members of their families, had any interest either during or at the end of the period ended 2 January 2021 in any contract with the Company or its subsidiaries requiring disclosure under sections 197, 198, 200, 201 and 203 of the Companies Act 2006.

Share capital

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

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

Rights and obligations attaching to shares

Subject to applicable statutes and other Shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or, if there is no such resolution or in so far as it does not make specific provision, as the Board may decide. At each Annual General Meeting ("AGM"), the Company seeks annual Shareholder authority for the Company's Directors to allot shares, in certain circumstances, for cash. Currently, there are no such restrictions in place over the issued share capital of the Company, other than those required by law or regulation.

Relations with Shareholders

Substantial interests

At 2 January 2021 the Company had been notified of the following interests in the issued ordinary share capital of the Company:

	Number of shares	%
BlackRock, Inc.	2,770,591	9.86
Standard Life Aberdeen plc	2,717,737	9.68
Montanaro Asset Management Limited	1,979,711	7.05
Majedie Asset Management Limited	1,465,208	5.22
FIL Limited	1,160,653	4.13
Invesco Perpetual Asset Management	847,147	3.02

The Company has received notification of a change in holdings since 2 January 2021 from Mawer Investment Management Limited, advising that it holds 1,410,192 shares (5.02%).

The Board places a high value on its relations with its investors and consults with Shareholders in connection with specific issues where it considers it appropriate. The Group, principally through the Chief Executive Officer and Chief Financial Officer, has regular dialogue and meetings with institutional Shareholders, fund managers and analysts. Subject always to the constraints regarding sensitive information, discussions cover a wide range of issues, including strategy, performance, management and governance.

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

Qualifying third party indemnity provisions

Qualifying third party indemnity agreements have been signed by the Company in respect of Kevin Lyons-Tarr, David Seekings, Paul Moody, John Warren, Charles Brady, Tina Southall and John Gibney, with effect from the date of their respective appointments to the Board of Directors.

Shares held in trust for employee share schemes

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

Significant agreements

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

Remuneration Report

Details of the procedures and guidelines used by the Remuneration Committee in determining remuneration are outlined in its report on page 60.

Purchase of own shares

Following approval at the 2020 AGM of Resolution 14, the Company is authorised, generally and without conditions, to make market purchases, as defined in the Companies Acts, of its ordinary shares of 38$^{6}/_{13}$ pence subject to the provisions set out in such Resolution. This authority applies from 5 May 2020 until the earlier of the end of the 2021 AGM or 4 August 2021 unless previously cancelled or varied by the Company in a general meeting. No such cancellation or variation has taken place. During the period, no shares have been purchased by the Company, but the Employee Benefit Trust purchased 42,000 (2019: 81,705) ordinary shares.

Waiver of dividends

The dividend income in respect of the 16,578 shares (2019: 87,306 shares) held in the 4imprint 2012 Employee Benefit Trust has been waived at the date of this report.

Going concern

The going concern statement is on page 25.

Environment and sustainability

The Board recognises its obligations to protect the environment and is committed both to achieving required environmental standards across all the activities of the Group and to minimising its environmental impact. Further information about the Group's environmental and sustainability policy is set out in the Sustainability section on pages 42 to 44.

Greenhouse gas emissions report

Details regarding the Group's carbon emissions, energy consumption and energy efficiency are included in the Strategic Report on pages 42 and 43.

Methodology

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

The emission factors used were from the UK Government's GHG Conversion Factors for Company Reporting 2020, for UK entities and EPA conversion factors for US entities.

Political donations

No political donations were made in the period ending 2 January 2021 or prior period.

Annual General Meeting

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

Independent auditor

On the recommendation of the Audit Committee, a resolution to reappoint Ernst & Young LLP ("EY") as independent external auditor will be proposed at the 2021 AGM, together with a resolution granting the Directors the authority to determine EY's remuneration.

Directors' statement as to disclosure of information to independent auditor

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

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

Approved by the Board and signed on its behalf by

EMMA TAYLOR
COMPANY SECRETARY
16 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with 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 ("IFRSs"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently
- Make judgments and accounting estimates that are reasonable and prudent
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance
- In respect of the Group's and Company's financial statements, state whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the Group and Company will not continue in business

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 46 and 47, confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Company and undertakings included in the consolidation taken as a whole
- That the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- That they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position, performance, business model and strategy

EMMA TAYLOR
COMPANY SECRETARY
16 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4IMPRINT GROUP PLC

Opinion

In our opinion:

- 4imprint Group plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 2 January 2021 and of the Group's profit for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with 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;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of 4imprint Group plc (the "parent company") and its subsidiaries (the "Group") for the 53 week period ended 2 January 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 2 January 2021	Balance sheet as at 2 January 2021
Consolidated income statement for the 53 week period ended 2 January 2021	Statement of changes in equity for the 53 week period ended 2 January 2021
Consolidated statement of comprehensive income for the 53 week period ended 2 January 2021	Statement of cash flows for the 53 week period ended 2 January 2021
Consolidated statement of changes in equity for the 53 week period ended 2 January 2021	Related notes A to P to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the 53 week period ended 2 January 2021	
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4IMPRINT GROUP PLC CONTINUED

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Board's going concern assessment process and also engaged with management early to ensure key factors were considered in their assessment. Management has incorporated its going concern period (to the period ending 2 July 2022) into its wider assessment of viability which covers the period to 30 December 2023. In these assessments management considers the key factor that would prejudice the going concern basis of preparation of the Group to be a significant additional decline in revenue;
- We obtained the Board's going concern assessment, including cash flow forecasts which cover the period to 2 July 2022. The Board prepared a base case and a distressed case cash flow forecast model. The distressed case forecast incorporates the effects of a downside scenario based on severe, but plausible, demand assumptions;
- We have tested the key assumptions included in each of the cash flow forecast models. We tested the assumption regarding the impact of COVID-19 uncertainty and significant additional declines in revenue included in each forecasted scenario. We considered the appropriateness of the methods used to calculate the cash forecasts and determined, through inspection and testing of the methodology and calculations, that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity. We have also confirmed the mathematical integrity of management's scenarios. Finally, we have evaluated the historic accuracy of management's forecasting and considered this against external analyst expectations. Whilst we accept the current environment makes forecasting inherently more difficult, we have concluded that management's estimates have historically been accurate and conservative, and this is supported by post year-end results to date;
- We have checked the amount and maturity of the \$20m line of credit and £1m UK overdraft facility, which expire on 31 May 2022 and 31 December 2021, respectively, to facility agreements. Covenant requirements for the \$20m line of credit have also been validated to the facility agreement. There are no covenants on the £1m UK overdraft;
- We obtained the Board's forecast covenant calculations which cover the period until expiry (31 May 2022) with respect to the committed but undrawn \$20m line of credit facility. We have validated inputs into the covenant forecast calculations back to management's base case and confirmed the Group have significant headroom. Both the 'base case' and the 'distressed' cash flow forecasts assume no utilisation of the \$20m line of credit or £1m UK overdraft facility;
- We considered the mitigating factors included in the cash flow forecasts that are within the control of the Group. This includes the Company's ability to reduce marketing costs and headcount that are not reflected in either the base case or distressed case forecast but would, if required, be fully under the Group's control;
- We have performed reverse stress testing in order to identify what reduction in demand would be required before liquidity is exhausted. The \$20m line of credit and £1m UK overdraft facility have been excluded from our own reverse stress test model; and
- We reviewed the Group's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

We have observed that both the North America and UK & Eire operating segments have experienced a high level of disruption from the impact of the COVID-19 pandemic which resulted in a significant reduction in revenue. However, despite this the Group maintained net cash of \$39.8m (2019: \$41.1m) at the balance sheet date.

Management's base case and 'distressed' forecasts demonstrate that the Group retains sufficient liquidity in the going concern period to 2 July 2022.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern until 2 July 2022.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two full scope components and audit procedures on specific balances for a further five components. • The components where we performed full or specific audit procedures accounted for 100% of profit before tax, 100% of revenue and 100% of total assets.
Key audit matters	• Management override of internal controls through manual journals to revenue; • Management override of internal controls through manual journals to supplier rebate income; and • Incorrect valuation of pension scheme assets.
Materiality	• Overall Group materiality of $1.7m which represents 5% of the average underlying profit before tax of $34m using the results of the prior two financial periods and the current period.

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 7 (2019: 7) reporting components of the Group, we selected 7 (2019: 7) components covering entities within the USA and the UK, which represent the principal business units within the Group.

Of the 7 (2019: 7) components selected, we performed an audit of the complete financial information of 2 (2019: 2) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 5 (2019: 5) components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2019: 100%) of the Group's profit before tax, 100% (2019: 100%) of the Group's revenue and 100% (2019: 100%) of the Group's total assets.

For the current year, the full scope components contributed 139% (2019: 100%) of the Group's profit before tax, 98% (2019: 97%) of the Group's revenue and 97% (2019: 96%) of the Group's total assets.

The 5 specific scope components contributed (39)% (2019: 0%) of the Group's profit before tax, 2% (2019: 3%) of the Group's revenue and 3% (2019: 4%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

The Group audit team adapted their approach to interact with management in response to the COVID-19 pandemic. Due to COVID-19 travel restrictions imposed by governments, we did not complete our planned visits to the Group's locations in the USA and UK and the year-end audit was also required to be conducted remotely. This was supported through remote access to the Group's financial systems and the use of EY software collaboration platforms for the secure and timely delivery of requested audit evidence.

In lieu of these visits, we have maintained regular dialogue and meetings with management via videoconference calls. We attended all meetings with local management to conclude the audit procedures at each location by videoconference. The Group audit engagement partner participated in the closing meetings for all components.

Finally, we undertook remote procedures with respect to our inventory existence testing. This included counting and observations through videoconference calls and the use of GPS coordinates to validate locations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4IMPRINT GROUP PLC CONTINUED

Key audit matters

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

Risk – Management override of internal controls through manual journals to revenue

Description of risk

There is a risk that management may override controls to intentionally misstate revenue transactions through inappropriate manual journal entries and consequently underlying operating profit.

Investors typically focus on the Group's revenue performance which, together with the management reward and incentive schemes, being based on revenue percentage growth and underlying operating profit targets, create an incentive for management to manipulate revenue recognition.

The performance of the Group has been significantly impacted by the COVID-19 pandemic. Investor focus has shifted to assessing the recovery of the Group. Targets for management rewards and incentive schemes were unattainable as a result of the pandemic and as such no bonus has been paid to the Executive Directors based on current year performance. We have validated this to the Remuneration Committee minutes.

Our assessment has been updated to reflect the impact of COVID-19 on the Group and considers the risk that management may override controls to intentionally:

a) overstate revenue, and therefore underlying operating profit, in order to report an improved recovery to the market; or
b) understate revenue, and therefore underlying operating profit, in order to meet targets for management rewards and incentive schemes in the next financial period.

There are no significant judgements involved in the recognition of revenue and our audit risk is focused on manual journals to the revenue accounts.

Revenue for the year was $560m (2019: $861m) and underlying operating profit was $4m (2019: $54m).

Refer to the Accounting policies (page 91); and note 1 of the consolidated financial statements (pages 94 and 95).

Our response to the risk

We identified, documented and confirmed our understanding of the Group's revenue recognition policies and assessed the design and operational effectiveness of key controls over the revenue process.

We performed testing to validate a sample of revenue transactions extracted from the sales invoicing system to revenue recorded and reconciled in the general ledger.

In respect of revenue from 4imprint Inc. and 4imprint Direct Limited, which together form 100% of the Group's revenue, we performed data analytics testing over the entire revenue process from revenue recognition through to invoice settlement. Where the postings did not follow our expectation, we investigated outliers and tested these entries to assess their validity by agreeing the transactions back to source documentation.

We tested manual journal entries posted to revenue accounts, applying parameters designed to identify entries that were not in accordance with our expectations. This included analysing and selecting journals for testing which appeared unusual in nature due size, preparer or being manually posted as there is greater opportunity to record fictitious entries than with automated journal and therefore outside the normal course of business. We also introduced unpredictability into our manual journal testing. We corroborated such journals to source documentation to confirm that the entries supported the revenue recognised and that the entries were valid.

We performed audit procedures over this risk area on 4imprint Inc. and 4imprint Direct Limited which covered 100% (2019: 100%) of revenue for the 53 week period.

Key observations communicated to the Audit Committee

We did not identify evidence of management override through inappropriate journal entries recorded to revenue in the period.

Risk – Management override of internal controls through manual journals to supplier rebate income

Description of risk

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

The rebates received are determined by formal signed agreements with suppliers and depend on the level of spend and product mix within the financial period. Supplier agreements are coterminous with the Group's year-end. The percentage of purchases paid as a rebate from certain suppliers increases based on predetermined thresholds within supplier agreements.

There is a risk that management may override controls to intentionally misstate supplier rebate income through inappropriate manual journal entries and consequently underlying operating profit. The incentives for doing so are consistent with those noted in our "Management override of internal controls through manual journals to revenue" matter noted above. Income received from supplier rebates is material in relation to the profit in the period.

Our assessment has been updated to reflect the impact of COVID-19 on the Group and considers the risk that management may override controls to intentionally:

a) overstate supplier rebate income when compared to the eligible amounts set out in the rebate agreements and/or are recognised in advance of achievement of the right to earn the income; or
b) understate supplier rebate income when compared to the eligible amounts set out in the rebate agreements and/or recognition is incorrectly deferred to the following period when the achievement of the right to earn the income has been met.

Rebate contracts include variable rebate rates which are dependent on product categories and volumes purchased. There are no significant judgements involved in the recognition of supplier rebate revenue or the supplier rebate receivable.

There is, however, an element of judgement included in assessing the recoverability of the rebate income receivable at the balance sheet date. For the 53 week period the Group has recognised $14m (2019: $22m) of rebate income including a rebate receivable balance of $9m (2019: $16m) at the balance sheet date.

Refer to the Accounting policies (page 91); and note 13 of the consolidated financial statements (pages 102 and 103).

Our response to the risk

We identified, documented and confirmed our understanding of the Group's supplier rebate recognition policies and assessed the design and operational effectiveness of key controls over the revenue process.

For a sample of supplier rebates, we obtained rebate agreements and inspected them to assess whether rebates received, and receivable, by the Group had been accounted for in the correct financial period and in accordance with specific terms agreed with suppliers.

We recalculated expected supplier rebate income and receivables based upon spend with suppliers in the period, taking account of agreed rebate rates per signed agreements and cash received during the year for rebate income.

We obtained direct confirmations from a sample of suppliers to agree rebate receivables due at the balance sheet date.

We compared a sample of cash receipts received in the year to the prior year receivables balances to assess the historical accuracy of management's rebate calculations and assessment of recoverability of amounts outstanding at the year-end.

We checked a sample of purchase transactions to the purchase reports used in the rebate calculations to assess whether rebate transactions were recorded in the correct period and with regard to the relevant supplier. We inspected a sample of post year-end credit notes to check the recoverability of rebate receivable balances.

We tested journal entries to rebate income accounts by applying parameters designed to identify entries that were not in accordance with our expectations. This included analysing and selecting journals for testing and corroborating to source documentation to confirm that the entries supported the recognition of rebate income and that the entries were appropriate.

We performed audit procedures over this risk area on 4imprint Inc. which covered 85% (2019: 61%) of supplier rebate income and 84% (2019: 53%) of the rebate income receivable balance at the reporting date.

Key observations communicated to the Audit Committee

Rebate income was recorded in accordance with contractual terms, in the correct period and the related year-end receivables balance was appropriately valued.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4IMPRINT GROUP PLC CONTINUED

Risk – Valuation of pension assets

Description of risk

During the year the Group made a special contribution of \$9.1m/£7.5m to the pension scheme resulting in a material reduction in the net pension deficit. Also, during the year the investment strategy for pension assets changed, resulting in a change in the mix of underlying pension asset investments. Some of the asset investments were made into managed funds which were harder to value than an investment in a single security.

In total the net retirement benefit obligation reported in the Group and Company balance sheets of \$3.3m (liability) (2019: \$12.3m liability) and £2.4m (liability) (2019: £9.4m liability) respectively, include the fair value of pension assets of \$39m/£29m (2019: \$24m/£18m).

The pension scheme holds level 1 assets, representing 69% (2019: 100%) of the total asset value, which can be checked to readily available market prices. However, the change in asset portfolio in the year and the increase in asset value has increased the value of level 2 assets. A new category of investments includes bond repurchase agreements ("repos"). These do not have publicly available pricing information and alternative audit procedures are required to gain assurance over their valuations. The increased level of complexity in valuing these new asset classes presents a risk that assets may be valued incorrectly.

Refer to the Accounting policies (page 93); and note 17 of the consolidated financial statements (pages 105 to 108).

Our response to the risk

We have checked the existence of the pension assets by obtaining confirmation of assets held directly from the scheme custodian, including the number of units held. We reconciled this confirmation to the actuarial report received by management and used in determining the pension scheme amounts and preparing the pension scheme disclosures to be recorded in the financial statements.

We obtained valuation statements directly from the third party fund manager and reconciled these to the amounts included on the custodian confirmation and actuarial report.

We obtained and inspected the ISAE 3402 Type II Reporting Accountants' Assurance Report on the internal controls in operation of the third party fund manager to 31 December 2020. This validated the suitability of the design and operating effectiveness of controls over the valuation of assets held by the fund at the start of the period. Controls over valuation were assessed as effective. We also obtained a bridging letter to confirm the continued design and operating effectiveness of controls up to and including 2 January 2021.

For a sample of assets held at 2 January 2021, we performed testing to agree the value of underlying assets to independently sourced valuations. We have summarised our response to each asset category below:

a) To test the valuation of the multi-asset credit fund, Sterling liquidity fund, gilt funds and index-linked gilt funds at the balance sheet date, we traced the price per unit to publicly available information;

b) Leveraged gilt funds and leveraged index-linked gilt funds are comprised of assets with publicly available information and repos which are not publicly available.

   Where information is publicly available, we have corroborated valuations to available price per unit information.

   For the repos we have agreed the value of these transactions to the trade scripts obtained directly from the fund manager. We have recalculated the accrued interest and compared the same to the market value reported by the fund manager.

c) To test the valuation of cash we obtained bank statements directly from the custodian.

d) With the assistance of our pension valuation specialists, we performed a roll forward of the total asset valuation from the opening position to the balance sheet date, applying certain assumptions over the performance of the fund in the year. This resulted in an immaterial difference when compared to the valuation of the assets reported in the closing net retirement benefit obligation reported in the balance sheet.

Key observations communicated to the Audit Committee

The carrying value of the pension assets is fairly stated.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Setting materiality when the Group has been impacted by COVID-19 requires greater auditor judgement. We consider the users of the financial statements are primarily focused on the speed at which underlying operations, revenues and profitability of the business return to normal or a new normalised level. Management reports underlying profit before tax as a key performance measure. Management defines underlying profit before tax as reported profit before tax adjusted for defined benefit pension charges and exceptional items.

The current period's results have been distorted as a result of the pandemic. For the current period we have sought to derive a basis for estimating normalised underlying profit before tax. We have calculated a mean average based on the actual result of the prior two financial periods and the current period. Hence, we determined materiality for the Group to be $1.7m (2019: $2.7m), which is 5% (2019: 5%) of the average underlying profit before tax for the three periods of $34m (2019: underlying profit before tax).

We determined materiality for the parent company to be £2.39m (2019: £2.25m), which is 1% (2019: 1%) of equity. Equity is the most appropriate measure given the parent company is an investment holding company with no revenue.

There was no change in our final materiality from our original assessment at planning for the Group or Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 50%) of our planning materiality, namely $1.28m (2019: $1.30m). We have set performance materiality at this percentage based on our assessment of the appropriateness of the Group's internal controls, the nature of historic audit misstatements and the residual risk of undetected misstatements in the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current period, the range of performance materiality allocated to components was $0.26m to $0.96m (2019: $0.26m to $1.30m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to it all uncorrected audit differences in excess of $0.08m (2019: $0.13m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 74 and 124 to 126, including the Strategic Report, set out on pages 6 to 44, Governance, set out on pages 45 to 74, and Additional information set out on pages 124 to 126, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4IMPRINT GROUP PLC CONTINUED

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority ("the FCA Rules"), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's Corporate Governance Statement and practices and about its administrative, management and supervisory bodies and their Committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 25;
- Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 24 and 25;
- Directors' statement on fair, balanced and understandable set out on page 74;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 26;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 26, 56 and 57; and
- The section describing the work of the Audit Committee set out on pages 54 to 57.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 74, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, the UK Corporate Governance Code, the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which the Group operates, notably in the USA and the UK. In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee, environmental, bribery and corruption practices and various US state laws;
- We understood how 4imprint Group plc is complying with those frameworks by making enquiries of Board members and management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and attendance at meetings of the Audit Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. We also considered investor focus and management remuneration which may create an incentive for management to manipulate profit. We considered the possibility of fraud through management override and, in response, we incorporated data analytics across manual journal entries into our audit approach. Where unusual results or anomalies were identified through our data analytics, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information and were designed to provide reasonable assurance that the financial statements were free from material fraud or error. For more details please refer to our Key Audit Matters section above;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing on details of journals meeting our defined risk criteria based on our understanding of the business, enquiries of legal counsel, Group management and full and specific scope management, review of the volume and nature of complaints by the whistleblowing hotline during the year; and
- We did not identify any instances of non-compliance with laws and regulations that, in our opinion, could have an impact on the financial statements that would be more than inconsequential.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at *https://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 5 May 2020 to audit the financial statements for the 53 week period ended 2 January 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the 52 week period ended 28 December 2019 to the 53 week period ended 2 January 2021.
- We did not provide non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CHRISTOPHER VOOGD
(SENIOR STATUTORY AUDITOR)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Birmingham
16 March 2021

Notes:
1. The maintenance and integrity of the 4imprint Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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	2	**(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	4	**(129)**	373
Profit before tax		**3,843**	53,993
Taxation	5	**(753)**	(11,276)
Profit for the period		**3,090**	42,717

		Cents	Cents
Earnings per share			
Basic	6	**11.03**	152.42
Diluted	6	**11.00**	151.87
Underlying* basic	6	**12.55**	154.41

* Underlying is before defined benefit pension charges.

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE 53 WEEKS ENDED 2 JANUARY 2021

	Note	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	23	**863**	(173)
Items that will not be reclassified subsequently to the income statement:			
Return on pension scheme assets (excluding interest income)	17	**1,261**	2,372
Re-measurement losses on post-employment obligations	17	**(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	8	**24,832**	24,369
Intangible assets	9	**1,100**	1,152
Right-of-use assets	10	**13,065**	1,985
Deferred tax assets	11	**4,272**	4,338
		43,269	31,844
Current assets			
Inventories	12	**11,271**	11,456
Trade and other receivables	13	**36,799**	52,899
Current tax debtor		**1,976**	140
Cash and cash equivalents	14	**39,766**	41,136
		89,812	105,631
Current liabilities			
Lease liabilities	15	**(1,117)**	(1,630)
Trade and other payables	16	**(49,569)**	(59,209)
Current tax creditor		**(432)**	–
		(51,118)	(60,839)
Net current assets		**38,694**	44,792
Non-current liabilities			
Lease liabilities	15	**(12,089)**	(415)
Retirement benefit obligations	17	**(3,310)**	(12,305)
Deferred tax liabilities	18	**(1,193)**	(968)
		(16,592)	(13,688)
Net assets		**65,371**	62,948
Shareholders' equity			
Share capital	21	**18,842**	18,842
Share premium reserve		**68,451**	68,451
Other reserves	23	**6,117**	5,254
Retained earnings		**(28,039)**	(29,599)
Total Shareholders' equity		**65,371**	62,948

The financial statements on pages 84 to 112 were approved by the Board of Directors on 16 March 2021 and were signed on its behalf by:

KEVIN LYONS-TARR
CHIEF EXECUTIVE OFFICER

DAVID SEEKINGS
CHIEF FINANCIAL OFFICER

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE 53 WEEKS ENDED 2 JANUARY 2021

	Share capital $'000	Share premium reserve $'000	Other reserves (note 23) $'000	Retained earnings: Own shares $'000	Retained earnings: 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 (note 11)					(40)	(40)
Deferred tax relating to losses re post-employment obligations (note 11)					(530)	(530)
Effect of change in tax rates (note 11)					(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 (note 18)					94	94
Deferred tax relating to losses re share options (note 11)					(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 (note 11)					**816**	**816**
Deferred tax relating to losses re post-employment obligations (note 11)					**184**	**184**
Effect of change in tax rates (note 11)					**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 (note 18)					**(83)**	**(83)**
Deferred tax relating to losses (note 11)					**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	24	**3,184**	56,248
Tax paid		**(507)**	(10,318)
Finance income received		**168**	818
Finance costs paid		**(49)**	(22)
Lease interest	15	**(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	15	**(1,418)**	(1,687)
Proceeds from share options exercised		**2,170**	339
Purchases of own shares		**(1,229)**	(2,906)
Dividends paid to Shareholders	7	**–**	(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	14	**39,766**	41,136

NOTES TO THE FINANCIAL STATEMENTS

General information

4imprint Group plc, registered number 177991, is a public limited company incorporated in England and Wales, domiciled in the UK and listed on the London Stock Exchange. Its registered office is 25 Southampton Buildings, London WC2A 1AL.

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

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with 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. 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, a 53 week period which started on 29 December 2019. Please refer to the Financial Review on page 21 for a discussion of the impact on the Group's key metrics of a 53 week period versus a 52 week comparative period.

The Group has adopted IFRIC 23 'Uncertainty over Income Tax Treatments' at the start of the current financial year. There is no significant impact on the Group's consolidated results or balance sheet as a result of adopting this new financial reporting interpretation. Amendments to IFRS 9, IAS 19 and IAS 28 and Annual Improvements 2015–2017 applicable for the first time in the financial period have had no impact upon the financial statements.

Going concern

In making their assessment of going concern from the date of approval of these financial statements until 2 July 2022, the Directors have carefully considered the Group's prospects:

- The Group's strategy, market position and business model, as set out in the Strategic Report section on pages 9 to 19 of the 2020 Annual Report.
- The principal risks and uncertainties facing the Group, as outlined in the Principal Risks & Uncertainties section on pages 26 to 31 of the 2020 Annual Report.
- Information contained in the 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 reshaped 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 assessment 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Going concern continued
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 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.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries, as amended to conform to Group accounting policies, are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

All subsidiaries have the same year-end date as the Group.

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 (please refer to note 8 for further information on the impairment review process), 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 to 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, agree artwork with the customers, set the transaction price, select the suppliers used to fulfil orders, and consider 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. See note 15 for further information.

Key sources of estimation uncertainty

Pensions

As disclosed in note 17, the Group sponsors a defined benefit pension scheme closed to new members and future accruals. Period end recognition of the liabilities under this scheme require a number of significant actuarial assumptions to be made, including inflation rate, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability in the balance sheet. Sensitivities to changes in these assumptions are disclosed in note 17. 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.

Other accounting policies

Revenue

The activity from which the Group derives revenue is the sale and delivery of promotional products.

The Group primarily operates a ‘drop-ship’ model in which it acts as principal as it has control over the goods and services before transfer to the customer. The Group also acts as principal for apparel goods that are decorated within the Group’s facilities and shipped directly to the customer. The Group recognises the gross amount of consideration as revenue in both instances.

It is common for a customer order to include several different product lines. Individual order lines are separately priced, have separately agreed delivery dates, and are capable of being used or enjoyed by the customer on their own, separately from any other order lines included in the overall customer order. The Group therefore considers each order line to constitute a separate performance obligation. Revenue is recognised at a point in time upon delivery and acceptance by the customer as this is when control of the goods has transferred.

The price for each order line is fixed at the time of order, inclusive of any discounts given. Revenue is shown net of discounts, credits, refunds, VAT and sales tax. The value of credits and refunds is determined using the expected value methodology based upon historical experience of refunds/credits issued and levels of revenue.

Payment terms vary by customer but are generally either payment with order or within 30 days of delivery.

Supplier rebates

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

Segmental reporting

The reporting requirements of IFRS 8 require operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified by the Directors as the Board.

Leases

A lease is defined as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of a lease a right-of-use asset and a lease liability are recognised in the financial statements.

The lease liability is initially measured at the present value of expected future lease payments discounted at the interest rate implicit in the lease or, if that rate cannot be determined, the lessee’s incremental borrowing rate. Subsequently the lease liability decreases by the lease payments made, offset by interest on the liability, and may be re-measured to reflect any reassessment of expected payments or to reflect any lease modifications.

The right-of-use asset is initially measured at cost. This comprises the amount of the initial lease liability plus: any lease payments made on or before the commencement date less incentives received; any incremental costs of obtaining the lease; and, if any, the costs of decommissioning the asset and any restoration work to return the asset to the condition required under the terms of the lease. Subsequently the right-of-use asset is measured using the cost model. The asset is amortised on a straight-line basis over the expected term of the lease, adjusted for any re-measurement of the lease liability, and is shown net of the accumulated depreciation and any impairment provisions.

The Group has elected to use the recognition exemptions for low value assets and short-term leases, with a duration of 12 months or less, which are expensed to operating profit on a straight-line basis over the term of the lease.

Share-based payments

Share options, which are all equity-settled, are measured at fair value at the date of grant allowing for any market conditions, if applicable. The fair value is charged to the income statement over the vesting period of the share option schemes on a straight-line basis. The value of the charge is adjusted each year to reflect any non-market or service conditions that impact the expected number of options that will become exercisable. All options cancelled are fully expensed to the income statement upon cancellation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Other accounting policies continued

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

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

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income.

Transactions and calculations for which the ultimate tax determination is uncertain may arise during the ordinary course of business. Should an uncertain tax position arise, where a risk of an additional tax liability has been identified and it is considered probable that the Group will be required to settle that tax, a tax provision is recognised. This is assessed on a case-by-case basis.

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

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

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

Foreign currency
The functional and presentation currency of the Company is Sterling. However, the Group's financial statements are presented in US dollars, reflecting that most of the Group's revenues and transactions are generated in North America in US dollars.

Transactions in currencies other than the functional currency of the Company or subsidiary concerned are recorded at the exchange rate prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement.

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

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

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

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

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

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

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

The principal useful lives currently fall within the following ranges:

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

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

Intangible assets

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

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

Impairment of assets

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

Inventories

Inventories are valued at the lower of cost, net of provisions for slow-moving and discontinued items, and net realisable value using the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Items in transit where the Group has control are included in inventories.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on the expected credit loss. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, which are grouped based on shared credit risk characteristics and the days past due. The amount of the provision is recognised in the income statement. Trade receivables are discounted when the time value of money is considered material. Receivables also include credit and debit card sales which have not reached the bank at the reporting date.

Cash and cash equivalents

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

Trade payables and contract liabilities

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

Contract liabilities reflect the Group's obligation to transfer goods to a customer and arise where a customer has paid an amount of consideration in advance of receiving the goods.

Pensions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Other accounting policies continued

Borrowings

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

Own shares held by employee share trusts

The Company is the sponsoring entity of an Employee Benefit Trust ("EBT") and, notwithstanding the legal duties of the Trustees, the Group considers that it has 'de facto' control of the EBT. The trust is accounted for as assets and liabilities of the Company and included in the consolidated financial statements. The Company's equity instruments held by the EBT are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the EBT.

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.

IFRS standards effective in future financial statements

The IASB and IFRS IC have issued new or amended standards and interpretations which are effective for accounting periods as noted below. Standards and interpretations which have been issued but are not yet effective will be applied by the Group in the accounting period that they become effective. Management does not believe the impact of adopting the new or amended standards and interpretations listed below will have a material impact on the results or net assets of the Group.

Amendments to IFRS 3 'Business Combinations' (effective 1 January 2022)*
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective 1 January 2020)
IFRS 17 'Insurance Contracts' (effective 1 January 2023)*
Amendments to IAS 1 'Presentation of Financial Statements' (effective 1 January 2023)*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark reform (effective 1 January 2021)
Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022)*

* Not yet endorsed by the UK.

Note: the current financial reporting period commenced on 29 December 2019.

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 17)	**(420)**	(312)
Operating profit	**3,972**	53,620
Net finance (cost)/income (note 4)	**(25)**	751
Pension finance charge (note 4)	**(104)**	(378)
Profit before tax	**3,843**	53,993

* Underlying is before defined benefit pension charges.

Other segmental information

	Assets		Liabilities		Capital expenditure		Depreciation		Amortisation	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
North America	**86,755**	87,701	**(62,216)**	(57,790)	**3,780**	8,124	**(2,919)**	(2,255)	**(1,878)**	(1,760)
UK & Eire	**2,055**	3,886	**(1,673)**	(2,834)	**33**	50	**(72)**	(86)	**(23)**	(23)
Head Office	**44,271**	45,888	**(3,821)**	(13,903)	**4**	4	**(1)**	(4)	**(40)**	(156)
	133,081	137,475	**(67,710)**	(74,527)	**3,817**	8,178	**(2,992)**	(2,345)	**(1,941)**	(1,939)

Head Office assets include cash and cash equivalents and deferred tax assets, Head Office liabilities include retirement benefit obligations.

Geographical analysis of revenue and non-current assets

2020	**North America $'000**	**UK $'000**	**All other countries $'000**	**Total $'000**
Total revenue by destination	**549,932**	**9,326**	**782**	**560,040**
Property, plant and equipment	**23,892**	**940**	**–**	**24,832**
Intangible assets	**1,052**	**48**	**–**	**1,100**
Right-of-use assets	**13,065**	**–**	**–**	**13,065**

2019	North America $'000	UK $'000	All other countries $'000	Total $'000
Total revenue by destination	839,472	19,912	1,460	860,844
Property, plant and equipment	23,417	952	–	24,369
Intangible assets	1,099	53	–	1,152
Right-of-use assets	1,944	41	–	1,985

2 Operating expenses

	Note	**2020 $'000**	2019 $'000
The following items have been charged/(credited) in arriving at operating profit:			
Purchase of goods for resale and consumables		**361,488**	538,859
Changes in inventories		**186**	(1,577)
Impairment loss on trade receivables	13	**865**	959
Staff costs	3	**60,475**	65,186
Marketing expenditure (excluding staff costs)		**85,312**	146,798
Depreciation of property, plant and equipment	8	**2,992**	2,345
Amortisation of intangible assets	9	**443**	440
Amortisation of right-of-use assets	10	**1,498**	1,499
Short-term and low value operating lease payments	15	**137**	21
Defined benefit pension scheme administration costs	17	**343**	312
Net exchange losses/(gains)		**58**	(65)
Other operating expenses		**42,271**	52,447
		556,068	807,224

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

	2020 $'000	2019 $'000
Fees payable to the Company's auditor for the audit of the parent company, non-statutory audits of overseas subsidiaries and audit of consolidated financial statements	**425**	250
Fees payable to the Company's auditor and its associates for other services:		
– the audit of Company's subsidiaries pursuant to legislation	**23**	19
	448	269
Non-audit fees		
– IT general controls review	**–**	13
	448	282

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 Employees

Staff costs	Note	2020 $'000	2019 $'000
Wages and salaries		**57,315**	58,238
Social security costs		**4,563**	4,419
Pension costs – defined contribution plans	17	**2,023**	1,580
Pension – past service costs	17	**77**	–
Government job retention credits		**(4,137)**	–
Share option charges	22	**625**	928
Social security costs in respect of share options	22	**9**	21
		60,475	65,186

Government grants and other COVID-19 assistance

The Group accessed certain government support schemes aimed at mitigating the potential impact on liquidity and job losses resulting from the impact of COVID-19. Support received includes $3.93m of employee retention credits under the US CARES Act and $0.21m under the UK Coronavirus Job Retention Scheme. The Group has also deferred the payment of $2.28m of employer social security costs in the US until the end of 2021.

Average monthly number of people (including Executive Directors) employed

	2020 Number	2019 Number
Distribution and production	**458**	442
Sales and marketing	**514**	508
Administration	**216**	195
	1,188	1,145

Key management compensation

	2020 $'000	2019 $'000
Salaries, fees and short-term employee benefits	**1,261**	2,444
Social security costs	**70**	135
Pension costs – defined contribution plans	**24**	20
Share option charges	**(6)**	249
Social security costs in respect of share options	**–**	4
	1,349	2,852

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

Directors' remuneration

	2020 $'000	2019 $'000
Aggregate emoluments	**1,261**	2,444
Pension costs – defined contribution plans	**24**	20

4 Net finance (cost)/income

	2020 $'000	2019 $'000
Finance (cost)/income		
Bank and other interest receivable	**168**	818
Bank interest payable	**(61)**	(22)
Lease interest charge	**(132)**	(45)
	(25)	751
Pension finance charge (note 17)	**(104)**	(378)
Net finance (cost)/income	**(129)**	373

5 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 (notes 11 and 18)	**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 Group's deferred tax balances.

Management does 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 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 17)	**420**	312
Pension finance charge (note 17)	**104**	378
Underlying profit before tax	**4,367**	54,683
Taxation (note 5)	**(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.

7 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.

OVERVIEW
STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

8 Property, plant and equipment

	Freehold land and buildings $'000	Plant, machinery, fixtures & fittings $'000	Computer hardware $'000	Total $'000
Cost:				
At 29 December 2019	18,565	17,227	1,976	37,768
Additions	–	2,852	575	3,427
Disposals	(14)	(326)	(476)	(816)
Exchange difference	33	22	4	59
At 2 January 2021	**18,584**	**19,775**	**2,079**	**40,438**
Depreciation:				
At 29 December 2019	2,559	9,445	1,395	13,399
Charge for the period	564	1,995	433	2,992
Disposals	(1)	(326)	(476)	(803)
Exchange difference	4	11	3	18
At 2 January 2021	**3,126**	**11,125**	**1,355**	**15,606**
Net book value at 2 January 2021	**15,458**	**8,650**	**724**	**24,832**

Freehold land with a value of $1,038,000 (2019: $737,000) has not been depreciated.

	Freehold land and buildings $'000	Plant, machinery, fixtures & fittings $'000	Computer hardware $'000	Total $'000
Cost:				
At 30 December 2018	13,541	15,060	1,943	30,544
Additions	4,998	2,313	362	7,673
Disposals	–	(159)	(330)	(489)
Exchange difference	26	13	1	40
At 28 December 2019	18,565	17,227	1,976	37,768
Depreciation:				
At 30 December 2018	2,099	8,022	1,411	11,532
Charge for the period	457	1,575	313	2,345
Disposals	–	(159)	(330)	(489)
Exchange difference	3	7	1	11
At 28 December 2019	2,559	9,445	1,395	13,399
Net book value at 28 December 2019	16,006	7,782	581	24,369

Impairment review

IAS 36 'Impairment of Assets' requires an assessment at each reporting date of whether there is any indication that an asset may be impaired. COVID-19 is considered a potential indicator of impairment for the current year because of the material adverse effect it has had on the trading of the UK and US businesses. Accordingly, an impairment review has been undertaken for all assets within the scope of IAS 36 including property, plant and equipment, intangible assets, and right-of-use assets.

Management has estimated the recoverable amount of these assets from value in use ("VIU") calculations for the asset's cash-generating unit ("CGU"). It is impracticable to estimate the recoverable amount for individual assets. However, the assets under review can be ascribed to two CGUs, the US and UK businesses, being the smallest group of assets that generate independent cash inflows.

The key assumptions for the VIU calculations are operating cash flow forecasts, long-term growth rates, and pre-tax discount rates. Operating cash flow forecasts are derived from the most recent financial budgets and forecasts approved by the Board of Directors covering a three-year period and are consistent with the forecasts used in the going concern and viability assessments. These forecasts include assumptions around revenue and operating margins and reflect external economic factors, including the impact of COVID-19. Long-term growth rates used were 3.7% and 2.9% for the US and UK CGUs respectively, based upon external research data for the US and UK promotional products markets. Pre-tax discount rates were based on the calculation of a weighted average cost of capital using the capital asset pricing model and were determined to be 12.1% and 10.0% for the US and UK CGUs respectively.

The recoverable amounts calculated exceeded the carrying values of the CGUs of $38.4m and $0.9m for the US and UK respectively, and therefore no impairment losses have been recognised. Significant levels of headroom continued to exist for the US CGU, even under the plausible but distressed cash flow scenario determined for the viability assessment. An independent valuation of the freehold land and buildings held by the UK CGU (comprising $0.7m of the total UK CGU carrying value of $0.9m) was undertaken at the end of 2020 and confirmed the fair value less costs of disposal exceeds the carrying value of the asset. Excluding land and buildings, the remaining carrying value of the UK CGU assets is immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 Intangible assets

Computer software	2020 $'000	2019 $'000
Cost:		
At start of period	**2,569**	2,543
Additions	**390**	505
Disposals	**(419)**	(485)
Exchange difference	**6**	6
At end of period	**2,546**	2,569
Amortisation:		
At start of period	**1,417**	1,459
Charge for the period	**443**	440
Disposals	**(419)**	(485)
Exchange difference	**5**	3
At end of period	**1,446**	1,417
Net book value at end of period	**1,100**	1,152

The average remaining life of intangible assets is 2.5 years (2019: 2.6 years).

Impairment review

See note 8 for details of the impairment review undertaken for the Group's non-current assets.

10 Right-of-use assets

	Leasehold land and buildings $'000	Plant, machinery, fixtures & fittings $'000	Total $'000
Cost:			
At 29 December 2019	3,405	13	3,418
Addition*	12,579	–	12,579
Disposals	(197)	(13)	(210)
Exchange difference	(3)	–	(3)
At 2 January 2021	**15,784**	**–**	**15,784**
Depreciation:			
At 29 December 2019	1,423	10	1,433
Charge for the period	1,495	3	1,498
Disposals	(197)	(13)	(210)
Exchange difference	(2)	–	(2)
At 2 January 2021	**2,719**	**–**	**2,719**
Net book value at 2 January 2021	**13,065**	**–**	**13,065**

* The addition relates to the renewal of the Oshkosh office lease from 1 October 2020 (see note 15).

	Leasehold land and buildings $'000	Plant, machinery, fixtures & fittings $'000	Total $'000
Cost:			
At 30 December 2018	–	–	–
Adjustment arising from adoption of IFRS 16	1,773	83	1,856
At 30 December 2018 after adjustment	1,773	83	1,856
Addition**	1,625	–	1,625
Disposals	–	(70)	(70)
Exchange difference	7	–	7
At 28 December 2019	3,405	13	3,418
Depreciation:			
At 30 December 2018	–	–	–
Adjustment arising from adoption of IFRS 16	–	–	–
At 30 December 2018 after adjustment	–	–	–
Charge for the period	1,419	80	1,499
Disposals	–	(70)	(70)
Exchange difference	4	–	4
At 28 December 2019	1,423	10	1,433
Net book value at 28 December 2019	1,982	3	1,985

** The addition relates to the reassessment of the lease term of the Oshkosh office in December 2019.

Impairment review

See note 8 for details of the impairment review undertaken for the Group's non-current assets.

11 Deferred tax assets

	2020 $'000	2019 $'000
At start of period	**4,338**	5,636
Income statement charge	**(1,510)**	(762)
Deferred tax credited/(charged) to other comprehensive income	**1,000**	(570)
Deferred tax credited/(charged) to equity	**35**	(101)
Effect of change in UK tax rate – other comprehensive income	**241**	(9)
Exchange difference	**168**	144
At end of period	**4,272**	4,338

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

Trading forecasts approved by the Board of Directors and covering a three-year period (that include the expected impact of COVID-19) support the recoverability of the recognised deferred tax assets.

$1.0m (2019: $1.0m) of the deferred tax asset is expected to reverse within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 Deferred tax assets continued

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

Deferred tax analysis

	Depreciation/ capital allowances $'000	Pension $'000	UK tax losses $'000	Total $'000
At 29 December 2019	4	2,091	2,243	4,338
Income statement charge	(1)	(1,123)	(386)	(1,510)
Deferred tax charged to other comprehensive income	–	816	184	1,000
Deferred tax credited to equity	–	–	35	35
Effect of change in tax rates	–	241	–	241
Exchange difference	–	86	82	168
At 2 January 2021	**3**	**2,111**	**2,158**	**4,272**

	Depreciation/ capital allowances $'000	Pension $'000	Losses $'000	Total $'000
At 30 December 2018	4	2,623	3,009	5,636
Income statement charge	–	(552)	(210)	(762)
Deferred tax credited to other comprehensive income	–	(40)	(530)	(570)
Deferred tax credited to equity	–	–	(101)	(101)
Effect of change in tax rates	–	(9)	–	(9)
Exchange difference	–	69	75	144
At 28 December 2019	4	2,091	2,243	4,338

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

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

No deferred tax asset has been recognised for UK losses carried forward of $24.4m (2019: $23.6m). These losses have no expiry date and may be available for offset against future profits in these companies.

12 Inventories

	2020 $'000	2019 $'000
Finished goods and goods for resale	**11,271**	11,456

During both the current and previous period, inventory was carried at cost less appropriate provisions. The carrying values did not exceed their net realisable value. $7,934,000 (2019: $7,828,000) of the inventories balance relates to goods in transit to customers at the balance sheet date. Provisions held against inventory total $181,000 (2019: $181,000).

During the period there has been no net charge in the income statement in respect of provisions for slow-moving and obsolete stock (2019: nil). There has been no impact on the carrying value of inventory due to COVID-19 due to the minimal levels of inventory held due to the 'drop-ship' business model, the generic nature of items held and consistently high levels of inventory turnover.

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

13 Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	**22,405**	30,580
Less: Provision for impairment of trade receivables	**(866)**	(966)
Trade receivables – net	**21,539**	29,614
Other receivables	**10,185**	16,638
Prepayments	**5,075**	6,647
	36,799	52,899

Trade terms are a maximum of 30 days credit.

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

Trade and other receivables are only written off when the Group has exhausted all options to recover the amounts due and provided for in full when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Group or a subsequent failure to make agreed payments. An expected credit loss provision is then calculated on the remaining trade and other receivables.

Management has assessed the expected credit losses for trade receivables. Due to the uncertainty arising from COVID-19, the expected loss rates have been increased to reflect the increased risk of default. In addition, certain individual customers (where there is objective evidence of credit impairment) have been provided for on a specific basis. This has resulted in an impairment charge to the income statement of $865,000 (2019: $959,000). The resultant provision for impairment of trade receivables continues to represent a small percentage of the trade receivables balance, reflecting the high volume and low value nature of customer transactions.

Other receivables include rebates receivable of $9,283,000 (2019: $16,022,000).

Management has reviewed other receivables and concluded that there is no impairment required of any receivables other than trade receivables. Certain measures have been undertaken during the year to reduce the Group's credit exposures, particularly in relation to rebates receivables, where more interim receipts of rebates due have been agreed with suppliers.

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

Time past due date	2020 $'000	2019 $'000
Up to 3 months	**5,519**	9,558
3 to 6 months	**426**	2,144
Over 6 months	**52**	520
	5,997	12,222

The ageing of impaired trade receivables is as follows:

Time past due date	2020 $'000	2019 $'000
Current	**329**	162
Up to 3 months	**369**	433
3 to 6 months	**131**	253
Over 6 months	**37**	118
	866	966

The trade receivables impairment provision for 2020 is calculated using the simplified approach to the expected credit loss model. The provisions made are based on the following percentages:

Age of trade receivable	Amount $'000	Provision %
Current	**15,871**	2.1
31 – 60 days	**4,562**	4.4
61 – 90 days	**1,326**	12.6
91 – 180 days	**557**	23.5
181 – 365 days	**80**	35.0
Over 365 days	**9**	100.0

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

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

	2020 $'000	2019 $'000
Sterling	**1,230**	2,896
US dollars	**33,265**	46,930
Euros	**37**	103
Canadian dollars	**2,267**	2,970
	36,799	52,899

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 Trade and other receivables continued

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

	2020 $'000	2019 $'000
At start of period	**966**	348
Utilised	**(966)**	(341)
Provided	**865**	959
Exchange difference	**1**	–
At end of period	**866**	966

14 Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and in hand	**39,766**	41,136

15 Leases

The Group leases office space in office facilities in Oshkosh. The new Oshkosh lease has a five-year term with a five-year extension option. In addition, there are various items of leasehold land and buildings (office facilities in London) and machinery on short-term leases, and some office equipment with low value. The Group applies the IFRS 16 exemptions for short-term and low value leases. No leases contain variable payment terms.

Details on right-of-use assets, including analysis by asset class, are shown in note 10.

Lease liabilities	2020 $'000	2019 $'000
Expiring within one year	**1,117**	1,630
Expiring within two to five years	**4,851**	415
Expiring over five years	**7,238**	–

The movement in lease liabilities in the period is shown below:

	2020 $'000	2019 $'000
At start of period	**2,045**	–
Adjustment arising from the adoption of IFRS 16	**–**	2,105
	2,045	2,105
Additions	**12,579**	–
Interest charge	**132**	45
Lease interest payments – operating cash flow	**(132)**	(45)
Lease capital payments – financing cash flow	**(1,418)**	(1,687)
Reassessment of lease term	**–**	1,625
Exchange difference	**–**	2
At end of period	**13,206**	2,045

The amounts recognised in the income statement are as follows:

	2020 $'000	2019 $'000
Depreciation of right-of-use assets (note 10)	**1,498**	1,499
Interest expense on lease liabilities	**132**	45
Short-term and low value leases	**137**	21
	1,767	1,565

The cash outflow on leases in the period was $1,687,000 (2019: $1,753,000).

The Oshkosh office lease that was due to end on 31 March 2020 was extended for a six-month period to 30 September 2020 under the same terms as the expiring lease, at the end of March 2020, and then extended for a five-year period to 30 September 2025 under an option contained in the original lease, in late August 2020. The lessor has additionally granted the Group a further five-year option to renew the same office space for the period 1 October 2025 to 30 September 2030.

Following a detailed review of its options and requirements for office space after the end of the previous reporting period, the Group has assessed the likelihood of exercising the new option to extend as reasonably certain. Consequently, a lease term of ten years has been reflected in calculating the lease liability and right-of-use asset. A lease term of five years would have led to the adjustments to the right-of-use asset and lease liability being $6.5m lower than recognised.

The interest rate inherent in the lease could not be ascertained; therefore, estimates have been used based upon incremental costs of borrowing for a similar term and asset, obtained from the Group's US bankers. A change of plus or minus 1.0% in the interest rate would result in a decrease/increase in the lease liability at the year-end of $0.6m respectively.

16 Trade and other payables – current

	2020 $'000	2019 $'000
Trade payables	**32,138**	43,668
Other tax and social security payable	**5,726**	4,159
Other payables	**197**	134
Contract liabilities	**5,897**	4,661
Accruals	**5,611**	6,587
	49,569	59,209

All trade payables have a maturity of 30 days or less from the balance sheet date. Due to their short-term nature, the fair value of trade and other payables does not differ from the book value.

Included within 'Other tax and social security payable' are $2.28m (2019: $nil) of deferred US employer social security taxes. These will be paid during 2021.

Contract liabilities represents the Group's obligation to transfer goods to customers for which payment has been received in advance. The prior year comparative has been reclassified from accruals to reflect the current year presentation. The opening contract liabilities of $4.66m have been recognised as revenue in 2020; the Group expects to complete its remaining performance obligations in respect of the closing contract liabilities balance of $5.90m and recognise the full amount as revenue in 2021.

17 Employee pension schemes

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

	2020 $'000	2019 $'000
Defined contribution plans – employers' contributions (note 3)	**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)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 Employee pension schemes continued

The funds of the scheme are held in trust and administered by a corporate Trustee to meet pension liabilities for around 353 past employees of the Group. The level of retirement benefit is principally based on salary earned in the best three consecutive tax years in the ten years prior to leaving active service and is linked to changes in inflation both pre- and post-retirement.

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

The Trustee of the scheme is required to act in the best interest of the scheme's beneficiaries. The appointment of trustees is determined by the scheme's trust documentation.

The scheme typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to scheme liabilities. This would detrimentally impact the balance sheet position, potentially require an increase in future cash contributions from the Company and may give rise to increased charges in future income statements. Caps on inflationary increases are in place to protect the scheme against extreme inflation. Assets are held in a multi-asset credit fund designed to give lower volatility than equities, and in liability-driven investment funds, designed to provide a hedge against movement in the liabilities due to interest rate fluctuation and inflation. The funds use derivatives to reduce risk.

An actuarial valuation was undertaken as at 30 September 2019 in accordance with the scheme funding requirements of the Pensions Act 2004. The actuarial valuation showed a deficit of £19.4m. A recovery plan has been agreed with the Trustee under which the Company commits to a revised schedule of contributions. The recovery plan period is five years and under the plan a lump sum of £7.5m was paid in May 2020 and ongoing contributions of £2.46m per annum are payable by the Company. These contributions commenced on 1 July 2020 and increase by 3% annually. In addition, an annual allowance of £0.30m, rising by 3% annually, is payable towards costs of administration of the scheme.

For the purposes of IAS 19, numbers from the actuarial valuation as at 30 September 2019, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 2 January 2021. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

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

	Present value of obligations $'000	Fair value of scheme assets $'000	Net obligation $'000
Balance at 30 December 2018	(33,103)	18,087	(15,016)
Administration costs paid by the scheme	(312)	–	(312)
Interest (expense)/income	(919)	541	(378)
Return on scheme assets (excluding interest income)	–	2,372	2,372
Re-measurement gains due to changes in scheme experience	1,425	–	1,425
Re-measurement gains due to changes in demographic assumptions	1,429	–	1,429
Re-measurement losses due to changes in financial assumptions	(5,018)	–	(5,018)
Contributions by employer	–	3,593	3,593
Benefits paid	1,288	(1,288)	–
Exchange (loss)/gain	(1,112)	712	(400)
Balance at 28 December 2019	(36,322)	24,017	(12,305)
Administration costs paid by the scheme	**(343)**	**–**	**(343)**
Past service costs	**(77)**	**–**	**(77)**
Interest (expense)/income	**(677)**	**573**	**(104)**
Return on scheme assets (excluding interest income)	**–**	**1,261**	**1,261**
Re-measurement losses due to changes in scheme experience	**(1,119)**	**–**	**(1,119)**
Re-measurement gains due to changes in demographic assumptions	**50**	**–**	**50**
Re-measurement losses due to changes in financial assumptions	**(4,481)**	**–**	**(4,481)**
Contributions by employer	**–**	**13,278**	**13,278**
Benefits paid	**2,163**	**(2,163)**	**–**
Exchange (loss)/gain	**(1,821)**	**2,351**	**530**
Balance at 2 January 2021	**(42,627)**	**39,317**	**(3,310)**

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

	2020		2019	
	$'000	**%**	$'000	%
Multi-asset credit fund	**9,635**	**24.5**	–	–
Sterling liquidity fund	**4,253**	**10.8**	–	–
Gilt funds	**6,471**	**16.5**	–	–
Index-linked gilt funds	**4,227**	**10.7**	–	–
Leveraged gilt funds	**9,787**	**24.9**	–	–
Leveraged index-linked gilt funds	**4,764**	**12.1**	–	–
Diversified growth fund	**–**	**–**	13,443	56.0
Liability-driven investments	**–**	**–**	10,442	43.5
Cash	**180**	**0.5**	132	0.5

Following the completion of the 2019 triennial valuation and the agreement with the Company that it would make a lump sum contribution of £7.50m to the scheme in May 2020 and continue normal contributions at existing levels, the Trustee of the scheme instigated a review of the investment objectives and strategy of the scheme with the aim of being fully funded on a gilts+0% p.a. basis by the end of the current recovery plan in mid-2024. After due consideration, this resulted in a switch from the previous investment portfolio to a de-risked portfolio containing a multi-asset credit fund and a revised selection of liability-driven investments, designed to match the interest rate and inflation exposure of the scheme liabilities.

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

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

The assets are held in: (i) multi-asset credit fund, investing in debt and debt-like assets, including but not limited to, debt instruments with a fixed, variable or floating rate coupon; and (ii) gilt and index-linked gilt funds, some of which are leveraged to provide a hedge against movements in the pension liabilities due to interest rate fluctuation and inflation. These funds invest in gilts, index-linked gilts, gilt repos, reverse gilt repos, gilt total return swaps, inflation swap contracts, interest rate swaps and a Sterling liquidity fund, with the aim to provide similar interest rate and inflation sensitivities to those of the scheme. The Sterling liquidity fund invests in certificates of deposit, fixed and floating rate notes, fixed rate commercial paper and bonds listed or traded on one or more recognised exchanges.

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

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

	Change in assumption	Change in defined benefit obligation
Discount rate	Decrease of 0.25%	+4.4%
Rate of inflation	Increase of 0.25%	+2.6%
Rate of mortality	Increase in life expectancy of one year	+4.4%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 Employee pension schemes continued

The sensitivities shown are approximate. Each sensitivity considers each change in isolation and is calculated using the same methodology as used for the calculation of the defined benefit obligation at the end of the period. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. In practice it is unlikely that the changes would occur in isolation.

The weighted average duration of the defined benefit obligation at 2 January 2021 is 20 years.

18 Deferred tax liabilities

	2020 $'000	2019 $'000
At start of period	**968**	869
Prior year adjustment	**76**	–
Charged to the income statement	**65**	192
Deferred tax charged/(credited) to equity	**83**	(94)
Exchange difference	**1**	1
At end of period	**1,193**	968

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

Deferred tax analysis

	Depreciation/ capital allowances $'000	Other $'000	Total $'000
At 29 December 2019	2,171	(1,203)	968
Prior year adjustment	49	27	76
Income statement charge/(credit)	240	(175)	65
Deferred tax charged to equity	–	83	83
Exchange difference	1	–	1
At 2 January 2021	**2,461**	**(1,268)**	**1,193**

'Other' includes short-term timing differences and future deductions relating to conditional share awards for US employees of which $121,000 (2019: $136,000) is expected to reverse within the next twelve months.

	Depreciation/ capital allowances $'000	Other $'000	Total $'000
At 29 December 2018	1,730	(799)	931
Adjustment arising from the adoption of IFRS 16	–	(62)	(62)
At 30 December 2018 after adjustment	1,730	(861)	869
Income statement charge/(credit)	440	(248)	192
Deferred tax credited to equity	–	(94)	(94)
Exchange difference	1	–	1
At 28 December 2019	2,171	(1,203)	968

19 Borrowings

The Group had no drawdown on its borrowing facilities at 2 January 2021 (28 December 2019: no drawdown).

The Group had the following undrawn committed floating rate borrowing facilities available at 2 January 2021:

Borrowing facilities

	2020 $'000	2019 $'000
Expiring in more than one year	**20,000**	20,000

Committed facilities comprise an unsecured US$20.0m line of credit for 4imprint, Inc., which expires on 31 May 2022. The Company has an unsecured UK overdraft facility of £1.0m that is repayable on demand, which expires on 31 December 2021.

20 Financial risk management

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

Currency risk

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

The Group uses derivative financial instruments to partly hedge foreign currency cash flows arising from sales and purchases of goods, as well as remittances from its overseas subsidiaries. The Group does not hedge the currency exposure of profits and assets of its overseas subsidiaries or other financial transactions.

At 2 January 2021 the Group had no forward currency contracts outstanding (2019: none).

The movement in the exchange rates compared to prior period decreased profit after tax by $0.03m and increased net assets by $0.53m. Closing rate was US$1.36 (2019: US$1.31) and the average rate used to translate profits was US$1.28 (2019: US$1.28).

A strengthening in the Sterling exchange rate by 10% (the approximate range of movement of the exchange rate during the year) would have reduced profit in the period by $0.65m and net assets would be increased at period end by $1.30m.

Credit risk

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

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

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

Financial instruments

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

	2020 $'000	2019 $'000
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments) (note 13)	**31,724**	46,252
Cash and cash equivalents (note 14)	**39,766**	41,136
Financial liabilities at amortised cost		
Trade and other payables (excluding non-financial liabilities) (note 16)	**(43,672)**	(54,548)

Lease liabilities (note 15)

	2020 $'000	2019 $'000
Expiring within one year	**1,117**	1,630
Expiring within two to five years	**4,851**	415
Expiring over five years	**7,238**	–

All trade receivables and payables have contracted maturities of 30 days or less from the balance sheet dates. All other receivables and payables are due/payable within one year.

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

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

	2020 Rating	**2020 Deposit $'000**	2019 Rating	2019 Deposit $'000
Lloyds Bank plc	**Aa3**	**11,554**	Aa2	6,096
JPMorgan Chase Bank, N.A.	**Aa1**	**28,200**	Aa1	35,031
Other		**12**		9
		39,766		41,136

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

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

The Group monitors its levels of cash and indebtedness to ensure adequate liquid funds are available to meet the foreseeable requirements of the Group. The Group does not actively monitor a gearing ratio but seeks to maintain an appropriate level of financial flexibility. Details of borrowing facilities are given in note 19 and lease liabilities in note 15.

At 2 January 2021 the cash position (note 14) of the Group was $39.77m (2019: $41.14m).

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

The policy for capital allocation is shown on page 23.

In 2020 the Company provided no returns to Shareholders in the form of dividends, due to the impact of the pandemic on the business. Shares were purchased by an employee benefit trust, to cover options maturing during the year and in 2021.

21 Share capital

	2020 $'000	2019 $'000
Issued and fully paid		
28,085,530 (2019: 28,085,530) ordinary shares of 38⁶⁄₁₃p each	**18,842**	18,842

All shares have the same rights.

The Company issued no ordinary shares in the period (2019: none). Share option exercises were satisfied by transfer of shares from an employee benefit trust.

At 2 January 2021 the following options have been granted and were outstanding under the Company's share option schemes:

Scheme	Date of grant	**Number of ordinary shares 2020**	**Number of option holders 2020**	Number of ordinary shares 2019	Subscription price	Date exercisable From	Date exercisable To
US ESPP	26/09/18	**–**	**–**	102,222	$22.16	Dec 2020	Dec 2020
UK SAYE	25/09/19	**16,052**	**36**	17,873	£22.70	Nov 2022	Apr 2023
2015 Incentive Plan	30/03/17	**–**	**–**	14,907	nil	Mar 2020	Mar 2027
2015 Incentive Plan	15/04/18	**16,547**	**8**	16,547	nil	Apr 2021	Apr 2028
2015 Incentive Plan	28/03/19	**39,285**	**9**	39,285	nil	Mar 2022	Mar 2029
2015 Incentive Plan	30/03/20	**12,640**	**7**	–	nil	Mar 2023	Mar 2030
Total		**84,524**		190,834			

The weighted average exercise price for options outstanding at 2 January 2021 was £4.31 (2019: £11.19).

Details of share schemes are disclosed in note 22.

2015 Incentive Plan
Under the 2015 Incentive Plan 50% of the annual bonus of the Chief Executive Officer, Chief Financial Officer and seven senior managers will be deferred into shares as awards of nil cost options or conditional shares, based on the share price at 31 December of the relevant year. The awards will be made in a 42 day period following the announcement of the Group's full year results and the options will normally not be exercisable until at least three years from the date of the award, conditional upon the person still being in the employment of a Group company. The awards to Executive Directors, from 4 March 2019, will not be exercisable until five years from the date of the award. No options or conditional shares will be awarded in respect of the 2020 bonus.

22 Share-based payments

Share options may be granted to senior management and, in addition, SAYE or equivalent schemes exist for all UK and US employees. The exercise price for SAYE options is equal to the market rate, less any discount up to the limit imposed by the local tax authority at the pricing date. The existing US ESPP awards matured in December 2020 and it is planned that an invitation to participate in a new award will be made to eligible US employees in 2021.

The fair value of the options is determined using the Black-Scholes model for SAYE and ESPP and is spread over the vesting period of the options. The significant inputs into the model are: an expected life of between 2.2 and 3.0 years for the ESPP and SAYE options; the volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last five years; and the risk-free rate is based on zero coupon government bond yields.

	2020 $'000	2019 $'000
Charge resulting from spreading the fair value of options	**625**	928
Social security costs in respect of share options	**9**	21
Total	**634**	949

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

	US ESPP scheme	UK SAYE scheme
Grant date	26/09/18	25/09/19
Share price at grant date	£20.00	£29.90
Exercise price	$22.16	£22.70
Number of employees	–	36
Shares under option	–	16,052
Vesting period (years)	2.2	3.0
Expected volatility	30%	30%
Option life (years)	2.2	3.5
Expected life (years)	2.2	3.0
Risk-free rate	0.85%	0.36%
Expected dividends expressed as a dividend yield	2.0%	2.0%
Possibility of ceasing employment before vesting	5%	5%
Expectations of meeting performance criteria	100%	100%
Fair value per option	£4.62	£8.09

In respect of the 2015 Incentive Plan the fair value of the awards of options or conditional shares made in 2017, 2018, 2019 and 2020 are based on the share price at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019 respectively. The option life is between 4.25 to 6.25 years from the start of the financial year to which the awards relate. There are no awards of options or conditional shares in respect of 2020, as performance targets have not been met.

A reconciliation of option movements over the period to 2 January 2021 is shown below:

	2020		2019	
	Number of shares	**Weighted average exercise price (£)**	Number of shares	Weighted average exercise price (£)
Outstanding at start of period	**190,834**	**11.19**	188,847	11.34
Granted	**12,640**	**0.00**	57,158	7.10
Forfeited/cancelled	**(6,222)**	**18.58**	(5,038)	17.36
Exercised	**(112,728)**	**14.99**	(50,133)	5.35
Outstanding at end of period	**84,524**	**4.31**	190,834	11.19
Exercisable at end of period	**–**	**–**	–	–

	2020				2019			
			Weighted average remaining life (years)				Weighted average remaining life (years)	
Range of exercise prices	**Weighted average exercise price**	**Number of shares**	**Expected**	**Contractual**	Weighted average exercise price	Number of shares	Expected	Contractual
Nil	**0.00**	**68,472**	**1.69**	**1.69 to 2.01**	0.00	70,739	1.43	1.43 to 2.39
£16–17	**–**	**–**	**–**	**–**	$22.16	102,222	0.94	0.94
£22–23	**£22.70**	**16,052**	**1.83**	**2.33**	£22.70	17,873	2.85	3.35

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 Other reserves

	Capital redemption reserve $'000	Cumulative translation differences $'000	Total $'000
Balance at 29 December 2018	369	5,058	5,427
Currency translation differences	–	(173)	(173)
Balance at 28 December 2019	369	4,885	5,254
Currency translation differences	–	863	863
Balance at 2 January 2021	**369**	**5,748**	**6,117**

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

24 Cash generated from operations

	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).

25 Contingent liabilities
The Group has no known contingent liabilities (2019: none).

26 Capital commitments
The Group had capital commitments contracted for but not provided for in the financial statements at 2 January 2021 for property, plant and equipment of $0.3m (2019: $1.4m).

27 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.

Key management compensation is disclosed in note 3.

28 Post balance sheet events
The COVID-19 pandemic continues to impact the markets for our products. The extent and timing of the economic recovery is not yet clear. As such, some residual uncertainty remains, making it difficult to determine accurately the full impact of the pandemic on the Group's business operations.

COMPANY BALANCE SHEET
AT 2 JANUARY 2021

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, plant and equipment	A	**5**	3
Right-of-use assets	B	**–**	31
Investments	C	**104,746**	104,738
Deferred tax assets	D	**3,130**	3,313
Other receivables	E	**243,034**	248,107
		350,915	356,192
Current assets			
Other receivables	E	**558**	373
Cash and cash equivalents		**7,790**	3,848
		8,348	4,221
Current liabilities			
Lease liabilities	F	**–**	(31)
Other payables	G	**(419)**	(1,059)
		(419)	(1,090)
Net current assets		**7,929**	3,131
Non-current liabilities			
Retirement benefit obligations	H	**(2,425)**	(9,397)
Amounts due to subsidiary companies	I	**(117,225)**	(122,193)
		(119,650)	(131,590)
Net assets		**239,194**	227,733
Shareholders' equity			
Share capital	K	**10,802**	10,802
Share premium reserve		**38,575**	38,575
Capital redemption reserve		**208**	208
Retained earnings*	L	**189,609**	178,148
Total equity		**239,194**	227,733

***Company's income statement**
Under section 408 of the Companies Act 2006 an income statement for the Company is not presented. Profit after tax and before external dividends payable for the period of £12,634,000 (2019: £19,959,000) is included in retained earnings of the Company.

The financial statements on pages 113 to 123 were approved by the Board of Directors on 16 March 2021 and were signed on its behalf by:

KEVIN LYONS-TARR
CHIEF EXECUTIVE OFFICER

DAVID SEEKINGS
CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN COMPANY SHAREHOLDERS' EQUITY

FOR THE 53 WEEKS ENDED 2 JANUARY 2021

				Retained earnings		
	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Own shares £'000	Profit and loss £'000	Total equity £'000
Balance at 30 December 2018	10,802	38,575	208	(1,058)	177,107	225,634
Profit for the period					19,959	19,959
Other comprehensive income/(expense)						
Re-measurement gain on post-employment obligations					163	163
Deferred tax relating to post-employment obligations					(31)	(31)
Deferred tax relating to losses					(415)	(415)
Effect of change in UK tax rate					(7)	(7)
Total comprehensive income					19,669	19,669
Proceeds from options exercised					268	268
Own shares purchased				(2,273)		(2,273)
Own shares utilised				1,055	(1,055)	–
Share-based payment charge					172	172
Capital instrument granted to subsidiary					556	556
Deferred tax relating to losses					(79)	(79)
Dividends					(16,214)	(16,214)
Balance at 28 December 2019	10,802	38,575	208	(2,276)	180,424	227,733
Profit for the period					**12,634**	**12,634**
Other comprehensive income/(expense)						
Re-measurement loss on post-employment obligations					**(3,339)**	**(3,339)**
Deferred tax relating to post-employment obligations					**635**	**635**
Deferred tax relating to losses					**143**	**143**
Effect of change in UK tax rate					**188**	**188**
Total comprehensive income					**10,261**	**10,261**
Proceeds from options exercised					**1,625**	**1,625**
Own shares purchased				**(941)**		**(941)**
Own shares utilised				**2,807**	**(2,807)**	**–**
Share-based payment charge					**4**	**4**
Capital instrument granted to subsidiary					**485**	**485**
Deferred tax relating to losses					**27**	**27**
Dividends					**–**	**–**
Balance at 2 January 2021	**10,802**	**38,575**	**208**	**(410)**	**190,019**	**239,194**

COMPANY 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 used in operations	J	**(13,292)**	(4,747)
Tax paid		**–**	–
Finance income		**20,221**	20,272
Finance costs (including lease interest paid)		**(10,064)**	(10,117)
Net cash (used in)/generated from operating activities		**(3,135)**	5,408
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3)**	(3)
Return of capital contributions		**477**	–
Net cash generated from/(used in) investing activities		**474**	(3)
Cash flows from financing activities			
Capital element of lease payments		**(31)**	(124)
Proceeds from share options exercised		**1,625**	268
Own shares purchased		**(941)**	(2,273)
Dividends received		**5,950**	12,703
Dividends paid to Shareholders		**–**	(16,214)
Net cash generated from/(used in) financing activities		**6,603**	(5,640)
Net movement in cash and cash equivalents		**3,942**	(235)
Cash and cash equivalents at beginning of the period		**3,848**	4,083
Cash and cash equivalents at end of the period		**7,790**	3,848
Analysis of cash and cash equivalents			
Cash at bank and in hand		**7,790**	3,848

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

General information

4imprint Group plc, registered number 177991, is a public limited company incorporated in England and Wales, domiciled in the UK and listed on the London Stock Exchange. Its registered office is 25 Southampton Buildings, London WC2A 1AL. The Company's financial statements are presented in Sterling. Numbers are shown in pounds thousands.

Basis of preparation

The financial statements have been prepared on a going concern basis (see going concern in basis of preparation section of the Group financial statements on pages 89 and 90 for further information), under the historical cost convention in accordance with 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. 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, a 53 week period which started on 29 December 2019.

The Company has adopted IFRIC 23 'Uncertainty over Income Tax Treatments' at the start of the current financial year. There is no significant impact on the Company's results or balance sheet as a result of adopting this new financial reporting interpretation. Amendments to IFRS 9, IAS 19 and IAS 28 and Annual Improvements 2015–2017, applicable for the first time in the financial period, have had no impact upon the financial statements.

Judgments, estimates and assumptions

Impact of COVID-19 on estimates

The impact of COVID-19 on the financial statements has been considered in determining the estimates required in relation to the impairment of investments, the expected credit loss provision for amounts due from subsidiary companies, and the recoverability of deferred tax assets.

Whilst the uncertainty surrounding the ultimate impact of the COVID-19 pandemic has resulted in 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 (please refer to note C 'Investments' and note E 'Other receivables' for further information on the impairment review processes), 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 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:

Key sources of estimation uncertainty

Pensions

As disclosed in note 17, the Company sponsors a defined benefit pension scheme closed to new members and future accruals. Period end recognition of the liabilities under this scheme requires a number of significant actuarial assumptions to be made, including inflation rate, discount rate and mortality rates. Small changes in assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability in the balance sheet. Sensitivities to changes in these assumptions are disclosed in note 17. 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.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are the same as those adopted in the consolidated financial statements on pages 91 to 94 except for the investments and intercompany loans policies noted below. These policies have been consistently applied to all the periods presented.

Investments

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

Amounts owed by subsidiary undertakings

Amounts owed by subsidiary undertakings are assessed for expected credit losses on a general basis under IFRS 9 'Financial Instruments'. Where required, the Company recognises a provision on this basis reflecting either the lifetime or 12-month expected credit loss dependent on the change in credit risk since initial recognition of the financial asset. The amount of the provision is recognised in the income statement. Amounts owed by subsidiary undertakings are discounted when the time value of money is considered material.

A. Property, plant and equipment

	Fixtures & fittings £'000
Cost:	
At 30 December 2018	60
Additions	3
Disposals	(15)
At 28 December 2019	48
Additions	3
At 2 January 2021	**51**
Depreciation:	
At 30 December 2018	57
Charge for the period	3
Disposals	(15)
At 28 December 2019	45
Charge for the period	1
At 2 January 2021	**46**
Net book value at 2 January 2021	**5**
Net book value at 28 December 2019	3

B. Right-of-use assets

	Leasehold land and buildings £'000
Cost:	
At 30 December 2018	–
Adjustments arising from adoption of IFRS 16	153
At 30 December 2018 after adjustment and at 28 December 2019	153
Disposal	(153)
At 2 January 2021	**–**
Depreciation:	
At 30 December 2018	–
Adjustments arising from adoption of IFRS 16	–
At 30 December 2018 after adjustment	–
Charge for the period	122
At 28 December 2019	122
Charge for the period	31
Disposal	(153)
At 2 January 2021	**–**
Net book value at 2 January 2021	**–**
Net book value at 28 December 2019	31

C. Investments

	Shares in subsidiary undertakings £'000
Cost:	
At 29 December 2018	104,182
Capital contribution to subsidiary undertaking	556
At 28 December 2019	104,738
Capital contribution repaid by subsidiary undertaking	**(477)**
Capital contribution to subsidiary undertaking	**485**
At 2 January 2021	**104,746**

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
CONTINUED

C. Investments continued

The capital contribution represents IFRS 2 'Share-based Payments' charges in respect of subsidiaries which will not be recharged until the options vest. £477,000 of prior years' capital contributions have been repaid in the year.

Subsidiary undertakings

The subsidiaries at 2 January 2021 are set out below. All of these subsidiaries are wholly owned and have ordinary share capital only, apart from 4imprint USA Limited and 4imprint US Group Inc., which also have preference shares.

Company	Country of incorporation and operation	Business
4imprint, Inc.	USA	Promotional products
4imprint Direct Limited	England	Promotional products
4imprint UK Holdings Limited	England	Holding company
4imprint USA Limited	England	Holding company
4imprint North America Limited	England	Holding company
4imprint US Group Inc.	USA	Holding company
4imprint Limited	England	Dormant
Cavendish Place Newco No.1 Limited	England	Dormant
4imprint 2016 Pension Trustee Company Limited	England	Dormant

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

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

Impairment review

IAS 36 'Impairment of Assets' requires an assessment at each reporting date of whether there is any indication that an asset may be impaired. COVID-19 is considered a potential indicator of impairment for the current year because of the material adverse effect it has had on the trading of the UK and US businesses. Accordingly, an impairment review has been undertaken for the investments in subsidiary undertakings.

Management has estimated the recoverable amount of this asset from a value in use ("VIU") calculation for the US cash-generating unit ("CGU"), being the largest CGU in the Group and the primary source of cash flows to the Company in the form of finance income and dividends received.

The key assumptions for the VIU calculation are operating cash flow forecasts, and the long-term growth rate and pre-tax discount rate. Operating cash flow forecasts are derived from the most recent financial budget and forecast approved by the Board of Directors covering a three year period and are consistent with the forecasts used in the going concern and viability assessments of the Group and Company. These forecasts include assumptions around revenue and operating margins and reflect external economic factors, including the impact of COVID-19. A long-term growth rate of 3.7% has been used, based upon external research data for the US promotional products market. A pre-tax discount rate of 12.1% has been determined based upon the calculation of a weighted average cost of capital using the capital asset pricing model.

The recoverable amount calculated exceeded the carrying values of the investments in subsidiary undertakings of £104.7m, and therefore no impairment losses have been recognised. Significant levels of headroom existed, even under the plausible but severe downside cash flow scenario determined for the Group viability assessment (see pages 24 and 25).

D. Deferred tax assets

	2020 £'000	2019 £'000
At start of period	**3,313**	4,442
Income statement debit	**(1,176)**	(597)
Deferred tax credited/(debited) to other comprehensive income	**966**	(453)
Deferred tax credited/(debited) to equity	**27**	(79)
At end of period	**3,130**	3,313

Deferred tax analysis

	Pension £'000	ACA £'000	Losses £'000	Total £'000
At 29 December 2019	1,597	3	1,713	3,313
Income statement charge	(874)	(1)	(301)	(1,176)
Deferred tax credited to other comprehensive income	823	–	143	966
Deferred tax credited to equity	–	–	27	27
At 2 January 2021	**1,546**	**2**	**1,582**	**3,130**

	Pension £'000	ACA £'000	Losses £'000	Total £'000
At 30 December 2018	2,067	3	2,372	4,442
Income statement charge	(432)	–	(165)	(597)
Deferred tax debited to other comprehensive income	(38)	–	(415)	(453)
Deferred tax debited to equity	–	–	(79)	(79)
At 28 December 2019	1,597	3	1,713	3,313

The deferred income tax credited/(debited) to other comprehensive income is as follows:

	2020 £'000	2019 £'000
Tax relating to post-employment obligations	**635**	(31)
Effect of change in UK tax rate	**188**	(7)
Tax relating to losses	**143**	(415)
	966	(453)

Profit forecasts approved by the Board of Directors and covering a three year period (that include the expected impact of COVID-19) support the recoverability of the recognised deferred tax assets.

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.

E. Other receivables

	2020 £'000	2019 £'000
Amounts due from subsidiary companies	**243,434**	248,287
Expected credit loss allowance on amounts due from subsidiary companies	**(106)**	–
Net amount due from subsidiary companies	**243,328**	248,287
Other receivables	**184**	140
Prepayments and accrued income	**80**	53
	243,592	248,480
Less non-current portion: Amounts due from subsidiary companies	**(243,034)**	(248,107)
	558	373

Current amounts due from subsidiary companies are repayable on demand. The amounts are not interest-bearing. Non-current amounts due from subsidiary companies are due in one to two years. All amounts are interest-bearing at market rates of interest.

Other receivables are only written off when the Company has exhausted all options to recover the amounts due and provided for in full when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Company or a subsequent failure to make agreed payments. An expected credit loss ("ECL") provision is then calculated on the remaining other receivables.

An ECL allowance of £106,000 (2019: £nil) has been recognised during the year on an $160m intercompany loan to 4imprint US Group Inc. that is due September 2022. The emergence of COVID-19 and resulting adverse impact to the borrower's credit profile from a deterioration in the trading performance of its principal subsidiary is considered an indicator that the loan no longer presents a low credit risk. Interest on the loan is still being received and cash flow forecasts demonstrate the ability of the borrower to continue making interest payments through to maturity. Accordingly, the loan has been classified as 'stage 2' which requires lifetime expected credit losses to be considered in determining the ECL.

Management has estimated the ECL over the remaining life of the loan using a common credit loss methodology that incorporates probability of default, loss given default, and exposure at default inputs. Probability of default has been determined using historical average cumulative default rates for US corporates for the remaining duration of the loan, as calculated by external rating agencies. These have been adjusted to reflect prevailing economic conditions considering COVID-19 and are based on a synthetic rating calculated when the loan was originated and that is still considered to be reflective of the borrower's credit characteristics. Loss given default has been estimated based upon the weighted expected credit losses of two scenarios where no credit loss occurs, and the possibility that a credit loss occurs. The exposure at default is the outstanding balance of the loan.

There is expected to be no credit losses in respect of the other receivables, reflecting the availability of sufficient liquid assets to the borrowing entities to enable them to settle their obligations at short notice.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
CONTINUED

E. Other receivables continued

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

	2020 £'000	2019 £'000
Sterling	**126,216**	126,213
US dollars	**117,376**	122,267
	243,592	248,480

F. Leases

The Company leases office space in a serviced office facility in London. This lease had a two-year term, which expired in March 2020. A new lease was then taken up on the offices which had only a one-year term and thus was classified as a short-term lease and rental on the new lease has been expensed to operating profit on a straight-line basis. In addition, there is some office equipment of low value. The Company applies the IFRS 16 exemptions for short-term and low value leases. No leases contain variable payment terms.

Details on right-of-use assets are shown in note B.

Lease liabilities

	2020 £'000	2019 £'000
Expiring within one year	**–**	31

The movement in lease liabilities in the period are shown below:

	2020 £'000	2019 £'000
At start of period	**31**	–
Adjustments arising from adoption of IFRS 16	**–**	155
	31	155
Interest charge	**–**	2
Lease payments	**(31)**	(126)
At end of period	**–**	31

The amounts recognised in the income statement are as follows:

	2020 £'000	2019 £'000
Depreciation of right-of-use assets (note B)	**31**	122
Interest expense on lease liabilities	**–**	2
Short-term lease hire	**99**	–
Low value leases	**3**	5
	133	129

The cash outflow on leases in the period was £133,000 (2019: £131,000).

G. Other payables

	2020 £'000	2019 £'000
Other payables	**134**	92
Other tax and social security	**36**	37
Amounts due to subsidiary companies	**–**	590
Accruals	**249**	340
	419	1,059

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

H. Retirement benefit obligations

The amount recognised in the balance sheet represents the net liability in respect of the closed defined benefit pension scheme. Full details of the defined benefit scheme are contained in note 17 on pages 105 to 108.

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

	2020 £'000	2019 £'000
Present value of funded obligations	**(31,231)**	(27,740)
Fair value of scheme assets	**28,806**	18,343
Net obligations recognised in the balance sheet	**(2,425)**	(9,397)

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

	Present value of obligations £'000	Fair value of scheme assets £'000	Net obligation £'000
Balance at 30 December 2018	(26,090)	14,256	(11,834)
Administration costs paid by the scheme	(244)	–	(244)
Interest (expense)/income	(720)	424	(296)
Return on scheme assets (excluding interest income)	–	1,858	1,858
Re-measurement gains due to changes in scheme experience	1,116	–	1,116
Re-measurement gains due to changes in demographic assumptions	1,119	–	1,119
Re-measurement losses due to changes in financial assumptions	(3,930)	–	(3,930)
Contributions by employer	–	2,814	2,814
Benefits paid	1,009	(1,009)	–
Balance at 28 December 2019	(27,740)	18,343	(9,397)
Administration costs paid by the scheme	**(267)**	**–**	**(267)**
Past service costs	**(60)**	**–**	**(60)**
Interest (expense)/income	**(527)**	**446**	**(81)**
Return on scheme assets (excluding interest income)	**–**	**982**	**982**
Re-measurement losses due to changes in scheme experience	**(871)**	**–**	**(871)**
Re-measurement gains due to changes in demographic assumptions	**39**	**–**	**39**
Re-measurement losses due to changes in financial assumptions	**(3,489)**	**–**	**(3,489)**
Contributions by employer*	**–**	**10,719**	**10,719**
Benefits paid	**1,684**	**(1,684)**	**–**
Balance at 2 January 2021	**(31,231)**	**28,806**	**(2,425)**

* Includes a special contribution of £7.5m.

I. Amounts due to subsidiary companies – non-current

The amounts due to subsidiary companies of £117,225,000 (2019: £122,193,000) are due in one to two years. The loans are interest-bearing at market rates of interest, ranging from 8.0% to 8.2%.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
CONTINUED

J. Cash used in operations

	2020 £'000	2019 £'000
Profit before tax	**13,810**	20,556
Adjustments for:		
Depreciation charge	**1**	3
Amortisation of right-of-use assets	**31**	122
Share option charges	**4**	172
Impairment of loan to subsidiary	**106**	–
Dividends received	**(5,950)**	(12,701)
Net finance income	**(10,066)**	(9,859)
Defined benefit pension administration charge and past service costs	**327**	244
Contributions to defined benefit pension scheme (note H)	**(10,719)**	(2,814)
Changes in working capital:		
(Increase)/decrease in trade and other receivables	**(71)**	32
Decrease in trade and other payables	**(60)**	(98)
Movements in amounts due to/from subsidiary undertakings	**(705)**	(404)
Cash used in operations	**(13,292)**	(4,747)

K. Share capital

	2020 £'000	2019 £'000
Allotted and fully paid		
28,085,530 (2019: 28,085,530) ordinary shares of 38⁶⁄₁₃p each	**10,802**	10,802

During the period no ordinary shares were issued (2019: none). Share option exercises were satisfied by transfer of shares from an employee benefit trust.

The options that have been granted and were outstanding under the Company's share option schemes at the year-end are shown in note 21 on page 110. Full details of the share option schemes are given in note 22 on page 111.

Employees of the Company had interests in 1,821 SAYE options (2019: 2,613).

L. Distributable reserves
The profit and loss reserve of £190,019,000 (2019: £180,424,000) in the Company includes £125,915,000 (2019: £125,915,000), which is non-distributable.

M. Commitments and contingent liabilities
The Company has provided Letters of Support to its subsidiary companies, 4imprint Direct Limited, 4imprint UK Holdings Limited, 4imprint USA Limited, and 4imprint North America Limited.

The Company has also entered into a Pound Sterling Facility Agreement with one of its subsidiaries, 4imprint Direct Limited, enabling it to borrow up to £1,000,000 from the Company under a revolving credit facility until 10 December 2025. Interest is payable at the UK base rate for Sterling plus 2.0% on any loans drawn under the facility.

The Company had no known contingent liabilities at 2 January 2021 (2019: none).

N. Employees

	2020 £'000	2019 £'000
Wages and salaries	**764**	918
Social security costs	**136**	114
Pension costs – defined contribution plans	**9**	9
Share option charges	**4**	131
	913	1,172

The average number of people, including Executive Directors, employed by the Company during the period was 4 (2019: 4).

O. Related party transactions

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

	2020 £'000	2019 £'000
Income statement		
Finance income due from subsidiary companies	**20,214**	20,261
Finance costs due to subsidiary companies	**(10,062)**	(10,109)
Balance sheet		
Interest-bearing loans due from subsidiary companies at end of period	**243,034**	248,107
Interest-bearing loans due to subsidiary companies at end of period	**117,225**	122,193

Key management compensation, comprising remuneration of the Directors, was:

	2020 £'000	2019 £'000
Salaries, fees and short-term employee benefits	**982**	1,929
Social security costs	**54**	106
Share option charges	**(5)**	198
	1,031	2,233

'Salaries, fees and short-term employee benefits' for 2019 includes conditional share awards made to Kevin Lyons-Tarr of £192,563, and David Seekings of £128,375, as part of their 2019 annual bonus. In March 2020, both Directors waived their conditional share awards in respect of 2019.

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

P. Post balance sheet events

The COVID-19 pandemic continues to impact the markets for the Group's products. The extent and timing of the economic recovery is not yet clear. As such, some residual uncertainty remains, making it difficult to determine accurately the full impact of the pandemic on the Company's business operations.

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 page 23).

Cash conversion is defined as the percentage of underlying operating cash flow to underlying operating profit and is provided as a measure of the efficiency of the Group's business model (pages 18 and 19) 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 6.

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 6.

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 6.

FIVE YEAR FINANCIAL RECORD

Income statement

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Revenue	**560,040**	860,844	738,418	627,518	558,223
Underlying* operating profit	**4,392**	53,932	45,359	42,029	37,947
Defined benefit pension scheme administration costs	**(343)**	(312)	(316)	(291)	(311)
Defined benefit pension scheme past service costs	**(77)**	–	–	–	–
Exceptional items	**–**	–	(721)	(454)	(2,940)
Operating profit	**3,972**	53,620	44,322	41,284	34,696
Finance income	**168**	818	250	3	22
Finance costs	**(193)**	(67)	(23)	(125)	(46)
Net pension finance charge	**(104)**	(378)	(403)	(503)	(521)
Profit before tax	**3,843**	53,993	44,146	40,659	34,151
Taxation	**(753)**	(11,276)	(8,952)	(11,734)	(9,672)
Profit for the period	**3,090**	42,717	35,194	28,925	24,479

* Underlying has been restated to include share option charges in 2017 and 2016.

Basic earnings per ordinary share	**11.03c**	152.42c	125.61c	103.15c	87.27c
Dividend per share – paid and proposed	**–**	84.00c	70.00c	118.10c	52.50c

Balance sheet

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Non-current assets (excluding deferred tax)	**38,997**	27,506	20,096	19,967	20,020
Deferred tax assets	**4,272**	4,338	5,636	5,912	5,030
Net current assets	**38,694**	44,792	33,482	35,083	25,299
Retirement benefit obligations	**(3,310)**	(12,305)	(15,016)	(18,106)	(19,290)
Other liabilities (including lease liabilities)	**(13,282)**	(1,383)	(931)	(763)	(1,734)
Shareholders' equity	**65,371**	62,948	43,267	42,093	29,325
Net cash	**39,766**	41,136	27,484	30,767	21,683

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NOTES

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