

4imprint Group plc
Final results for the period ended 28 December 2019

Continued strong organic revenue growth

4imprint Group plc (the "Group"), the leading direct marketer of promotional products, today announces its final results for the 52 weeks ended 28 December 2019.

Highlights

| Financial | 2019 \$m | 2018 \$m | Change |
|---|--------------------|-------------|--------|
| Revenue | 860.84 | 738.42 | +17% |
| Underlying* profit before tax | 54.68 | 45.59 | +20% |
| Profit before tax | 53.99 | 44.15 | +22% |
| Cash | 41.14 | 27.48 | +50% |
| Underlying* basic EPS (cents) | 154.41 | 129.77 | +19% |
| Basic EPS (cents) | 152.42 | 125.61 | +21% |
| Proposed total dividend per share (cents) | 84.00 | 70.00 | +20% |
| Proposed total dividend per share (pence) | 66.68 | 53.15 | +25% |

*All measures marked as underlying in the table above and throughout this announcement are alternative performance measures. The reasons for the Group's use of alternative performance measures and definitions are provided in the section on alternative performance measures at the end of this announcement.

| Operational |
|--|
| <ul style="list-style-type: none"> • Organic revenue growth in 2019 <ul style="list-style-type: none"> - Revenue increase of \$122.4m (+17%) - 1,587,000 total orders processed (+14%) - 297,000 new customers acquired in the year - Customer retention remains healthy • Investment in marketing in the year <ul style="list-style-type: none"> - Marketing spend \$154.3m (+18%) - Evolving marketing mix; brand component increasing as planned • Capital investment <ul style="list-style-type: none"> - \$5m capital investment in Oshkosh distribution centre completed in 2019 - 2020 capital plan includes \$4.7m in apparel decoration equipment • Pension commitment <ul style="list-style-type: none"> - \$10m 'lump sum' legacy pension contribution in May 2020 |

Paul Moody, Chairman said:

"Trading results in the first two months of 2020 have been in line with the Board's expectations. We have a clear strategy and a focused business model geared towards a market opportunity that remains highly attractive. We will continue to invest in the business to underpin further organic revenue growth towards and beyond our target of \$1bn by 2022. Notwithstanding the fluid situation regarding COVID-19, the outlook for 4imprint is positive."

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Chairman's Statement

2019 was another successful year for 4imprint. The Board has a clear strategy that delivered attractive revenue growth and met profitability targets in the year whilst making significant investments in the Group's future.

Financial performance

Group revenue for 2019 was \$860.8m, an increase of \$122.4m (17%) over 2018. All of the revenue growth was organic, reflecting increasing share in a large but still very fragmented market. Underlying profit before tax was \$54.7m, 20% ahead of the prior year.

Profit before tax was \$54.0m, an increase of 22% over 2018, and profit after tax improved over prior year by 21%. Basic earnings per share also rose 21% to 152.42c.

The 4imprint business model remains highly cash generative. The 2019 year end cash balance of \$41.1m, (2018: \$27.5m) leaves the Group in a strong financial position.

The Company became a constituent of the FTSE 250 Index during the year.

Strategic progress

The Board is delighted with the Group's progress over the past year. At the annual strategic review, which took place in Oshkosh in October 2019, the Board discussed and reaffirmed the Group's strategic objectives, most specifically in respect of the expansion and development of the brand component of the marketing mix.

The Group has achieved a compound average revenue growth rate of 16% over the last five years. Investment across the business has supported this growth, notably in embroidery production capacity and in operating facilities. The latest phase was completed in August 2019 with the \$5m expansion of the Oshkosh distribution centre, completed on time and within budget.

Board and team members

We were pleased to welcome Tina Southall to the Board as a Non-Executive Director in May 2019. Tina's experience and insight have already proved to be valuable, particularly in her role as designated NED for engagement with our team members.

Andrew Scull stepped down from the Board at the end of 2019. The Board wishes to thank Andrew for the valuable contribution he has made to the development of the Group over his 15-year tenure.

Unquestionably, the most important driver of 4imprint's success is our people. Our highly professional team members go above and beyond every day in order to deliver the exacting service levels upon which our customers rely. The Board expresses its thanks to all of our team members for their contribution to the Group's success in 2019.

Dividend

At the half year the Board declared an interim dividend per share of 25.00c, representing an increase of 20% over 2018. In view of the Group's performance in the second half of the year and in line with our balance sheet funding and capital allocation guidelines, the Board is pleased to recommend a final dividend per share of 59.00c, an increase of 20%, giving a total paid and proposed 2019 regular dividend of 84.00c, up 20% over prior year.

Pension update

Our capital allocation framework sets out our commitment to funding our residual legacy defined benefit pension plan (the "Plan"). Subsequent to the triennial revaluation of the Plan in September 2019, a new, accelerated deficit recovery schedule has been agreed with the Plan Trustee, including a 'lump sum' contribution of around \$10m to be paid in May 2020. This will serve both (i) to strengthen the current Plan funding level, and (ii) to progress our pension de-risking initiatives by positioning the Plan for eventual buy-out within a five-year timeframe.

Coronavirus update

We are closely monitoring the situation with regard to COVID-19, the novel coronavirus. Impact on the business has so far been minimal, reflecting the timing of the inventory cycle of our domestic suppliers. However, the situation is very fluid and if production restrictions in China persist, the potential for disruption of our supply chain increases. Should the virus become a global pandemic, the potential effect on our business would expand beyond the supply chain. More detail is provided in the Chief Executive's Review on page 5.

Outlook

Trading results in the first two months of 2020 have been in line with the Board's expectations. We have a clear strategy and a focused business model geared towards a market opportunity that remains highly attractive. We will continue to invest in the business to underpin further organic revenue growth towards and beyond our target of \$1bn by 2022. Notwithstanding the fluid situation regarding COVID-19, the outlook for 4imprint is positive.

Paul Moody

Chairman

3 March 2020

Chief Executive's Review

| Revenue | 2019 \$m | 2018 \$m | |
|----------------|---------------|---------------|-------------|
| North America | 839.28 | 714.55 | +17% |
| UK and Ireland | 21.56 | 23.87 | -10% |
| Total | 860.84 | 738.42 | +17% |

| Underlying* operating profit | 2019 \$m | 2018 \$m | |
|------------------------------|--------------|--------------|-------------|
| Direct Marketing operations | 58.20 | 49.63 | +17% |
| Head office | (3.32) | (3.45) | -4% |
| Share option related charges | (0.95) | (0.82) | +16% |
| Total | 53.93 | 45.36 | +19% |

| Operating profit | 2019 \$m | 2018 \$m | |
|------------------|-------------|-------------|------|
| | 53.62 | 44.32 | +21% |

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 and exceptional items.

Two years ago, we announced our intention to evolve our strategy to include a new brand element to our marketing mix. In conjunction with this initiative, we set a target of reaching \$1bn in Group revenue by 2022. The Group's trading momentum in 2019 continued to demonstrate the benefit of this strategic evolution, leaving us in a good position to achieve our stated revenue goal ahead of schedule.

Financial highlights

The Group produced excellent financial results in 2019. Group revenue of \$860.8m was up 17% over 2018, underlying operating profit of \$53.9m was 19% higher than prior year, and operating profit was up 21%.

Revenue in North America was up 17%, an increase of \$124.7m over prior year. 4imprint remains the largest distributor of promotional products in North America. Revenue in the UK, which accounted for 2.5% of Group revenue, was less robust as the business faced tougher trading conditions. Although order intake was essentially flat year-over-year, revenue decreased by 6% in local currency, and by 10% in the Group's reporting currency.

Several factors contributed to the Group's operating profit performance in 2019. The aggregate gross margin percentage was stable through the year and for the full year remained flat with 2018. Marketing expenses rose, as expected, by 18% over 2018 and slightly above the year-on-year revenue increase of 17%. Selling expenses were up 11% over 2018. Overheads, head office costs and share option costs rose in aggregate by 14% over prior year. These factors combined to generate an improvement in overall underlying operating profit margin to 6.27% (2018: 6.14%).

Operational overview

297,000 new customers were acquired during 2019. This resulted in orders from new customers rising by 9% over prior year. Orders from existing customers rose by 17% compared to 2018, helped by the powerful dynamic of incremental improvement in retention rates combined with a consistently expanding customer file. In total, our team members processed 1,587,000 individually customised orders.

We have always had an operational mantra of 'test, read, react' in respect of the deployment of our marketing dollars. This approach continued to serve us well in 2019 as we carefully reshaped the overall marketing portfolio. The brand component (primarily TV but also including a radio element) was expanded during the year in response to consistently encouraging performance metrics. To accommodate this, other parts of the budget such as search and print were managed accordingly. Revenue per marketing dollar was \$5.58 in 2019 compared to \$5.63 in 2018. This result is directly in line with our expectations, particularly given a year-on-year increase in the overall marketing budget of \$23.1m.

Our North American operations are served by centralised office and warehouse facilities located in Oshkosh, Wisconsin. In the context of our consistent organic revenue growth in recent years, in 2019 we added a further 85,000 sq. ft. to our distribution centre, increasing the total footprint of that facility to over 300,000 sq. ft. The project was completed on time, within the budget of \$5m and is now fully operational. Our capital expenditure plan for 2020 includes \$4.7m to increase our embroidery/print capacity for the rapidly growing apparel category. In addition, we plan to invest \$3.2m in infrastructure and equipment to support growth at our Oshkosh office and distribution facilities. As we noted at our interim results, the current Oshkosh office facility is approaching capacity. We are in the process of evaluating our options with a view to securing appropriate additional or replacement office space.

We are very pleased, for the twelfth consecutive year, to have been named one of the Great Place To Work: Best Workplaces – Small & Medium Businesses. This reflects the strong and unique workplace culture that sets 4imprint apart.

Coronavirus (COVID-19) update

We are closely monitoring the situation with regard to COVID-19, the novel coronavirus. Our deepest concern is with the people who have been directly affected by the virus, many of whom are longstanding and highly valued partners in our supply chain.

Approximately 60% of the blank stock for the products that we sell originates in China. These blank products are imported in bulk by our domestic suppliers who keep them in their local inventory, eventually to be imprinted with a logo and shipped to our customers as orders are placed. The fact that the outbreak occurred around the Lunar New Year means that most of our domestic suppliers were at peak inventory levels when the outbreak began – they typically place orders in preparation for the first half of the year to be delivered, or to be in transit, before the Lunar New Year begins. As a result, to date there has been almost no impact on 4imprint from COVID-19.

However, the situation is still very fluid. The Chinese manufacturers who effectively 'supply our suppliers' are spread throughout China, typically specialising in a product category. Each of these suppliers is different based on their geographical location, workforce location and requirements, transit restrictions, access to raw materials for the specific product they produce and other factors. The level of any disruption for 4imprint will be closely linked to how long factories are delayed in resuming production. The reduced capacity seen in February, and even into March, is unlikely to cause major disruption in the short-term simply due to the inventory cycle of our domestic suppliers. However, the longer that production restrictions persist, it becomes more likely that the inventory held by our domestic suppliers will be depleted and some element of disruption to the supply chain becomes more likely.

Clearly, if the virus were to become a global pandemic, other factors come into play and the potential for disruption to our business expands beyond the supply chain.

We are actively working with all parties in the supply chain to plan for, and where possible mitigate, adverse supply effects at all levels. We are also monitoring closely the developing situation and preparing to address other potential impacts caused by the spread of the virus globally.

Looking ahead

We remain confident in our strategy, our business model and the market opportunity. Our entire team is working hard to achieve and surpass our \$1bn revenue target and we look forward to setting new strategic goals at that point.

Financial Review

| | 2019 | 2018 | 2019 | 2018 |
|---------------------------------------|--------------------|-------------|---------------|--------|
| | Underlying* | Underlying* | Total | Total |
| | \$m | \$m | \$m | \$m |
| Underlying operating profit | 53.93 | 45.36 | 53.93 | 45.36 |
| Exceptional items | | | - | (0.72) |
| Defined benefit pension admin charges | | | (0.31) | (0.32) |
| Net finance income/(cost) | 0.75 | 0.23 | 0.37 | (0.17) |
| Profit before tax | 54.68 | 45.59 | 53.99 | 44.15 |

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

Operating result

Group revenue in 2019 of \$860.84m was 17% up over prior year. All of the revenue growth was organic. Underlying operating profit increased over 2018 by 19% to \$53.93m. These results are consistent with the Group's strategy to deliver profitable organic revenue growth through increasing investment in marketing.

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

| | 2019 | 2018 |
|------------------------------------|-----------------|----------|
| | \$m | \$m |
| Revenue | 860.84 | 738.42 |
| Gross profit | 275.32 | 236.19 |
| Marketing costs | (154.31) | (131.23) |
| Selling costs | (31.04) | (27.85) |
| Admin & central costs | (35.09) | (30.93) |
| Share option related charges | (0.95) | (0.82) |
| Underlying operating profit | 53.93 | 45.36 |

Accounting standards

IFRS 16 'Leases', was implemented from the start of the accounting period. In summary, this standard brings most contractual arrangements previously defined as operating leases on to the balance sheet, establishing 'right-of-use' assets and associated lease liabilities. In the income statement the previous operating lease charge is replaced by amortisation and interest charges. The resulting adjustments had an immaterial impact on the Group's results since the number and contract lengths of former operating leases are minimal. In this context the decision was taken not to restate prior periods, instead booking an opening adjustment to net equity. Further detail is set out in note 9.

Foreign exchange

The primary US dollar exchange rates relevant to the Group's 2019 results were as follows:

| | 2019 | | 2018 | |
|------------------|-------------|-------------|------------|---------|
| | Period end | Average | Period end | Average |
| Sterling | 1.31 | 1.28 | 1.27 | 1.34 |
| Canadian dollars | 0.76 | 0.75 | 0.73 | 0.77 |

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

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

- 97% of the Group's revenue arises in US dollars, the Group's reporting currency, hence translational risk in the income statement is low. The net impact on the 2019 income statement from trading currency movements was not material to the Group's results.
- Most of the constituent elements of the Group balance sheet are US dollar-based. The main exception is the Sterling-based defined benefit pension liability. Currency movements produced an exchange loss on the pension liability in the year of \$0.40m.
- The Group's business model is characterised by strong cash generation, mostly in US dollars. However, its primary applications of post-tax cash are Shareholder dividends, pension contributions and some head office costs, all of which are paid in Sterling. As such, the Group's cash position is sensitive to Sterling/US dollar exchange movements. By way of example, using actual exchange rates, the movement of Sterling against the US dollar during 2019 meant that every US\$1m converted to Sterling was worth around £24,000 less at the 2019 closing rate compared to the 2018 closing rate.

Share option charges

A total of \$0.95m (2018: \$0.82m) was charged in the year in respect of IFRS 2 'Share-based Payments'. This was made up of elements from executive awards made under the 2015 Incentive Plan and charges relating to the UK SAYE and the US ESPP plans.

Current options and awards outstanding are 125,095 shares under the UK SAYE and US ESPP plans and 70,739 shares under the 2015 Incentive Plan. Awards under the 2015 Incentive Plan in respect of 2019 are anticipated to be made in late March 2020.

Exceptional items

There was no exceptional charge in the year. During 2018 an exceptional item of \$0.72m was charged. This related to estimated past service costs resulting from Guaranteed Minimum Pension equalisation in our defined benefit pension scheme following the Lloyds case.

Net finance income

Net finance income for the year before pension finance charge was \$0.75m (2018: \$0.23m). This is comprised of net bank interest income of \$0.80m (2018: \$0.23m) and lease interest charges of \$0.05m (2018: nil). The year-over-year positive swing of \$0.56m on bank interest primarily reflects higher cash deposits.

Taxation

The tax charge for the year was \$11.28m (2018: \$8.95m), giving an effective tax rate of 21% (2018: 20%). The charge comprised current tax of \$10.32m, representing tax payable in the USA, and a deferred tax charge of \$0.96m.

The tax charge relating to underlying profit before tax was \$11.41m (2018: \$9.23m), an effective tax rate of 21% (2018: 20%).

Earnings per share

Underlying basic earnings per share was 154.41c (2018: 129.77c), an increase of 19%. This was slightly lower than the 20% increase in underlying profit before tax due the higher effective tax rate in 2019.

Basic earnings per share was 152.42c (2018: 125.61c), an increase of 21%.

Dividends

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

The Board has proposed a final dividend of 59.00c (2018: 49.20c) which, together with the interim dividend of 25.00c, gives a total paid and proposed regular dividend relating to 2019 of 84.00c, an increase of 20% compared to prior year.

The final dividend has been converted to Sterling at an exchange rate of £1.00/\$1.2781 (2018: £1.00/\$1.319). This results in a final dividend payable to Shareholders of 46.16p (2018: 37.30p), which, combined with the interim dividend paid of 20.52p, gives a total dividend for the year of 66.68p, an increase of 25% compared to prior year.

The final dividend will be paid on 15 May 2020 to Shareholders on the register at the close of business on 14 April 2020.

Defined benefit pension plan

The Group sponsors a legacy defined benefit pension plan (Plan) which has been closed to new members and future accruals for many years. This Plan is the successor arrangement to the previous, much larger defined benefit scheme which was successfully de-risked and wound-up in December 2017. The new Plan has equivalent benefits to the previous scheme, and currently has around 98 pensioners and 273 deferred members.

At 28 December 2019, the net deficit of the Plan on an IAS 19 basis was \$12.31m, compared to \$15.02m at 29 December 2018. At 28 December 2019 gross scheme liabilities under IAS 19 were \$36.32m, and assets were \$24.01m.

The change in deficit is analysed as follows:

| | \$m |
|--|----------------|
| IAS 19 deficit at 30 December 2018 | (15.02) |
| Company contributions to the Plan | 3.59 |
| Pension administration costs | (0.31) |
| Pension finance charge | (0.38) |
| Re-measurement loss due to changes in assumptions and return on assets | 0.21 |
| Exchange loss | (0.40) |
| IAS 19 deficit at 28 December 2019 | (12.31) |

The net liability reduced by \$2.71m in the year, driven primarily by employer's contributions of \$3.59m offset by administration, finance and exchange charges. In Sterling, the net deficit decreased by £2.44m in the year to £9.40m.

A full actuarial valuation was performed in respect of the Plan in September 2016. At that time, deficit recovery contributions of £2.25m per annum were agreed with the Trustee. These contributions commenced on 1 July 2017, rising by 3% per annum. The agreed recovery timeframe was a period of 5 years 7 months until 31 January 2023, at which point the funding shortfall on a technical provisions basis was expected to be eliminated. In addition, an annual payment of £0.25m was agreed towards the costs of the Plan's administration and management. The Company is also committed to funding agreed transfer values out of the Plan, at a funding rate of 50% of the transfer value. \$0.28m was paid in 2019 in respect of transfers out of the Plan.

A new triennial actuarial valuation of the Plan as at September 2019 has been prepared and this forms the basis of the 2019 IAS 19 valuation set out above.

Following the 2019 triennial valuation, and in consultation with the Trustee, the Company has committed to a revised, accelerated schedule of deficit recovery contributions going forward. This reflects: (i) movements in actuarial assumptions, particularly bond yields driving down the discount rate, and (ii) the desire of both the Company and the Trustee to move beyond funding on a technical provisions basis to funding geared towards further de-risking and eventual Plan buy-out within a reasonable timeframe. The new schedule of deficit contributions consists of a lump sum of £7.50m (c.\$10m) payable in May 2020, followed, from 1 July 2020 onwards, by annual contributions that remain at the existing agreed level of £2.46m per annum, rising by 3% annually. The agreed new recovery plan ends in July 2024. An allowance of £0.30m per year, rising by 3% annually, will also be paid towards the cost of the Plan's administration and management. The Company will remain committed to funding agreed transfer values out of the Plan at a funding rate of 50% of the transfer value.

Cash flow

The Group had net cash of \$41.14m at 28 December 2019, an increase of \$13.66m over the 29 December 2018 balance of \$27.48m.

Cash flow in the period is summarised as follows:

| | 2019 | 2018 |
|--|--------------|---------------|
| | \$m | \$m |
| Underlying operating profit | 53.93 | 45.36 |
| Share option related charges | 0.93 | 0.81 |
| Depreciation and amortisation | 2.78 | 2.65 |
| Lease depreciation | 1.50 | - |
| Change in working capital | 0.70 | (3.19) |
| Capital expenditure | (8.18) | (2.86) |
| Underlying operating cash flow | 51.66 | 42.77 |
| Tax and interest | (9.57) | (7.62) |
| Defined benefit pension contributions | (3.59) | (3.93) |
| Own share transactions | (2.56) | (0.47) |
| Capital element of lease payments | (1.69) | - |
| Exceptional items | - | (0.05) |
| Exchange gain/(loss) | 0.07 | (1.01) |
| Free cash flow | 34.32 | 29.69 |
| Dividends to Shareholders | (20.66) | (32.98) |
| Net cash inflow/(outflow) in the period | 13.66 | (3.29) |

The Group is typically very cash generative, and this remained the case in 2019. The business model is efficient in working capital usage and typically has low fixed capital requirements. The operating cash conversion rate for the year was 96%. If the \$5m of capital spend on the Oshkosh distribution centre expansion is added back, cash conversion would have been 105%.

In accordance with IFRS 16, lease depreciation and the capital element of lease payments are included in the cash flow. There are no comparatives since an opening equity adjustment was booked as opposed to restating prior periods. In 2018 the full lease payments of \$2.0m were charged within operating profit. Overall, the implementation of IFRS 16 has no net impact on free cash flow.

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

Balance sheet and Shareholders' funds

Net assets at 28 December 2019 were \$62.95m, compared to \$43.27m at 29 December 2018. The balance sheet is summarised as follows:

| | 28 December | 29 December |
|----------------------------------|--------------|--------------|
| | 2019 | 2018 |
| | \$m | \$m |
| Non-current assets | 31.84 | 25.73 |
| Working capital | 5.15 | 5.85 |
| Net cash | 41.14 | 27.48 |
| Pension deficit | (12.31) | (15.02) |
| Other assets/(liabilities) – net | (2.87) | (0.77) |
| Net assets | 62.95 | 43.27 |

Shareholders' funds increased by \$19.68m, comprising: net profit in the period of \$42.72m; \$(0.17)m of exchange losses; net \$(0.37)m of pension related movements; \$0.92m of net share option related movements; \$(2.57)m relating to purchase of own shares, net of option proceeds; \$(20.66)m equity dividends paid to Shareholders; and an adjustment to opening net equity of \$(0.19)m arising from the implementation of IFRS 16 (see note 9).

The Group had a characteristically low net negative working capital balance of \$5.15m at 28 December 2019, (\$5.85m at 29 December 2018).

As a result of the adoption of IFRS 16, a 'right-of-use' asset of \$1.99m is included within Non-current assets. An associated liability of \$2.05m is included within Other assets/(liabilities).

Balance sheet funding

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

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

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

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, but forward contracts have been used during the year. The Group holds the majority of its cash with its principal US and UK bankers.

The Group has \$20.0m of working capital facilities with its principal US bank, JPMorgan Chase, N.A. The interest rate is US\$ LIBOR plus 1.5%, and the facilities expire on 31 May 2021. 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 policies are in respect of pensions and leases.

Brexit risk

Despite the fact that Brexit has now occurred significant uncertainty remains, particularly over trading arrangements with the EU. As rehearsed previously, however, we consider that the nature and geography of the Group's operations, with 97% of the Group's revenue originating in North America, leave it in a strong position to absorb any residual negative effects. Consequently, we do not consider that Brexit creates any real change in the Group's principal risks and uncertainties, nor does it have any material effect on our evaluation of going concern or viability analysis elsewhere in this report.

Kevin Lyons-Tarr

Chief Executive Officer

3 March 2020

David Seekings

Chief Financial Officer

Group Income Statement for the 52 weeks ended 28 December 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|------------------------------|------|------------------|----------------|
| Revenue | 1 | 860,844 | 738,418 |
| Operating expenses | | (807,224) | (694,096) |
| Operating profit | 1 | 53,620 | 44,322 |
| Finance income | | 818 | 250 |
| Finance costs | | (67) | (23) |
| Pension finance charge | | (378) | (403) |
| Net finance income/(cost) | | 373 | (176) |
| Profit before tax | | 53,993 | 44,146 |
| Taxation | 3 | (11,276) | (8,952) |
| Profit for the period | | 42,717 | 35,194 |
| | | Cents | Cents |
| Earnings per share | | | |
| Basic | 4 | 152.42 | 125.61 |
| Diluted | 4 | 151.87 | 125.22 |
| Underlying* basic | 4 | 154.41 | 129.77 |

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

Group Statement of Comprehensive Income for the 52 weeks ended 28 December 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|--|------|----------------|----------------|
| Profit for the period | | 42,717 | 35,194 |
| Other comprehensive (expense)/income | | | |
| <i>Items that may be reclassified subsequently to the income statement:</i> | | | |
| Currency translation differences | | (173) | (434) |
| <i>Items that will not be reclassified subsequently to the income statement:</i> | | | |
| Return on pension scheme assets (excluding interest income) | 6 | 2,372 | (1,951) |
| Re-measurement (losses)/gains on post-employment obligations | 6 | (2,164) | 1,582 |
| Tax relating to components of other comprehensive income | | (570) | 390 |
| Effect of change in UK tax rate | | (9) | (21) |
| Total other comprehensive expense net of tax | | (544) | (434) |
| Total comprehensive income for the period | | 42,173 | 34,760 |

Group Balance Sheet at 28 December 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|-----------------------------------|------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | | 24,369 | 19,012 |
| Intangible assets | | 1,152 | 1,084 |
| Right-of-use assets | | 1,985 | - |
| Deferred tax assets | | 4,338 | 5,636 |
| | | 31,844 | 25,732 |
| Current assets | | | |
| Inventories | | 11,456 | 9,878 |
| Trade and other receivables | | 52,899 | 46,228 |
| Current tax debtor | | 140 | 644 |
| Cash and cash equivalents | | 41,136 | 27,484 |
| | | 105,631 | 84,234 |
| Current liabilities | | | |
| Lease liabilities | | (1,630) | - |
| Trade and other payables | | (59,209) | (50,252) |
| Current tax creditor | | - | (500) |
| | | (60,839) | (50,752) |
| Net current assets | | | |
| | | 44,792 | 33,482 |
| Non-current liabilities | | | |
| Lease liabilities | | (415) | - |
| Retirement benefit obligations | 6 | (12,305) | (15,016) |
| Deferred tax liabilities | | (968) | (931) |
| | | (13,688) | (15,947) |
| Net assets | | | |
| | | 62,948 | 43,267 |
| Shareholders' equity | | | |
| Share capital | | 18,842 | 18,842 |
| Share premium reserve | | 68,451 | 68,451 |
| Other reserves | | 5,254 | 5,427 |
| Retained earnings | | (29,599) | (49,453) |
| Total Shareholders' equity | | 62,948 | 43,267 |

Group Statement of Changes in Shareholders' Equity for the 52 weeks ended 28 December 2019

| | Share capital \$'000 | Share premium reserve \$'000 | Other reserves \$'000 | Retained earnings | | Total equity \$'000 |
|--|-------------------------|------------------------------------|-----------------------------|-------------------------|------------------------------|---------------------------|
| | | | | Own shares \$'000 | Profit and loss \$'000 | |
| Balance at 31 December 2017 | 18,842 | 68,451 | 5,861 | (1,699) | (50,373) | 41,082 |
| Profit for the period | | | | | 35,194 | 35,194 |
| <i>Other comprehensive income/(expense)</i> | | | | | | |
| Currency translation differences | | | (434) | | | (434) |
| Re-measurement losses on post-employment obligations | | | | | (369) | (369) |
| Deferred tax relating to post-employment obligations | | | | | 69 | 69 |
| Deferred tax relating to losses re post-employment obligations | | | | | 321 | 321 |
| Effect of change in tax rates | | | | | (21) | (21) |
| Total comprehensive income | | | (434) | | 35,194 | 34,760 |
| Proceeds from options exercised | | | | | 1,722 | 1,722 |
| Own shares utilised | | | | 2,420 | (2,420) | - |
| Own shares purchased | | | | (2,187) | | (2,187) |
| Share-based payment charge | | | | | 808 | 808 |
| Deferred tax relating to share options | | | | | 6 | 6 |
| Deferred tax relating to losses re share options | | | | | 60 | 60 |
| Dividends | | | | | (32,984) | (32,984) |
| Balance at 29 December 2018 | 18,842 | 68,451 | 5,427 | (1,466) | (47,987) | 43,267 |
| Adjustments arising from adoption of IFRS 16 (note 9) | - | - | - | - | (187) | (187) |
| Balance at 30 December 2018 after adjustments | 18,842 | 68,451 | 5,427 | (1,466) | (48,174) | 43,080 |
| Profit for the period | | | | | 42,717 | 42,717 |
| <i>Other comprehensive income/(expense)</i> | | | | | | |
| Currency translation differences | | | (173) | | | (173) |
| Re-measurement gains on post-employment obligations | | | | | 208 | 208 |
| Deferred tax relating to post-employment obligations | | | | | (40) | (40) |
| Deferred tax relating to losses re post-employment obligations | | | | | (530) | (530) |
| Effect of change in tax rates | | | | | (9) | (9) |
| Total comprehensive income | | | (173) | | 42,346 | 42,173 |
| Proceeds from options exercised | | | | | 339 | 339 |
| Own shares utilised | | | | 1,343 | (1,343) | - |
| Own shares purchased | | | | (2,906) | | (2,906) |
| Share-based payment charge | | | | | 928 | 928 |
| Deferred tax relating to share options | | | | | 94 | 94 |
| Deferred tax relating to losses re share options | | | | | (101) | (101) |
| Dividends | | | | | (20,659) | (20,659) |
| Balance at 28 December 2019 | 18,842 | 68,451 | 5,254 | (3,029) | (26,570) | 62,948 |

Group Cash Flow Statement for the 52 weeks ended 28 December 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|---|------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 7 | 56,248 | 41,651 |
| Tax paid | | (10,318) | (7,844) |
| Finance income received | | 818 | 250 |
| Finance costs paid | | (67) | (23) |
| Net cash generated from operating activities | | 46,681 | 34,034 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (7,673) | (2,492) |
| Purchases of intangible assets | | (505) | (395) |
| Proceeds from sale of property, plant and equipment | | - | 32 |
| Net cash used in investing activities | | (8,178) | (2,855) |
| Cash flows from financing activities | | | |
| Capital element of lease payments | | (1,687) | - |
| Proceeds from share options exercised | | 339 | 1,722 |
| Purchase of own shares | | (2,906) | (2,187) |
| Dividends paid to Shareholders | 5 | (20,659) | (32,984) |
| Net cash used in financing activities | | (24,913) | (33,449) |
| Net movement in cash and cash equivalents | | 13,590 | (2,270) |
| Cash and cash equivalents at beginning of the period | | 27,484 | 30,767 |
| Exchange gains/(losses) on cash and cash equivalents | | 62 | (1,013) |
| Cash and cash equivalents at end of the period | | 41,136 | 27,484 |
| Analysis of cash and cash equivalents | | | |
| Cash at bank and in hand | | 41,136 | 23,648 |
| Short-term deposits | | - | 3,836 |
| | | 41,136 | 27,484 |

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 those set out in the Group's Annual Report and Accounts 2019. These policies have been consistently applied to all the periods presented, apart from those affected by the early adoption of IFRS 16 'Leases'. Under IFRS 16 there is no distinction between finance and operating leases from a lessee's perspective, with all leases, subject to options to exclude leases with a duration of 12 months or less and leases of low value assets, included on the balance sheet by recognition of a right-of-use asset and a lease liability. This impacts the accounting policy for leases. On transition the Group decided to take advantage of the modified retrospective option not to restate prior periods, but to recognise a lease liability at the date of initial application, based on discounted future cash flows, along with a right-of-use asset at a carrying amount as if the Standard had been applied since the commencement date of the lease, but discounted at the incremental borrowing rate at the date of initial application. The financial impacts of this policy change are shown in note 9.

Basis of preparation

This announcement was approved by the Board of Directors on 3 March 2020. The financial information in this announcement does not constitute the Group's statutory accounts for the periods ended 28 December 2019 or 29 December 2018 but it is derived from those accounts. Statutory accounts for 29 December 2018 have been delivered to the Registrar of Companies, and those for 28 December 2019 will be delivered after the Annual General Meeting. The auditors have reported on those accounts. Their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The audited consolidated financial statements from which these results are extracted have been prepared under the historical cost convention in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU that applied to the 2019 financial year, which started on 30 December 2018, except for the early adoption of IFRS 16 as noted above.

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue to operate for a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Judgments, estimates and assumptions

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:

Pensions

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

Leases

An estimate of the residual term over which the Oshkosh office lease will be rolled over has been necessary.

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 28 December 2019, 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 | 2019 | 2018 |
|----------------------------|----------------|---------------|
| | \$'000 | \$'000 |
| North America | 839,284 | 714,554 |
| UK and Eire | 21,560 | 23,864 |
| Total Group revenue | 860,844 | 738,418 |

| Profit | 2019 | 2018 |
|--|----------------|---------------|
| | \$'000 | \$'000 |
| North America | 57,446 | 48,496 |
| UK and Eire | (42) | 465 |
| Underlying* operating profit from 4imprint Direct Marketing | 57,404 | 48,961 |
| Head office costs | (3,472) | (3,602) |
| Underlying operating profit | 53,932 | 45,359 |
| Defined benefit pension scheme administration costs (note 6) | (312) | (316) |
| Exceptional items (note 2) | - | (721) |
| Operating profit | 53,620 | 44,322 |
| Net finance income | 751 | 227 |
| Pension finance charge | (378) | (403) |
| Profit before tax | 53,993 | 44,146 |

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

2 Exceptional items

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Past service costs re defined benefit pension scheme pensioner GMP equalisation | - | 721 |

The past service costs in 2018 result from the High Court judgment in the Lloyds case on 26 October 2018, which confirmed that the equalisation of benefits between male and female members of the defined benefit plan at retirement extends to Guaranteed Minimum Pensions ("GMP"). The charge is an estimate calculated by the Company's actuaries, based on key high-level data from the Plan's last full actuarial valuation and the legal position as understood at the date of these financial statements. The actual result may differ from this estimate, which has not been updated since first calculated.

3 Taxation

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| <i>Current tax</i> | | |
| UK tax – current | - | - |
| Overseas tax – current | 10,845 | 8,212 |
| Overseas tax – prior periods | (523) | (41) |
| Total current tax | 10,322 | 8,171 |
| <i>Deferred tax</i> | | |
| Origination and reversal of temporary differences | 954 | 803 |
| Adjustment in respect of prior periods | - | (22) |
| Total deferred tax | 954 | 781 |
| Taxation | 11,276 | 8,952 |

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:

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Profit before tax | 53,993 | 44,146 |
| Profit before tax for each country of operation multiplied by rate of corporation tax applicable in the respective countries | 12,927 | 10,452 |
| Effects of: | | |
| Adjustments in respect of prior periods | (523) | (63) |
| Expenses not deductible for tax purposes and non-taxable income | 14 | 105 |
| Other differences | (91) | (164) |
| Utilisation of tax losses not previously recognised | (1,051) | (1,378) |
| Taxation | 11,276 | 8,952 |

The net deferred tax asset at 28 December 2019 has been calculated at a tax rate of 17% (2018: 19% for items reversing pre April 2020 and 17% for all other items) in respect of UK deferred tax items and 25% (2018: 21%) in respect of US deferred tax items.

The amount of current tax recognised directly in Shareholders' equity in 2019 was \$nil (2018: \$nil).

No current tax was recognised in other comprehensive income (2018: \$nil).

The lump sum funding to the defined benefit pension scheme planned for 2020 may impact on future effective tax rates.

4 Earnings per share

Basic, diluted and underlying

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

| | 2019 \$'000 | 2018 \$'000 |
|--|------------------------|------------------------|
| Profit after tax | 42,717 | 35,194 |
| | | |
| | 2019 \$'000 | 2018 \$'000 |
| Profit before tax | 53,993 | 44,146 |
| <i>Adjustments:</i> | | |
| Exceptional items (note 2) | - | 721 |
| Defined benefit pension scheme administration costs (note 6) | 312 | 316 |
| Pension finance charge (note 6) | 378 | 403 |
| Underlying profit before tax | 54,683 | 45,586 |
| Taxation (note 3) | (11,276) | (8,952) |
| Tax relating to above adjustments | (131) | (274) |
| Underlying profit after tax | 43,276 | 36,360 |
| | | |
| | 2019 Number '000 | 2018 Number '000 |
| Basic weighted average number of shares | 28,026 | 28,018 |
| Adjustment for employee share options | 102 | 88 |
| Diluted weighted average number of shares | 28,128 | 28,106 |
| | | |
| | 2019 Cents | 2018 Cents |
| Basic earnings per share | 152.42 | 125.61 |
| Diluted earnings per share | 151.87 | 125.22 |
| Underlying basic earnings per share | 154.41 | 129.77 |
| Underlying diluted basic earnings per share | 153.85 | 129.37 |

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 59,908 (2018: 67,125).

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

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

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

5 Dividends

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Equity dividends – ordinary shares | | |
| Interim paid: 25.00c (2018: 20.80c) | 7,146 | 5,848 |
| Supplementary paid: nil (2018: 60.00c) | - | 16,282 |
| Final paid: 49.20c (2018: 40.00c) | 13,513 | 10,854 |
| | 20,659 | 32,984 |

6 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:

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Defined contribution plans – employers' contributions | 1,580 | 1,356 |

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:

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Administration costs paid by the scheme | 312 | 316 |
| Pension finance charge | 378 | 403 |
| Exceptional items – past service costs re GMP equalisation (note 2) | - | 721 |
| Total defined benefit pension charge | 690 | 1,440 |

The amounts recognised in the balance sheet comprise:

| | 2019 \$'000 | 2018 \$'000 |
|--|-----------------|-----------------|
| Present value of funded obligations | (36,322) | (33,103) |
| Fair value of scheme assets | 24,017 | 18,087 |
| Net liability recognised in the balance sheet | (12,305) | (15,016) |

The funds of the scheme are held in trust and administered by a corporate Trustee to meet pension liabilities for around 371 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 diversified growth fund, designed to give lower volatility than equities, and in a liability-driven investment fund, designed to provide some hedge against movement in the liabilities due to interest rate fluctuation and inflation. The funds use derivatives to reduce risk.

An actuarial valuation was undertaken as at 30 September 2019 in accordance with the scheme funding requirements of the Pensions Act 2004. The draft actuarial valuation showed a deficit of £14.4m. 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 is payable in May 2020 and ongoing contributions of £2.46m per annum are payable by the Company. These contributions commence 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 draft actuarial valuation as at 30 September 2019, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 28 December 2019. 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 31 December 2017 | (36,739) | 18,633 | (18,106) |
| Administration costs paid by the scheme | (316) | - | (316) |
| Exceptional items – buy-out costs paid by the scheme | (721) | - | (721) |
| Interest (expense)/income | (889) | 486 | (403) |
| Return on scheme assets (excluding interest income) | - | (1,951) | (1,951) |
| Re-measurement gains due to changes in financial assumptions | 1,582 | - | 1,582 |
| Contributions by employer | - | 3,932 | 3,932 |
| Benefits paid | 1,848 | (1,848) | - |
| Exchange gain/(loss) | 2,132 | (1,165) | 967 |
| Balance at 29 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) |

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

| | 2019 | 2018 |
|---|-------|-------|
| Rate of increase in pensions in payment | 2.90% | 3.10% |
| Rate of increase in deferred pensions | 2.15% | 2.10% |
| Discount rate | 1.95% | 2.80% |
| Inflation assumption – RPI | 2.95% | 3.20% |
| – CPI | 2.15% | 2.10% |

The mortality assumptions adopted at 28 December 2019 reflect the most recent version of the tables used in the draft September 2019 triennial valuation. The assumptions imply the following life expectancies at age 65:

| | 2019 | 2018 |
|-------------------------|----------|----------|
| Male currently age 40 | 22.3 yrs | 23.4 yrs |
| Female currently age 40 | 24.1 yrs | 25.3 yrs |
| Male currently age 65 | 21.3 yrs | 21.9 yrs |
| Female currently age 65 | 23.0 yrs | 23.8 yrs |

7 Cash generated from operations

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Operating profit | 53,620 | 44,322 |
| <i>Adjustments for:</i> | | |
| Depreciation charge | 2,345 | 2,200 |
| Amortisation of intangibles | 440 | 445 |
| Amortisation of right-of-use assets | 1,499 | - |
| Loss on disposal of property, plant and equipment | - | 7 |
| Exceptional non-cash items | - | 721 |
| Decrease in exceptional accrual | - | (52) |
| Share option charges | 928 | 808 |
| Defined benefit pension administration charge | 312 | 316 |
| Contributions to defined benefit pension scheme | (3,593) | (3,932) |
| <i>Changes in working capital:</i> | | |
| Increase in inventories | (1,577) | (2,266) |
| Increase in trade and other receivables | (6,579) | (2,422) |
| Increase in trade and other payables | 8,853 | 1,504 |
| Cash generated from operations | 56,248 | 41,651 |

8 Related party transactions

The Group did not participate in any related party transactions.

9 Impact of new accounting standards

On transition to IFRS 16 the modified retrospective option was selected, with no restatement of prior periods so prior year numbers are not directly comparable. In addition, the exemptions for low value assets and leases with a duration of 12 months or less were taken. It was not possible to ascertain the interest rates implicit in the existing leases, therefore the lease liabilities were discounted at the lessees' incremental borrowing rates. The weighted average rate used was 3.778%.

As the option to not restate prior periods was selected, the implementation of IFRS 16 'Leases' has resulted in a revision to the opening equity of the Group. This results in an opening adjustment to reduce net equity by \$187,000 as follows:

| Balance sheet | 29 Dec 2018 As reported \$'000 | Opening IFRS 16 adjustment \$'000 | Opening 30 Dec 2018 Revised \$'000 |
|--------------------------------|--------------------------------------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | 19,012 | - | 19,012 |
| Right-of-use assets | - | 1,856 | 1,856 |
| Intangible assets | 1,084 | - | 1,084 |
| Deferred tax assets | 5,636 | - | 5,636 |
| | 25,732 | 1,856 | 27,588 |
| Current assets | | | |
| Inventories | 9,878 | - | 9,878 |
| Trade and other receivables | 46,228 | - | 46,228 |
| Current tax | 644 | - | 644 |
| Cash and cash equivalents | 27,484 | - | 27,484 |
| | 84,234 | - | 84,234 |
| Current liabilities | | | |
| Lease liabilities | - | (1,701) | (1,701) |
| Trade and other payables | (50,252) | - | (50,252) |
| Current tax | (500) | - | (500) |
| | (50,752) | (1,701) | (52,453) |
| Net current assets | 33,482 | (1,701) | 31,781 |
| Non-current liabilities | | | |
| Lease liabilities | - | (404) | (404) |
| Retirement benefit obligations | (15,016) | - | (15,016) |
| Deferred tax liability | (931) | 62 | (869) |
| | (15,947) | (342) | (16,289) |
| Net assets | 43,267 | (187) | 43,080 |

The reconciliation between the commitment under non-cancellable operating leases at 29 December 2018 and the lease liability adjustment above is as follows:

| | |
|---|--------------|
| | \$'000 |
| Operating lease obligations at 29 December 2018 | 2,201 |
| Maintenance element | (9) |
| Less leases of low value assets | (40) |
| Discounting | (47) |
| Lease liabilities | 2,105 |

The impact on the current year is as follows:

| Balance sheet at 28 December 2019 | Before adjustment | IFRS 16 adjustment | As reported |
|--|----------------------|-----------------------|--------------------|
| | \$'000 | \$'000 | \$'000 |
| Non-current assets | | | |
| Property, plant and equipment | 24,369 | - | 24,369 |
| Right-of-use assets | - | 1,985 | 1,985 |
| Intangible assets | 1,152 | - | 1,152 |
| Deferred tax assets | 4,338 | - | 4,338 |
| | 29,859 | 1,985 | 31,844 |
| Current assets | | | |
| Inventories | 11,456 | - | 11,456 |
| Trade and other receivables | 52,899 | - | 52,899 |
| Current tax debtor | 140 | - | 140 |
| Cash and cash equivalents | 41,136 | - | 41,136 |
| | 105,631 | - | 105,631 |
| Current liabilities | | | |
| Lease liabilities | - | (1,630) | (1,630) |
| Trade and other payables | (59,209) | - | (59,209) |
| | (59,209) | (1,630) | (60,839) |
| Net current assets | 46,422 | (1,630) | 44,792 |
| Non-current liabilities | | | |
| Lease liabilities | - | (415) | (415) |
| Retirement benefit obligations | (12,305) | - | (12,305) |
| Deferred tax liability | (983) | 15 | (968) |
| | (13,288) | (400) | (13,688) |
| Net assets | 62,993 | (45) | 62,948 |

| Income statement for the 52 weeks ended 28 December 2019 | Before adjustment | IFRS 16 adjustment | As reported |
|---|-------------------|--------------------|------------------|
| | \$'000 | \$'000 | \$'000 |
| Revenue | 860,844 | - | 860,844 |
| Operating expenses | (807,456) | 232 | (807,224) |
| Operating profit | 53,388 | 232 | 53,620 |
| Finance income | 818 | - | 818 |
| Finance costs | (22) | (45) | (67) |
| Pension finance charge | (378) | - | (378) |
| Net finance income | 418 | (45) | 373 |
| Profit before tax | 53,806 | 187 | 53,993 |
| Taxation | (11,229) | (47) | (11,276) |
| Profit for the period | 42,577 | 140 | 42,717 |
| Earnings per share | | | |
| <i>Basic</i> | 151.92 | | 152.42 |
| <i>Diluted</i> | 151.37 | | 151.87 |

Cash flow statement

There is no net impact upon the net movement of cash and cash equivalent. However, in 2019, cash generated from operations increased by \$1,732,000, offset by an increase in outflow on finance costs paid, within operating activities, of \$45,000 and capital elements of lease payments, within financing activities, of \$1,687,000.

10 Principal risks and uncertainties

The principal risks and uncertainties which the business faces are: macroeconomic conditions; markets and competition; currency exchange; business facility disruption; disruption to the product supply chain or delivery service; disturbance in established marketing techniques; reliance on key personnel; failure or interruption of IT systems and infrastructure; failure to adapt to new technological innovations; and cyber threats. A full description of these risks and the mitigating actions taken by the Group is available on the Company's corporate website <http://investors.4imprint.com>.

Statement of Directors' responsibilities

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

- The financial statements within the full Annual Report and Accounts from which the financial information within this Final Results Announcement has been extracted, have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole.
- The Chief Executive's Review and Financial Review, and Principal risks and uncertainties include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

Alternative performance measures

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

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

Definitions

Underlying operating profit is profit before defined benefit pension charges and exceptional items. The defined benefit pension plan relates to employees and former employees of businesses sold by the Group and not to employees of the ongoing business. Exceptional items are defined below. Both these items may be volatile in magnitude and distort the underlying performance measures of the ongoing business. A reconciliation of underlying operating profit to operating profit is shown in note 1 and the calculation of underlying EPS is shown in note 4.

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 10).

Cash conversion is defined as the percentage of Free Cash Flow to Underlying Operating Profit and is provided as a measure of the efficiency of the Group's business model to generate cash.

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

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

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

Underlying profit before tax is defined as profit before tax excluding defined benefit pension scheme charges and exceptional items.

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.

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.