4imprint Group PLC - FOUR *Final Results*
Released 07:00 08-Mar-2017

RNS Number : 7989Y
4imprint Group PLC
08 March 2017

8 March 2017

4imprint Group plc
Final results for the period ended 31 December 2016

4imprint Group plc (the "Group"), the leading direct marketer of promotional products, today announces its final results for the 52 weeks ended 31 December 2016.

Highlights

Financial	**2016 52 weeks $m**	2015 53 weeks $m	Change
Revenue	**558.22**	497.22	+12%
Underlying* profit before tax	**38.35**	33.55	+14%
Profit before tax	**34.15**	31.16	+10%
Underlying* basic EPS (cents)	**99.01**	88.04	+12%
Basic EPS (cents)	**87.27**	81.26	+7%
Proposed total dividend per share (cents)	**52.50**	38.89	+35%
Proposed total dividend per share (pence)	**41.82**	26.57	+57%

* Underlying is before share option related charges, defined benefit pension charges and exceptional items.

Operational

- Organic revenue growth continues
  - Orders 12% ahead of 2015
  - More than 1,050,000 total orders received
  - Consistent re-order rates from existing customers

- Strong financial position maintained
  - Efficient cash conversion
  - $21.7m cash balance at year end
- Pension buy-out project complete
  - £10.0m ($14.5m) one-off contribution
  - $2.9m exceptional charge

Paul Moody, Chairman said:

"Our business model is resilient and our market opportunity remains large and attractive. After a period of volatility in the fourth quarter of 2016 caused by uncertainty around the US presidential election, customer order activity normalised in December. The first few weeks of 2017 have shown a satisfactory start to the year."

For further information, please contact:

4imprint Group plc	**MHP Communications**
Tel. + 44 (0) 20 7299 7201	**Tel. + 44 (0) 20 3128 8794**
Kevin Lyons-Tarr, Chief Executive Officer	**Katie Hunt**
David Seekings, Chief Financial Officer	**Reg Hoare**

Chairman's Statement

I am pleased to report that 2016 was another very good year of progress for 4imprint. Revenue for the year was $558.2m, an increase of 12% over prior year. The revenue increase on a like-for-like basis was 13%, after adjusting for the effects of a 53rd week in the 2015 comparative accounting period and a negative currency impact on the results of our UK-based business. All revenue growth was organic.

Underlying profit before tax rose to $38.4m, up 14% over 2015. Profit before tax was $34.2m, 10% higher than 2015. This result is consistent with our strategy to maximise revenue growth whilst maintaining a broadly stable operating margin percentage. Investment in marketing remains the primary growth driver. A major milestone was reached in 2016: the total number of orders received in the year surpassed one million for the first time.

The Group ended 2016 in a strong financial position. Low fixed capital requirements and good working capital management resulted in efficient cash conversion. The year end cash balance of $21.7m was an increase of $3.3m over 2015, despite a planned one-off pension contribution in the year of $14.5m.

Significant progress was made during 2016 in respect of the Group's legacy defined benefit pension scheme. The buy-out process is complete. Going forward, contributions into the remaining plan, which consists primarily of deferred pensioners, will be at a much lower level over the next several years.

John Poulter retired on 30 November 2016 from his position as Non-Executive Chairman of the Group. John joined the Board in May 2010, and his leadership was instrumental in the success of the Group over recent years. The Board wishes to express its gratitude to John and to wish him well for the future. I was appointed to the Board as a Non-Executive Director in February 2016 and subsequently as Non-Executive Chairman on 1 December 2016.

At the half year the Board declared an interim dividend per share of 16.32c, an increase of 35% over 2015. This increase was set in the context of expected reduced future contributions to the pension scheme, along with the ongoing cash generative nature of the Group's trading operations. As anticipated, the Board confirms that it is recommending a final dividend of 36.18c, also an increase of 35% over prior year.

A relentless focus on customer care is at the heart of our business, and I would like to thank every one of our talented and dedicated team members for maintaining remarkable service levels as the business continues to grow.

Our business model is resilient and our market opportunity remains large and attractive. After a period of volatility in the fourth quarter of 2016 caused by uncertainty around the US presidential election, customer order activity normalised in December. The first few weeks of 2017 have shown a satisfactory start to the year.

Paul Moody

Chairman

8 March 2017

Strategic Report

Chief Executive's Review

Revenue	2016 $m	2015 $m	
North America	**540.60**	479.24	+13%
UK and Ireland	**17.62**	17.98	-2%
Total	**558.22**	497.22	+12%

Underlying* operating profit	2016 $m	2015 $m	
Direct Marketing operations	**42.28**	37.04	+14%
Head Office	**(3.90)**	(3.52)	+11%
Underlying operating profit	**38.38**	33.52	+14%
Operating profit	**34.70**	31.96	+9%

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

* Underlying is before share option related charges, defined benefit pension charges and exceptional items.

The 2016 financial results are consistent with the Group's established financial strategy of prioritising organic revenue growth whilst maintaining a broadly stable operating margin percentage.

Total Group revenue was $558.22m, which was 12% ahead of prior year. This growth measure was negatively influenced by the fact that the 2015 comparative contained an 'extra' week of sales due to a 53 week accounting period, in addition to which the reported revenue of our UK business was adversely affected by currency swings following the EU referendum in June. Adjusting for these two factors, the like-for-like revenue increase over 2015 was 13%. On a similarly adjusted basis, revenue at the half year was up 15%, meaning that the growth rate in the second half of the year was slightly lower than that experienced in the first half.

The North American business, which comprises 97% of Group revenue, continued to grow well ahead of the promotional products industry as a whole, which was estimated by US industry sources to have grown by approximately 3.1%. Fourth quarter trading patterns were disrupted, with order intake in October and November, particularly in respect of new customers, running markedly lower than the year to date run rate. This correlated directly with a six to eight week period of uncertainty leading up to, and immediately following, the US election. Leading indicators and order activity recovered towards the end of the year, with December performance returning to anticipated levels.

Reported revenue for the UK operation was 2% lower than prior year. This result should, however, be set firmly in the context of the material currency movements following the EU referendum in late June. In underlying currency the year on year growth rate was 11%, also well above the estimated UK industry growth rate of 6.1%.

More than 240,000 new customers were acquired in 2016. On a like-for-like basis orders from new customers were up 6% over prior year, and orders from existing customers increased by 15% compared to 2015. In total, 1,054,000 individually customised orders were processed by our dedicated and talented customer service teams - the first time that more than a million orders have been received in one year.

Effective and innovative marketing is the key driver of our continued growth. During 2016 we continued to invest a significant proportion of our overall marketing funds into customer acquisition activities. In addition to our well-established offline prospecting initiatives, a critical part of the 2016 marketing mix involved understanding and developing strategies around changes in the dynamics of the search engine platforms which take up a large part of our online marketing budget. Customer retention was driven in large part by our ever-popular and constantly evolving Blue Box™ sample mailings, complemented by our relentless focus on delivering remarkable customer service. Revenue per marketing dollar is the KPI used to assess whether our increasing investment in marketing remains consistent with our strategy. In 2016 this was $5.77, compared to $5.92 in 2015. This was in line with our expectations and with our financial strategy, delivering both organic revenue growth and a stable operating margin percentage.

Underlying operating profit, excluding Head Office expenses, increased by 14%, compared to a 12% increase in reported revenue. The resulting increase in operating margin percentage in the trading businesses had three major components: (i) a slightly improved gross margin percentage; (ii) improved revenue per payroll dollar, effectively offsetting the movement in revenue per marketing dollar; and (iii) some gearing effect from the fixed or semi-fixed elements in selling costs and other overheads.

Head office costs increased by 11% compared to prior period. There was no significant change in the structure and activities of the central function. The variance arose primarily due to losses on the maturity of forward currency contracts taken out before the EU referendum to hedge cash flows from the US, partly offset by a favourable currency effect from the translation into reporting currency of costs incurred in Sterling.

Overall, the Group's underlying operating margin percentage for 2016 was 6.87%, compared to 6.74% in 2015. This is within the bandwidth to be consistent with our strategic intention to deliver a broadly stable operating margin percentage.

For the ninth year in a row, the North American business was named on the list of the Top 25 Best Medium Sized Workplaces in the USA. The UK business maintains its Investors in People accreditation. We are proud of our workplace and our culture, and as such we remain confident in our ability to innovate, adapt and continue to generate attractive levels of profitable organic growth.

Financial Review

	2016 Underlying* $m	2015 Underlying* $m	**2016 Total $m**	2015 Total $m
Underlying operating profit	**38.38**	33.52	**38.38**	33.52
Share option related charges (incl. social security)			**(0.43)**	(0.30)
Exceptional items			**(2.94)**	(0.86)
Net finance (expense)/income	**(0.03)**	0.03	**(0.03)**	0.03
Defined benefit pension charges			**(0.83)**	(1.23)
Profit before tax	**38.35**	33.55	**34.15**	31.16

* Underlying is before share option related charges, defined benefit pension charges and exceptional items.

Operating result

Group revenue in 2016 was $558.22m, (2015: $497.22m), an increase of 12% over prior year. Underlying operating profit before tax was $38.35m, (2015: $33.55m), up 14% over the 2015 comparative. Operating profit was $34.15m (2015: $31.16m).

2015 was a 53 week accounting period for the Group, reverting back in 2016 to the normal 52 week timeframe. This means that the comparative contains around $4.0m of additional revenue from the 'extra' week. Another factor to note in year on year revenue comparisons is an adverse currency effect of around $2.2m arising from the translation of the results of the UK business into reporting currency. Adjusting the comparative for these two items, Group revenue growth over prior year was 13%.

In terms of underlying operating profit, the additional week in the comparative had a negligible effect due to a full week of payroll and overheads offsetting the additional gross margin arising from a quiet week of revenue during the holiday season.

Foreign exchange

The US dollar exchange rates material to the Group's 2016 results were as follows:

	2016		2015	
	Period end	**Average**	Period end	Average
Sterling	**1.23**	**1.35**	1.48	1.53
Canadian dollars	**0.74**	**0.76**	0.72	0.78

Share option charges

The Group charged $0.43m (2015: $0.30m) in respect of IFRS2, 'Share-based payments'. This was made up of various elements: the Performance Share Plan ('PSP') approved by shareholders on 27 April 2011, which matured in April 2016; charges under the 2015 Incentive Plan, approved at the 2015 AGM, in respect of 2015 actual and 2016 accrued awards; and a charge in respect of the 2016 UK SAYE and US ESPP plans.

Current options and awards outstanding are 144,826 shares under the 2016 UK SAYE and US ESPP plans and 26,128 shares under the 2015 Incentive Plan.

Exceptional items

A total of $2.94m (2015: $0.86m) was charged to exceptional items in the year, which all related to pension risk reduction activity. There were three components of the charge: (i) $1.32m of buy-out related costs incurred and paid by the pension scheme; (ii) $1.45m representing a past service charge in respect of Guaranteed Minimum Pension equalisation; and (iii) $0.17m paid by the Group in respect of fees incurred on the buy-out project.

Net finance income

Net finance expense for the year was $0.03m, (2015: income of $0.03m), reflecting non-utilisation fees on the US line of credit, offset partially by modest interest received on the investment of cash balances in short term deposits.

Taxation

The tax charge for the year was $9.67m (2015: $8.46m), producing an effective tax rate of 28% (2015: 27%). The charge comprised current tax of $10.08m, representing tax payable in the USA, and a deferred tax credit of $0.41m. The increase in overall rate between years was due principally to increased taxable profits arising in the USA, which is a higher tax jurisdiction.

The tax charge relating to underlying profit before tax was $10.58m (2015: $8.96m), an effective tax rate of 28% (2015: 27%).

Earnings per share

Underlying basic earnings per share was 99.01c (2015: 88.04c), an increase of 12%. This increase is lower than the 14% increase in underlying profit before tax, reflecting a higher effective tax rate and a slightly higher weighted average number of shares in issue.

Basic earnings per share was 87.27c (2015: 81.26c), an increase of 7%. The primary factors causing the increase in basic earnings per share to be lower than the increase in underlying earnings per share were higher exceptional charges, share option charges and effective tax rate, offset by lower pension-related administration and finance charges, all compared to prior period.

Dividends

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

The Board has proposed a final dividend of 36.18c (2015: 26.80c) which, together with the interim dividend of 16.32c, gives a total paid and proposed dividend relating to 2016 of 52.50c, an increase of 35% compared to prior year.

In Sterling, the final dividend paid to shareholders will be 29.52p (2015: 18.82p), which, combined with the interim dividend paid of 12.30p, gives a total dividend for the year of 41.82p, an increase of 57% compared to prior year.

Defined benefit pension scheme

The Group sponsors a legacy defined benefit pension scheme which has been closed to new members and future accruals for several years.

At 31 December 2016, the deficit of the Scheme on an IAS 19 basis was $19.29m, compared to $23.11m at 2 January 2016.

The change in deficit is analysed as follows:

	$m
IAS 19 deficit at 2 January 2016	**(23.11)**
Company contributions to the Scheme	**17.35**
Pension administration costs	**(0.31)**
Pension costs - exceptional	**(2.77)**
Pension finance charge	**(0.52)**
Re-measurement gains due to changes in assumptions	**(12.94)**
Exchange gains	**3.01**
IAS 19 deficit at 31 December 2016	**(19.29)**

During the year, the previously bought-in benefits of the majority of pensioner members were successfully converted to buy-out status. This resulted in a remaining pension obligation that is considerably smaller, moving from around 1,600 members, (1,100 pensioners and 500 deferred pensioners) in December 2015, to around 420 mainly deferred members at the 2016 year end. Individual annuities were issued to the departing pensioner members under the terms of the contracts with the insurers.

In financial terms, this meant that gross liabilities of $94.79m, and the corresponding insured asset of the same amount, were removed from the Group's balance sheet. In order to extinguish these liabilities fully, the old scheme is in the process of being wound up. A new scheme with equivalent benefits has been set up, and members not included in the buy-out have been transferred to this scheme, except for those with small pension entitlements who opted to depart the scheme by taking winding up lump sum payments, resulting in liabilities of $1.98m and assets of an equivalent amount being removed.

In order to facilitate the buy-out process and the establishment and funding of the new scheme, a one-off contribution of £10.0m ($14.5m) was paid in the first half of 2016, as previously agreed with the Trustee. The remainder of the $17.35m total contributions during the year were in respect of an interim deficit recovery arrangement agreed with the Trustee and the funding of some transfer values out of the scheme.

At 31 December 2016, gross scheme liabilities under IAS 19 were $34.36m, and assets were $15.07m, resulting in a net liability of $19.29m. This residual net liability is higher than expected. Two primary factors influenced this: (i) adverse movements in actuarial assumptions, particularly the discount rate which moved from 3.52% in 2015 to 2.68% at the end of 2016; and (ii) a gap between the actuarial estimates of the split of liabilities between insured and non-insured members (based initially on the last full valuation in 2013 and rolled forward since then), and the actual liabilities transferred to insurers.

A new deficit recovery contribution schedule will be agreed with the Trustee during 2017. In the meantime, the current interim contribution of around £2.3m per year will continue to be paid into the scheme.

Cash flow

The Group had net cash of $21.68m at 31 December 2016, an increase of $3.30m over the 2 January 2016 balance of $18.38m.

Cash flow in the period is summarised as follows:

	2016 $m	2015 $m
Underlying operating profit	**38.38**	33.52
Depreciation and amortisation	**2.39**	1.96
Change in working capital	**5.95**	(4.46)
Capital expenditure	**(3.29)**	(11.02)
Underlying operating cash flow	**43.43**	20.00
Tax and interest	**(9.45)**	(8.70)
Defined benefit pension contributions	**(17.35)**	(0.83)
Own share transactions	**0.07**	-
Exceptional items	**(0.17)**	(0.31)
National Insurance on share options exercised	**(0.07)**	-
Exchange	**(1.02)**	(0.48)
Free cash flow	**15.44**	9.68
Dividends to Shareholders	**(12.14)**	(9.60)
Net cash inflow in the period	**3.30**	0.08

The cash generative nature of the direct marketing business model was demonstrated in the 2016 results.

The underlying operating profit to cash conversion rate was 113% (2015: 87%, after adjusting for $9m of unusually high capital expenditure). This attractive cash conversion ratio was driven in large part by a favourable swing in the working capital position. Working capital at the end of 2015 was unusually high, driven by timing effects due to a 53 week accounting period. The 2016 balance reflects a more normalised position.

Free cash flow was $15.44m, after the one-off pension contribution of $14.5m.

Balance sheet and Shareholders' funds

Net assets at 31 December 2016 were $29.33m, compared to $28.45m at 2 January 2016. The balance sheet is summarised as follows:

	31 December 2016 $m	2 January 2016 $m
Non-current assets	**25.05**	23.75
Working capital	**3.58**	9.71
Net cash	**21.68**	18.38
Pension deficit	**(19.29)**	(23.11)
Other assets/(liabilities) - net	**(1.69)**	(0.28)

Net assets	**29.33**	28.45

Shareholders' funds increased by $0.88m, comprising: net profit in the period of $24.48m; $0.99m of exchange gains; net pension re-measurement losses of $(12.30)m; $(0.15)m of net share option related movements; and $(12.14)m equity dividends paid to Shareholders.

Balance sheet movements in respect of cash, working capital and pension deficit are discussed in earlier sections of the Financial Review.

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 are taken out to buy or sell currency relating to specific receivables and payables as well as remittances from overseas subsidiaries. The Group holds the majority of its cash with its principal US and UK bankers. A facility with the principal US bank, JPMorgan Chase, N.A., is available to fund the short term working capital requirements of the North American business.

The Group has $20.5m of working capital facilities with its principal US bank. The interest rate is US$ LIBOR plus 1.5%, and the facilities expire on 31 May 2018, ($20.0m US facility) and 31 August 2017 ($0.5m Canadian facility). In addition, an overdraft facility of £1.0m, with an interest rate of bank base rate plus 2.0%, is available from the Group's principal UK bank, Lloyds Bank plc.

Critical accounting policies

Critical accounting policies are those that require significant judgements or estimates and potentially result in materially different results under different assumptions or conditions. It is considered that the only critical accounting policy is in respect of pensions.

Kevin Lyons-Tarr
Chief Executive Officer

David Seekings
Chief Financial Officer

8 March 2017

Group Income Statement for the 52 weeks ended 31 December 2016

	Note	**2016 52 weeks $'000**	2015 53 weeks $'000
Revenue	1	**558,223**	497,219
Operating expenses		**(523,527)**	(465,256)
Operating profit before exceptional items		**37,636**	32,821
Exceptional items	2	**(2,940)**	(858)
Operating profit	1	**34,696**	31,963
Finance income		**22**	37
Finance costs		**(46)**	(7)
Pension finance charge		**(521)**	(836)
Net finance cost		**(545)**	(806)
Profit before tax		**34,151**	31,157
Taxation	3	**(9,672)**	(8,462)

Profit for the period		**24,479**	22,695

		Cents	Cents
Earnings per share			
Basic	4	**87.27**	81.26
Diluted	4	**87.02**	80.76
Underlying basic	4	**99.01**	88.04

Group Statement of Comprehensive Income for the 52 weeks ended 31 December 2016

	Note	**2016 52 weeks $'000**	2015 53 weeks $'000
Profit for the period		**24,479**	22,695
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to the income statement:			
Currency translation differences		**992**	417
Items that will not be reclassified subsequently to the income statement:			
Re-measurement (losses)/gains on post employment obligations	6	**(16,261)**	5,597
Return on pension scheme assets (excluding interest income)	6	**3,323**	(4,832)
Tax relating to components of other comprehensive income		**869**	(156)
Effect of change in UK tax rate		**(235)**	(235)
Total other comprehensive (expense)/income net of tax		**(11,312)**	791
Total comprehensive income for the period		**13,167**	23,486

Group Balance Sheet at 31 December 2016

	Note	**2016 $'000**	2015 $'000
Non-current assets			
Property, plant and equipment		**18,938**	18,154
Intangible assets		**1,082**	1,211
Deferred tax assets		**5,030**	4,388
		25,050	23,753
Current assets			
Inventories		**4,179**	4,460
Trade and other receivables		**39,766**	42,506
Current tax		**34**	688
Cash and cash equivalents		**21,683**	18,381
		65,662	66,035
Current liabilities			
Trade and other payables		**(40,363)**	(37,254)
Net current assets		**25,299**	28,781

Non-current liabilities			
Retirement benefit obligations	6	**(19,290)**	(23,114)
Deferred tax liability		**(1,601)**	(808)
Provisions for other liabilities and charges		**(133)**	(160)
		(21,024)	(24,082)
Net assets		**29,325**	28,452
Shareholders' equity			
Share capital		**18,842**	18,777
Share premium reserve		**68,451**	68,451
Other reserves		**6,420**	5,428
Retained earnings		**(64,388)**	(64,204)
Total Shareholders' equity		**29,325**	28,452

Group Statement of Changes in Shareholders' Equity for the 52 weeks ended 31 December 2016

				Retained earnings		
	Share capital $'000	Share premium reserve $'000	Other reserves $'000	Own shares $'000	Profit and loss $'000	Total equity $'000
Balance at 27 December 2014	18,777	68,451	5,011	(1,392)	(76,777)	14,070
Profit for the period					22,695	22,695
Other comprehensive income/(expense)						
Currency translation differences			417			417
Re-measurement gains on post employment obligations					765	765
Tax relating to components of other comprehensive income					(156)	(156)
Effect of change in UK tax rate					(235)	(235)
Total comprehensive income			417		23,069	23,486
Proceeds from options exercised					900	900
Own shares utilised				1,430	(1,430)	-
Own shares purchased				(750)		(750)
Share-based payment charge					222	222
Deferred tax relating to share options					128	128
Dividends					(9,604)	(9,604)
Balance at 2 January 2016	18,777	68,451	5,428	(712)	(63,492)	28,452
Profit for the period					**24,479**	**24,479**
Other comprehensive income/(expense)						
Currency translation differences			**992**			**992**
Re-measurement losses on post employment obligations					**(12,938)**	**(12,938)**
Tax relating to components of other comprehensive income					**869**	**869**
Effect of change in UK tax rate					**(235)**	**(235)**
Total comprehensive income			**992**		**12,175**	**13,167**

Proceeds from options exercised					**142**	**142**
Shares issued	**65**					**65**
Own shares utilised				**767**	**(767)**	**-**
Own shares purchased				**(477)**		**(477)**
Share-based payment charge					**425**	**425**
Deferred tax relating to share options and losses					**(308)**	**(308)**
Dividends					**(12,141)**	**(12,141)**
Balance at 31 December 2016	**18,842**	**68,451**	**6,420**	**(422)**	**(63,966)**	**29,325**

Group Cash Flow Statement for the 52 weeks ended 31 December 2016

	Note	**2016 52 weeks $'000**	2015 53 weeks $'000
Cash flows from operating activities			
Cash generated from operations	7	**29,115**	29,797
Net tax paid		**(9,423)**	(8,730)
Finance income		**23**	37
Finance costs		**(46)**	(7)
Net cash generated from operating activities		**19,669**	21,097
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,903)**	(10,585)
Purchases of intangible assets		**(383)**	(438)
Net proceeds from sale of property, plant and equipment		**19**	111
Net cash used in investing activities		**(3,267)**	(10,912)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**65**	-
Dividends paid to Shareholders	5	**(12,141)**	(9,604)
Net cash used in financing activities		**(12,076)**	(9,604)
Net movement in cash and cash equivalents		**4,326**	581
Cash and cash equivalents at beginning of the period		**18,381**	18,301
Exchange losses on cash and cash equivalents		**(1,024)**	(501)
Cash and cash equivalents at end of the period		**21,683**	18,381
Analysis of cash and cash equivalents			
Cash at bank and in hand		**19,196**	5,463
Short term deposits		**2,487**	12,918
		21,683	18,381

General information

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

Accounting policies

In preparing this financial information, the principal accounting policies that will be detailed in the Group's Annual Report and Accounts for 2016 have been used and these are unchanged from the prior period.

Basis of preparation

This announcement was approved by the Board of Directors on 8 March 2017. The financial information in this announcement does not constitute the Group's statutory accounts for the periods ended 31 December 2016 or 2 January 2016 but it is derived from those accounts. Statutory accounts for 2 January 2016 have been delivered to the Registrar of Companies, and those for 31 December 2016 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 and effective at the time of preparing these financial statements (March 2017).

After a review, 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 this report was approved. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Critical accounting policies

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

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.

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 31 December 2016, the results of the Group are reported as one primary operating segment and the costs of the Head Office:

Revenue

4imprint Direct Marketing	**2016 $'000**	2015 $'000
North America	**540,599**	479,235
UK and Ireland	**17,624**	17,984
Total revenue from sale of promotional products	**558,223**	497,219

Profit

	Underlying		Total	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000

4imprint Direct Marketing	**42,282**	37,044	**42,282**	37,044
Head Office	**(3,905)**	(3,525)	**(3,905)**	(3,525)
Underlying operating profit	**38,377**	33,519	**38,377**	33,519
Exceptional items (note 2)			**(2,940)**	(858)
Share option related charges			**(430)**	(304)
Defined benefit pension scheme administration costs (note 6)			**(311)**	(394)
Operating profit	**38,377**	33,519	**34,696**	31,963
Net finance (expense)/income	**(24)**	30	**(24)**	30
Pension finance charge (note 6)			**(521)**	(836)
Profit before tax	**38,353**	33,549	**34,151**	31,157
Taxation	**(10,580)**	(8,962)	**(9,672)**	(8,462)
Profit after tax	**27,773**	24,587	**24,479**	22,695

2 Exceptional items

	2016 $'000	2015 $'000
Pension flexible retirement option costs	**-**	276
Past service costs re defined benefit pension scheme pensioner GMP equalisation	**1,452**	-
Pension buy-out costs	**1,488**	582
	2,940	858

Exceptional items include $1,320,000 (2015: $610,000) incurred and paid by the defined benefit pension scheme, in respect of the buy-out and, in 2015, the flexible retirement option.

3 Taxation

	2016 $'000	2015 $'000
Current tax		
UK tax - current	**-**	-
Overseas tax - current	**10,037**	7,865
Overseas tax - prior periods	**40**	167
Total current tax	**10,077**	8,032
Deferred tax		
Origination and reversal of temporary differences	**(401)**	590
Adjustment in respect of prior periods	**(4)**	(160)
Total deferred tax	**(405)**	430
Taxation	**9,672**	8,462

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:

	2016 $'000	2015 $'000
Profit before tax	**34,151**	31,157
Profit before tax for each country of operation multiplied by rate of corporation tax applicable in the respective countries	**12,157**	10,232
Effects of:		
Adjustments in respect of prior periods	**36**	7

Expenses not deductible for tax purposes and non-taxable income	**(2,048)**	(1,560)
Other differences	**(33)**	(208)
Effect of tax rate changes on deferred tax balances	**(6)**	-
Utilisation of tax losses not previously recognised	**(434)**	(9)
Taxation	**9,672**	8,462

The main rate of UK corporation tax was reduced to 20% from 1 April 2015. Further reductions to 19% from 1 April 2017 and 17% from 1 April 2020 have been enacted. The net deferred tax asset at 31 December 2016 has been calculated at a tax rate of 19% in respect of UK deferred tax items which are expected to reverse before 2020 and 17% in respect of UK deferred tax items expected to reverse thereafter.

A rate of 35% has been used in respect of US deferred tax items.

The amount of current tax recognised directly in Shareholders' equity in 2016 was $nil (2015: $nil). No current tax was recognised in other comprehensive income (2015: $nil).

4 Earnings per share

Basic, diluted and underlying

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

	2016 $'000	2015 $'000
Profit after tax	**24,479**	22,695

	2016 Number '000	2015 Number '000
Basic weighted average number of shares	**28,050**	27,928
Adjustment for employee share options	**81**	173
Diluted weighted average number of shares	**28,131**	28,101

	2016 cents	2015 cents
Basic earnings per share	**87.27**	81.26
Diluted earnings per share	**87.02**	80.76

	2016 $'000	2015 $'000
Profit before tax	**34,151**	31,157
Adjustments:		
Share option charges	**425**	222
Social security charges on share options	**5**	82
Exceptional items (note 2)	**2,940**	858
Defined benefit pension scheme administration costs (note 6)	**311**	394
Pension finance charge (note 6)	**521**	836
Underlying profit before tax	**38,353**	33,549
Taxation (note 3)	**(9,672)**	(8,462)
Tax relating to above adjustments	**(908)**	(500)
Underlying profit after tax	**27,773**	24,587

	2016

	2016 cents	2015 cents
Underlying basic earnings per share	**99.01**	88.04
Underlying diluted basic earnings per share	**98.73**	87.50

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

5 Dividends

Equity dividends - ordinary shares	**2016 $'000**	2015 $'000
Interim paid: 16.32c (2015: 12.09c)	**4,558**	3,336
Final paid: 26.80c (2015: 21.90c)	**7,583**	6,268
	12,141	9,604

In addition, the Directors are proposing a final dividend in respect of the period ended 31 December 2016 of 36.18c (29.52p) per share, which will absorb an estimated $10.15m of Shareholders' funds. Subject to Shareholder approval at the AGM, the dividend is payable on 12 May 2017 to Shareholders who are on the register of members at close of business on 7 April 2017. These financial statements do not reflect this proposed dividend.

6 Employee pension schemes

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

	2016 $'000	2015 $'000
Defined contribution plans - employers' contributions	**1,078**	959

The Group also sponsors a UK defined benefit pension scheme which is closed to new members and future accrual.

During the year, the buy-in of the benefits of the majority of pensioner members was converted to a buy-out and liabilities and assets (the latter being the insurance policies purchased on buy-in) of $94.79m have been removed from the balance sheet. To facilitate the buy-out it was necessary to initiate the process of winding up the existing defined benefit scheme and to create a new defined benefit scheme, with equivalent benefits, for pensioner and deferred members not included in the buy-out. These members were transferred to this new scheme, except for those with small value pension pots who opted to take winding up lump sum payments of their pension entitlement ($1.98m of assets and liabilities removed).

The amounts recognised in the income statement are as follows:

	2016 $'000	2015 $'000
Administration costs paid by the scheme	**311**	394
Pension finance charge	**521**	836
Exceptional items - buy-out and, in 2015, flexible retirement option costs paid by scheme	**1,320**	610
Total defined benefit pension charge	**2,152**	1,840

The amounts recognised in the balance sheet comprise:

	2016 $'000	2015 $'000
Present value of funded obligations	**(34,357)**	(139,248)

Fair value of scheme assets	**15,067**	116,134
Net liability recognised in the balance sheet	**(19,290)**	(23,114)

A full actuarial valuation was undertaken as at 5 April 2013 in accordance with the scheme funding requirements of the Pensions Act 2004. This actuarial valuation showed a deficit of £30.6m. The Company agreed a schedule of contributions with the Trustee. The recovery plan period was 6.3 years and took into account the material funding improvement between the date of valuation and date of the recovery plan (December 2013), as agreed with the scheme actuary. The improvement was principally due to an increase in UK gilt rates during that period. In 2014 accelerated contributions of $22.4m (£13.7m) were paid to the scheme to facilitate the buy-in. A further $14.5m (£10.0m) was paid to the scheme during the year to convert the policies to a buy-out.

As a result of the buy-out transaction an interim schedule of contributions was agreed during 2016, based on maintaining the recovery plan period. Under this interim agreement £2.3m would be payable in 2017. A full actuarial valuation of the new scheme is currently being undertaken as at 30 September 2016 and once this is finalised a new schedule of contributions can be agreed.

For the purposes of IAS 19, draft numbers from the actuarial valuation as at 30 September 2016, which is being carried out by a qualified independent actuary, have been updated on an approximate basis to 31 December 2016. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

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

	2016	2015
Rate of increase in pensions in payment	**3.20%**	2.66%
Rate of increase in deferred pensions	**2.10%**	1.56%
Discount rate	**2.68%**	3.52%
Inflation assumption - RPI	**3.30%**	2.76%
- CPI	**2.20%**	1.66%

The mortality assumptions adopted at 31 December 2016 have been updated to reflect the most recent version of the tables used in the last triennial valuation. The assumptions imply the following life expectancies at age 65:

	2016	2015
Male currently age 40	**23.6 yrs**	24.4 yrs
Female currently age 40	**25.8 yrs**	26.5 yrs
Male currently age 65	**21.9 yrs**	22.2 yrs
Female currently age 65	**23.9 yrs**	24.2 yrs

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

	Present value of obligations* $'000	Fair value of Scheme assets $'000	Net obligation $'000
Balance at 28 December 2014	(154,918)	130,903	(24,015)
Administration costs paid by the scheme	(394)	-	(394)
Exceptional items - buy-out and flexible retirement option costs paid by the scheme	(610)	-	(610)
Interest (expense)/income	(5,226)	4,390	(836)
Return on scheme assets (excluding interest income)	-	(4,832)	(4,832)
Re-measurement gains due to changes in demographic assumptions	4,321	-	4,321
Re-measurement gains due to changes in financial assumptions	1,276	-	1,276
Contributions by employer	-	825	825

Benefits paid	9,188	(9,188)	-
Exchange gain/(loss)	7,115	(5,964)	1,151
Balance at 2 January 2016	(139,248)	116,134	(23,114)
Administration costs paid by the scheme	**(311)**	**-**	**(311)**
Exceptional items - buy-out costs paid by the scheme	**(1,320)**	**-**	**(1,320)**
- past service costs	**(1,452)**	**-**	**(1,452)**
Interest (expense)/income	**(4,154)**	**3,633**	**(521)**
Return on scheme assets (excluding interest income)	**-**	**3,323**	**3,323**
Re-measurement gains due to changes in demographic assumptions	**1,746**	**-**	**1,746**
Re-measurement losses due to changes in financial assumptions	**(18,007)**	**-**	**(18,007)**
Contributions by employer	**-**	**17,353**	**17,353**
Benefits paid	**8,571**	**(8,571)**	**-**
Liabilities/(assets) removed on settlements	**96,770**	**(96,770)**	**-**
Exchange gain/(loss)	**23,048**	**(20,035)**	**3,013**
Balance at 31 December 2016	**(34,357)**	**15,067**	**(19,290)**

*At the period end $nil (2015: $108,410,000) of the obligations are covered by insured annuities.

7 Cash generated from operations

	2016 $'000	2015 $'000
Operating profit	**34,696**	31,963
Adjustments for:		
Depreciation charge	**1,890**	1,449
Amortisation of intangibles	**499**	510
Profit on disposal of fixed assets	**-**	(81)
Exceptional non-cash items	**2,772**	610
Decrease in exceptional accrual/provisions	**(4)**	(63)
Share option charges	**425**	222
Defined benefit pension administration charge	**311**	394
Contributions to defined benefit pension scheme	**(17,354)**	(825)
Changes in working capital:		
Decrease/(increase) in inventories	**280**	(107)
Decrease/(increase) in trade and other receivables	**1,933**	(5,676)
Increase in trade and other payables	**3,667**	1,401
Cash generated from operations	**29,115**	29,797

8 Related party transactions

The Group did not participate in any related party transactions.

9 Principal risks and uncertainties

The principal risks and uncertainties which the business faces are: macroeconomic conditions; competition; currency exchange; failure or interruption of IT systems and infrastructure; failure to adopt technological innovations; security of customer data; business facility disruption; disruption to delivery services or product supply chain; disturbance in established marketing techniques; and reliance on key personnel. 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; and

- the Strategic Report, which includes the Chief Executive's Review and Financial Review, and principal risks and uncertainties (note 9) includes 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.

This information is provided by RNS
The company news service from the London Stock Exchange

END

FR UBAWRBKAORAR

Final Results - RNS