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# International Greetings Limited

## Directors' report and consolidated financial statements

31 March 1993

Registered number 1401155

# International Greetings Limited

## Directors' report and consolidated financial statements

*Contents*

# International Greetings Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1993.

**Principal activities**

The principal activities of the group are the design and manufacture of greetings cards, gift wrapping paper and decorative accessories.

**Business review**

Full details of the results for the year are set out in the attached financial statements.

**Proposed dividend and transfer to reserves**

The directors recommend that a final ordinary dividend of £500,000 be paid.

After deducting the total ordinary dividend of £500,000, the loss for the year retained in the company is £809,500.

**Significant changes in fixed assets**

Movements in fixed assets are set out in note 10 to the financial statements.

**Directors and directors' interests**

The directors who held office during the year were as follows:

SA Hedlund - Chairman
N Fisher
M Collini

The directors who held office at the end of the financial year had the following interests in the £1 ordinary shares of the company:

| | Interest at end of year | | Interest at beginning of year | |
|---|---|---|---|---|
| | Ordinary shares | Options | Ordinary shares | Options |
| SA Hedlund | 12,560 | - | 12,560 | - |
| N Fisher | 12,500 | - | 12,500 | - |
| M Collini | - | 1,500 | - | 1,500 |

# International Greetings Limited

## Directors' report *(continued)*

**Political and charitable contributions**

The group made no political contributions during the year. Donations to UK charities amounted to £600.

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

**M Collini**
*Secretary*

Belgrave House
The Merlin Centre
Acrewood Way
St Albans
Herts
AL4 0JY

17 December 1993

KPMG Peat Marwick

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff CF2 1TE

# Auditors' report to the members of International Greetings Limited

We have audited the financial statements on pages 4 to 26.

*Respective responsibilities of directors and auditors*

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit of those statements, and to report our opinion to you.

*Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

*Opinion*

In our opinion the financial statements give a true and fair view of the state of the group's and company's affairs as at 31 March 1993 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

17 December 1993

*Chartered Accountants*
*Registered Auditors*

# International Greetings Limited

## Consolidated profit and loss account
*for the year ended 31 March 1993*

| | Note | 1993 £000 | 1992 £000 |
|---|---|---|---|
| **Turnover** | 2 | **28,435.2** | 24,176.2 |
| Cost of sales | | **(20,299.8)** | (17,310.7) |
| **Gross profit** | | **8,135.4** | 6,865.5 |
| Distribution costs | | **(2,118.1)** | (1,443.6) |
| Administrative expenses | | **(3,521.5)** | (3,051.8) |
| **Operating profit** | | **2,495.8** | 2,370.1 |
| Income from interest in associated undertaking | | **244.1** | 61.1 |
| Interest receivable and similar income | 6 | **3.4** | 0.7 |
| Interest payable and similar charges | 7 | **(948.9)** | (679.8) |
| Exceptional items | 3 | **-** | (136.8) |
| **Profit on ordinary activities before taxation** | 3-5 | **1,794.4** | 1,615.3 |
| Tax on profit on ordinary activities | 8 | **(577.2)** | (558.6) |
| **Profit on ordinary activities after taxation being profit for the financial year** | 9 | **1,217.2** | 1,056.7 |
| Dividends paid and proposed | | **(500.0)** | (450.0) |
| **Retained profit for the financial year** | | **717.2** | 606.7 |

A statement of movements on reserves is given in note 19.

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# International Greetings Limited

## Consolidated balance sheet
*at 31 March 1993*

| | Note | 1993 £000 | 1993 £000 | 1992 £000 | 1992 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | *10* | | 5,119.6 | | 4,621.7 |
| Investments | *11* | | 140.4 | | 89.7 |
| | | | 5,260.0 | | 4,711.4 |
| **Current assets** | | | | | |
| Stocks | *12* | 7,754.4 | | 6,562.1 | |
| Debtors | *13* | 2,453.1 | | 2,469.0 | |
| Cash at bank and in hand | | 25.0 | | 8.7 | |
| | | 10,232.5 | | 9,039.8 | |
| **Creditors:** amounts falling due within one year | *14* | (9,768.4) | | (8,567.9) | |
| **Net current assets** | | | 464.1 | | 471.9 |
| **Total assets less current liabilities** | | | 5,724.1 | | 5,183.3 |
| **Creditors:** amounts falling due after more than one year | *15* | | (1,602.2) | | (1,752.0) |
| **Provisions for liabilities and charges** | *16* | | (235.8) | | (232.3) |
| **Deferred income** | *17* | | (572.1) | | (548.9) |
| **Net assets** | | | 3,314.0 | | 2,650.1 |
| **Capital and reserves** | | | | | |
| Called up share capital | *18* | | 200.0 | | 200.0 |
| Other reserves | *19* | | - | | 20.9 |
| Profit and loss account | *19* | | 3,114.0 | | 2,429.2 |
| **Shareholders' funds** | | | 3,314.0 | | 2,650.1 |

These financial statements were approved by the board of directors on 17 December 1993 and were signed on its behalf by:

**N Fisher**
*Director*

# International Greetings Limited

## Balance sheet
*at 31 March 1993*

| | Note | 1993 | | 1992 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | *10* | | 212.5 | | 78.2 |
| Investments | *11* | | 3,552.9 | | 2,931.7 |
| | | | 3,765.4 | | 3,009.9 |
| **Current assets** | | | | | |
| Debtors | *13* | 446.5 | | 758.1 | |
| Cash at bank and in hand | | 0.5 | | 0.5 | |
| | | 447.0 | | 758.6 | |
| **Creditors:** amounts falling due within one year | *14* | (3,968.9) | | (2,707.0) | |
| **Net current liabilities** | | | (3,521.9) | | (1,948.4) |
| **Total assets less current liabilities** | | | 243.5 | | 1,061.5 |
| **Provisions for liabilities and charges** | *16* | | - | | (8.5) |
| **Net assets** | | | 243.5 | | 1,053.0 |
| **Capital and reserves** | | | | | |
| Called up share capital | *18* | | 200.0 | | 200.0 |
| Profit and loss account | *19* | | 43.5 | | 853.0 |
| **Shareholders' funds** | | | 243.5 | | 1,053.0 |

These financial statements were approved by the board of directors on 17 December 1993 and were signed on its behalf by:

N Fisher
*Director*

# International Greetings Limited and its subsidiaries

## Consolidated cash flow statement

*for the year ended 31 March 1993*

| | Note | 1993 | | 1992 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Net cash inflow from operating activities** | 22 | | 3,436.5 | | 1,291.1 |
| **Return on investments and servicing of finance** | | | | | |
| Interest received | | 1.6 | | 0.7 | |
| Interest paid | | (942.3) | | (670.4) | |
| Interest element of finance lease rental payments | | (38.0) | | (15.4) | |
| Dividends received from associated undertaking | | 112.5 | | - | |
| Dividends paid | | (500.0) | | (450.0) | |
| **Net cash outflow from returns on investment and servicing of finance** | | | (1,366.2) | | (1,135.1) |
| **Taxation** | | | | | |
| UK corporation tax paid | | (385.8) | | (481.9) | |
| Overseas tax paid | | (11.7) | | - | |
| **Tax paid** | | | (397.5) | | (481.9) |
| **Investing activities** | | | | | |
| Purchase of tangible fixed assets | | (1,070.1) | | (2,291.0) | |
| Purchase of subsidiary undertakings | 24 | (844.2) | | (537.8) | |
| Purchase of associated undertaking | | - | | (12.5) | |
| Loan to associated undertaking | | - | | (37.5) | |
| Sale of tangible fixed assets | | 114.3 | | 199.9 | |
| Grants received | | 169.6 | | 381.2 | |
| **Net cash outflow from investing activities** | | | (1,630.4) | | (2,297.7) |
| **Net cash inflow/(outflow) before financing** | | | 42.4 | | (2,623.6) |
| **Financing** | | | | | |
| Repayment of amounts borrowed | | 64.9 | | 330.5 | |
| New loans | | - | | (1,000.0) | |
| Capital element of finance lease rental payments | | 98.0 | | 53.2 | |
| **Net cash outflow/(inflow) from financing** | | | 162.9 | | (616.3) |
| **Decrease in cash and cash equivalents** | 26 | | (120.5) | | (2,007.3) |
| | | | 42.4 | | (2,623.6) |

# International Greetings Limited and its subsidiaries

## Notes

*(forming part of the financial statements)*

1 **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

*Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

*Basis of consolidation*

The group financial statements consolidate the financial statements of International Greetings Limited and all its subsidiary undertakings. These financial statements are made up to 31 March 1993. For associated undertakings the group includes its share of profits and losses in the consolidated profit and loss account and its share of post acquisition retained profits or accumulated deficits in the consolidated balance sheet. The consolidated financial statements are based on financial statements which are coterminous with those of the parent company.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited directly to reserves.

In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985, International Greetings Limited is exempt from the requirement to present its own profit and loss account.

The amount of the loss for the financial year dealt with in the financial statements of International Greetings Limited is disclosed in note 9 to these financial statements.

*Fixed assets and depreciation*

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|---|---|---|
| Freehold land and buildings | - | 10 and 25 years |
| Leasehold land and buildings | - | life of lease |
| Plant and machinery | - | 4 to 10 years |
| Office equipment | - | 5 years |
| Motor vehicles | - | 4 years |

No depreciation is provided on freehold land.

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

1 **Accounting policies** *(continued)*

*Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies and the financial statements of overseas subsidiaries are translated using the rate of exchange ruling at the balance sheet date. Exchange adjustments arising on the translation of the opening net assets of overseas subsidiaries less exchange differences on the related foreign currency borrowings are taken directly to reserves; other exchange differences are taken to profit and loss account.

*Government grants*

Capital based government grants are included within deferred income in the balance sheet and credited to operating profit in the case of freehold property over a ten year period, and in the case of all other assets over the estimated useful economic lives of the assets to which they relate.

*Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rentals payable are charged to the profit and loss account on a straight line basis over the life of the lease.

*Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

*Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

### 2 Analysis of turnover by geographical market

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

| | 1993 £000 | 1992 £000 |
|---|---|---|
| United Kingdom | 23,788.8 | 20,943.2 |
| USA | 3,555.4 | 2,718.9 |
| Other overseas countries | 1,091.0 | 514.1 |
| | 28,435.2 | 24,176.2 |

### 3 Profit on ordinary activities before taxation

| | 1993 £000 | 1992 £000 |
|---|---|---|
| *Profit on ordinary activities before taxation is stated* | | |
| *after charging/(crediting)* | | |
| Auditors' remuneration - audit | 68.6 | 62.9 |
| - other services | 10.1 | |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | 618.6 | 395.6 |
| Leased | 53.5 | 46.4 |
| Hire of plant and machinery - rentals payable under operating leases | 51.4 | 146.4 |
| Hire of other assets - operating leases | 94.6 | - |
| Exceptional items | - | 136.8 |
| Loss on disposal of tangible fixed assets | 11.4 | 24 [illegible] |
| Grant income | (146.4) | (125.7) |

The exceptional items in the year ended 31 March 1992 represented the exceptionally large write-off of two debts totalling £80,500 in addition to a provision of £52,300 in respect of amounts due from Bestsellers Limited (a company in which Messrs SA Hedlund and N Fisher each had a 25% interest).

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

### 4 Remuneration of directors

| | 1993 | 1992 |
|---|---|---|
| | £ | £ |
| Directors' emoluments: | | |
| Remuneration as executives | 415,918 | 432,233 |

The emoluments, excluding pension contributions, of the chairman were £171,296 *(1992: £165,998)*. The emoluments, excluding pension contributions, of the highest paid director were £174,049 *(1992: £169,398)*.

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

| | Number of directors | |
|---|---|---|
| | 1993 | 1992 |
| £ 40,001 - £ 45,000 | - | 1 |
| £ 50,001 - £ 55,000 | - | 1 |
| £ 70,001 - £ 75,000 | 1 | - |
| £165,001 - £170,000 | - | 2 |
| £170,001 - £175,000 | 2 | - |

### 5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | 1993 | 1992 |
| Administration | 129 | 87 |
| Production | 248 | 210 |
| | 377 | 297 |

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

5 **Staff numbers and costs (*continued*)**

The aggregate payroll costs of these persons were as follows:

| | 1993<br>£000 | 1992<br>£000 |
|---|---|---|
| Wages and salaries | 5,111.7 | 4,106.3 |
| Social security costs | 444.5 | 355.7 |
| | 5,556.2 | 4,462.0 |

6 **Interest receivable and similar income**

| | 1993<br>£000 | 1992<br>£000 |
|---|---|---|
| Bank interest | 3.4 | 0.7 |

7 **Interest payable and similar charges**

| | 1993<br>£000 | 1992<br>£000 |
|---|---|---|
| On bank loans, overdrafts and other loans wholly repayable within five years | 908.3 | 593.0 |
| On all other loans | 16.7 | 77.4 |
| Finance charges payable in respect of finance leases and hire purchase contracts | 38.0 | 15.4 |
| Profit on exchange | (14.1) | (6.0) |
| | 948.9 | 679.8 |

Of the above amount £Nil *(1992: £2,400)* was payable to group undertakings.

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

### 8 Taxation

| | 1993 £000 | 1992 £000 |
|---|---|---|
| UK corporation tax at 33% *(1992: 33%)* on the profit for the year on ordinary activities | 491.1 | 543.4 |
| Deferred taxation | 18.7 | (7.6) |
| Overseas taxation | 19.0 | - |
| Other adjustments relating to an earlier year | (32.2) | 2.7 |
| Associated undertaking | 80.6 | 20.1 |
| | 577.2 | 558.6 |

### 9 Profit for the financial year

| | 1993 £000 | 1992 £000 |
|---|---|---|
| Dealt with in the financial statements of the company | (309.5) | (176.0) |
| Dealt with in the financial statements of subsidiary undertakings after consolidated adjustments | 1,363.5 | 1,191.7 |
| Associated undertaking | 163.2 | 41.0 |
| | 1,217.2 | 1,056.7 |

# International Greetings Limited and its subsidiaries

Notes *(continued)*

10 **Tangible fixed assets**

| **Group** | **Land and buildings** | **Plant and machinery** | **Fixtures, fittings and office equipment** | **Motor vehicles** | **Total** |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| *Cost* | | | | | |
| At beginning of year | 3,114.8 | 2,089.4 | 623.8 | 509.2 | 6,337.2 |
| Exchange adjustments | 44.3 | 12.3 | 5.4 | - | 62.0 |
| Subsidiaries acquired | - | 627.3 | 14.7 | 44.0 | 686.0 |
| Additions | 127.1 | 533.4 | 189.1 | 220.5 | 1,070.1 |
| Disposals | (27.5) | (113.2) | (4.1) | (83.9) | (228.7) |
| At end of year | 3,258.7 | 3,149.2 | 828.9 | 689.8 | 7,926.6 |
| *Depreciation* | | | | | |
| At beginning of year | 210.7 | 988.9 | 343.0 | 172.9 | 1,715.5 |
| Exchange adjustments | - | 3.3 | 1.9 | - | 5.2 |
| Subsidiaries acquired | - | 494.1 | 10.8 | 12.3 | 517.2 |
| Charge for year | 124.9 | 294.1 | 112.1 | 141.0 | 672.1 |
| On disposals | - | (49.3) | (2.7) | (51.0) | (103.0) |
| At end of year | 335.6 | 1,731.1 | 465.1 | 275.2 | 2,807.0 |
| ***Net book value*** | | | | | |
| **At end of year** | **2,923.1** | **1,418.1** | **363.8** | **414.6** | **5,119.6** |
| At beginning of year | 2,904.1 | 1,100.5 | 280.8 | 336.3 | 4,621.7 |

The net book value of land and buildings comprises:

| | **1993** | 1992 |
|---|---|---|
| | **£000** | £000 |
| Freehold | **2,559.9** | 2,609.1 |
| Long leasehold | **193.0** | 168.4 |
| Short leasehold | **170.2** | 126.6 |
| | **2,923.1** | 2,904.1 |

The net book value of fixed assets includes an amount of £255,100 *(1992: £221,500)* in respect of assets held under finance leases and similar hire purchase contracts.

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

10 **Tangible fixed assets** *(continued)*

| **Company** | **Office equipment** | **Motor vehicles** | **Total** |
|---|---|---|---|
| | £000 | £000 | £000 |
| *Cost* | | | |
| At beginning of year | 10.6 | 112.4 | 123.0 |
| Additions | - | 196.9 | 196.9 |
| Disposals | - | (43.0) | (43.0) |
| At end of year | 10.6 | 266.3 | 276.9 |
| *Depreciation* | | | |
| At beginning of year | 0.8 | 44.0 | 44.8 |
| Charge for year | 2.6 | 51.4 | 54.0 |
| On disposals | - | (34.4) | (34.4) |
| At end of year | 3.4 | 61.0 | 64.4 |
| *Net book value* | | | |
| **At end of year** | **7.2** | **205.3** | **212.5** |
| At beginning of year | 9.8 | 68.4 | 78.2 |

The net book value of fixed assets includes an amount of £16,100 *(1992: £Nil)* in respect of assets held under finance leases.

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

11 **Fixed asset investments**

| | Shares in subsidiary undertakings | Associated undertaking | Loans to subsidiary undertakings | Loans to associated undertaking | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Group** | | | | | |
| *Cost* | | | | | |
| At beginning of year | - | 52.2 | - | 37.5 | 89.7 |
| Share of profit in associated undertaking | - | 163.2 | - | - | 163.2 |
| Dividend paid | - | (112.5) | - | - | (112.5) |
| **At end of year** | **-** | **102.9** | **-** | **37.5** | **140.4** |
| **Company** | | | | | |
| *Cost* | | | | | |
| At beginning of year | 361.4 | 12.5 | 2,520.3 | 37.5 | 2,931.7 |
| Additions | 509.7 | - | 111.5 | - | 621.2 |
| Loans converted to share capital | 859.3 | - | (859.3) | - | - |
| **At end of year** | **1,730.4** | **12.5** | **1,772.5** | **37.5** | **3,552.9** |

The companies in which the company's interest is more than 10% are as follows:

| | Country of registration or incorporation | Principal activity | Percentage of shares held |
|---|---|---|---|
| *Subsidiary undertakings* | | | |
| Scandinavian Design Limited | England and Wales | Manufacture of gift wrapping paper, bows and ribbons | 100% |
| Gift Decorations Limited | England and Wales | Manufacture of gift tags and bags | 100% |
| Belgrave Graphics Limited | England and Wales | Greetings cards publisher | 100% |
| Scoop Designs Limited | England and Wales | Greetings cards and stationery products | 100% |
| Brite Sparks Limited | England and Wales | Christmas crackers | 100% |
| Design Image Limited | England and Wales | Dormant | 100% |
| Gift Wrap Limited | England and Wales | Dormant | 100% |
| Hy-Sil Manufacturing Company Inc. | USA | Manufacture of gift wrapping paper, bows and ribbons | 100% |
| *Associated undertaking* | | | |
| Gift Design Limited | England and Wales | Gift packaging | 45% |

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

11 **Fixed asset investments** *(continued)*

The following information is given concerning the company acquired by the company's subsidiary undertaking, Scandinavian Design Limited, during the year:

| | Consideration | Fair value of net assets at acquisition | Goodwill | Date of Acquisition |
|---|---|---|---|---|
| | £000 | £000 | £000 | |
| Gift Wrap Limited | 125.0 | 92.6 | 32.4 | 1 April 1992 |

Goodwill has been written off against reserves (see note 19).

12 **Stocks**

| | 1993 | 1992 |
|---|---|---|
| | £000 | £000 |
| **Group** | | |
| Raw materials and consumables | 2,468.5 | 2,247.9 |
| Work in progress | 1,723.6 | 851.4 |
| Finished goods and goods for resale | 3,562.3 | 3,462.8 |
| | 7,754.4 | 6,562.1 |

13 **Debtors**

| | Group | | Company | |
|---|---|---|---|---|
| | 1993 | 1992 | 1993 | 1992 |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 1,160.2 | 1,453.1 | 1.5 | 7.4 |
| Amounts owed by subsidiary undertakings | - | - | 366.3 | 640.0 |
| Other debtors | 892.8 | 786.7 | 78.7 | 110.2 |
| Prepayments | 311.0 | 229.2 | - | 0.5 |
| Corporation tax recoverable | 89.1 | - | - | - |
| | 2,453.1 | 2,469.0 | 446.5 | 758.1 |

## 14 Creditors: amounts falling due within one year

| | Group 1993 £000 | 1992 £000 | Company 1993 £000 | 1992 £000 |
|---|---|---|---|---|
| Secured loans (see note 15) | 125.0 | 5.9 | - | - |
| Unsecured loans | - | 55.6 | - | - |
| Bank loans and overdrafts | 3,655.3 | 3,518.5 | 3,103.0 | 2,299.7 |
| Trade creditors | 3,532.9 | 3,030.0 | 35.9 | 49.9 |
| Bills of exchange payable | 138.9 | 171.6 | - | - |
| Amounts owed to group undertakings | - | 136.1 | 378.6 | 81.0 |
| Corporation tax | 521.4 | 418.6 | 0.6 | 5.9 |
| Advance corporation tax | 129.2 | 150.0 | 129.2 | 150.0 |
| Other taxes and social security | 145.7 | 251.7 | 48.8 | 98.2 |
| Other creditors | 341.0 | 10.5 | 133.9 | - |
| Accruals and deferred income | 1,064.3 | 663.4 | 128.5 | 22.3 |
| Obligations under finance leases and hire purchase contracts | 31.4 | 83.7 | 10.4 | - |
| Deferred liability (see note 20) | 83.3 | 72.3 | - | - |
| | 9,768.4 | 8,567.9 | 3,968.9 | 2,707.0 |
| *The amounts owed to group undertakings comprise:* | | | | |
| Parent undertaking | - | 136.1 | - | - |
| Subsidiary undertakings | - | - | 378.6 | 81.0 |
| | - | 136.1 | 378.6 | 81.0 |

The bank loans and overdrafts are secured by fixed charges on the book debts, mortgages on the freehold land and buildings and a floating charge on the undertaking of the group.

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

15 **Creditors: amounts falling due after more than one year**

| | Group | |
|---|---|---|
| | 1993 | 1992 |
| | £000 | £000 |
| Secured loans | 1,540.0 | 1,668.4 |
| Obligations under finance leases and hire purchase contracts | 62.2 | 83.6 |
| | 1,602.2 | 1,752.0 |

| Secured loans | Group | |
|---|---|---|
| | 1993 | 1992 |
| | £000 | £000 |
| These comprise: | | |
| Loan 1 | 500.0 | 500.0 |
| Loan 2 | 500.0 | 500.0 |
| Loan 3 | 500.0 | 500.0 |
| Loan 4 | 165.0 | 165.0 |
| Other | - | 9.3 |
| | 1,665.0 | 1,674.3 |

*Loan 1*

The principal is repayable in four annual instalments commencing on 30 April 1993 and is all repayable within five years from the balance sheet date. Interest is payable half yearly at 5.75% (net of 3% ECSC rebate).

The loan is secured by a bank guarantee.

*Loan 2*

The principal is repayable in four annual instalments commencing on 31 October 1996. Interest is payable half yearly at 7.75% (net of 3% ECSC rebate). £250,000 is repayable more than five years after the balance sheet date.

The loan is secured by a fixed charge on certain of the group's freehold land and buildings.

*Loan 3*

The principal is repayable in one instalment due on 28 February 1997. Interest is payable half yearly at 8.125% (net of 3% ECSC rebate).

The loan is secured by a fixed charge on certain of the group's freehold land and buildings.

15 **Creditors: amounts falling due after more than one year** *(continued)*

*Loan 4*

The principal is repayable between January 1995 and January 1999. Interest is payable at 8% (net of ECSC rebate). The loan is secured by a fixed charge over a subsidiary's property and a fixed and floating charge on the subsidiary's other assets.

*Obligations under finance leases*

Obligations under finance leases of £62,200 are all payable in the second to fifth years inclusive from the balance sheet date.

16 **Provisions for liabilities and charges**

*Deferred taxation*

| | Group £000 | Company £000 |
|---|---|---|
| At beginning of year | 232.3 | 8.5 |
| Charge to the profit and loss account | 3.5 | (8.5) |
| At end of year | 235.8 | - |

The amounts provided and unprovided for deferred taxation at 33% *(1992: 33%)* are set out below:

| | Group | | Company | |
|---|---|---|---|---|
| | Provided 1993 £000 | Provided 1992 £000 | Unprovided 1993 £000 | Provided 1992 £000 |
| Difference between accumulated depreciation and capital allowances | 299.3 | 190.9 | (7.6) | (6.5) |
| Other timing differences | (63.5) | 41.4 | 0.8 | 15.0 |
| | 235.8 | 232.3 | (6.8) | 8.5 |

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

### 17 Deferred income

**Group**

| | £000 |
|---|---|
| *Government grants* | |
| At beginning of year | 548.9 |
| Received during the year | 169.6 |
| | 718.5 |
| Credited to operating profit | (146.4) |
| **At end of year** | **572.1** |

### 18 Called up share capital

| | *1993* £ | *1992* £ |
|---|---|---|
| *Authorised* | | |
| Ordinary shares of £1 each | **210,000** | 210,000 |
| *Allotted, called up and fully paid* | | |
| Ordinary shares of £1 each | **200,000** | 200,000 |

### 19 Reserves

| **Group** | **Profit and loss account** £000 | **Foreign exchange reserve** £000 | **Total** £000 |
|---|---|---|---|
| At beginning of year | 2,429.2 | 20.9 | 2,450.1 |
| Retained profit for the year | 717.2 | - | 717.2 |
| Goodwill written off | (32.4) | - | (32.4) |
| Exchange movements | - | (20.9) | (20.9) |
| **At end of year** | **3,114.0** | - | **3,114.0** |

The cumulative amount of goodwill resulting from acquisitions in the current and earlier financial years which has been written off is £697,400 *(1992: £665,300)*. This amount is net of goodwill attributable to businesses disposed of prior to the balance sheet date.

19 **Reserves** *(continued)*

| **Company** | **Profit and loss account £000** |
|---|---|
| At beginning of year | 853.0 |
| Retained loss for the year | (809.5) |
| **At end of year** | **43.5** |

20 **Contingencies**

The company's subsidiary Hy-Sil Manufacturing Co. Inc. ("Hy-Sil") is required to pay additional consideration equal to 50% of the market value of its freehold property in excess of $250,000 on the sale of the property or the transfer of its stock. The acquisition of Hy-Sil by the company represented such a transfer but Hy-Sil and the vendors have agreed to postpone the valuation and settlement until some unspecified future date. The amount of £83,300 described as a deferred liability in note 14 represents the additional consideration which would be payable if the property were valued at its balance sheet amount.

In addition the company is required to pay additional consideration in the event of the sale of the property, or the disposal of the company's interest in Hy-Sil on or before 31 December 2026. This consideration equals 25% of the proceeds or the market value of the property in excess of $800,000. No additional consideration would arise under this head if the property were valued at its balance sheet amount.

The company is contingently liable for an unlimited bank guarantee in respect of the bank loans and overdrafts of its subsidiary undertakings. The total of this guarantee, which is secured by a fixed and floating charge over the company's assets, at 31 March 1993 was £3,655,300 *(1992: £2,562,400)* of which £3,103,000 *(1992: £2,299,700)* is dealt with in the company's financial statements.

# International Greetings Limited and its subsidiaries

Notes *(continued)*

21 **Commitments**

*Operating leases*

There are annual commitments under non-cancellable operating leases as follows:

| Group | Land and buildings 1993 £000 | 1992 £000 |
|---|---|---|
| Expiring within one year | 111.2 | 95.8 |
| Expiring within two and five years | 143.6 | 217.8 |
| Expiring after five years | - | 91.2 |
| | 254.8 | 404.8 |

The company had no commitments under non-cancellable operating leases at the end of the financial year.

22 **Reconciliation of operating profit to net cash inflow from operating activities**

| | 1993 £000 | 1992 £000 |
|---|---|---|
| Operating profit | 2,495.8 | 2,370.1 |
| Exceptional items | - | (136.8) |
| Depreciation charge | 672.1 | 437.6 |
| Loss on sale of tangible fixed assets | 11.4 | 24.8 |
| Grant income | (146.4) | (125.7) |
| Increase in stocks | (589.3) | (77.3) |
| Decrease/(increase) in debtors | 832.3 | (343.2) |
| Increase/(decrease) in creditors | 160.6 | (858.4) |
| Net cash inflow from operating activities | 3,436.5 | 1,291.1 |

# International Greetings Limited and its subsidiaries

Notes *(continued)*

23 **Purchase of subsidiary undertakings**

| | 1993 £000 | 1992 £000 |
|---|---|---|
| Tangible fixed assets | **168.8** | 327.1 |
| Stocks | **603.0** | 473.2 |
| Debtors | **725.5** | 159.4 |
| Tax recoverable | **121.7** | 28.4 |
| Creditors | **(782.9)** | (528.6) |
| Bank overdrafts | **(719.2)** | (508.6) |
| Loans and finance leases | **(24.3)** | (328.0) |
| Deferred income | **-** | (55.6) |
| | **92.6** | (432.7) |
| Goodwill | **32.4** | 461.9 |
| Consideration given | **125.0** | 29.2 |
| Satisfied by: | | |
| Cash | **125.0** | 29.2 |

24 **Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings**

| | 1993 £000 | 1992 £000 |
|---|---|---|
| Cash consideration | **(125.0)** | (29.2) |
| Bank overdrafts acquired | **(719.2)** | (508.6) |
| Net outflow of cash and cash equivalents | **(844.2)** | (537.8) |

# International Greetings Limited and its subsidiaries

## Notes *(continued)*

**25 Analysis of changes in cash and cash equivalents**

| | 1993 £000 | 1992 £000 |
|---|---|---|
| At beginning of year | (3,509.8) | (1,502.5) |
| Net cash outflow before adjustments for foreign exchange rate changes | (73.3) | (2,007.3) |
| Effect of foreign exchange rate changes | (47.2) | - |
| **At end of year** | (3,630.3) | (3,509.8) |

**26 Analysis of the balances of cash and cash equivalents as shown in the balance sheet**

| | 1993 £000 | 1992 £000 | Change in year £000 |
|---|---|---|---|
| Cash at bank and in hand | 25.0 | 8.7 | 16.3 |
| Bank overdrafts | (3,655.3) | (3,518.5) | (136.8) |
| | (3,630.3) | (3,509.8) | (120.5) |

**27 Analysis of changes in financing during the year**

| | Loans and finance lease obligations 1993 £000 | 1992 £000 |
|---|---|---|
| At beginning of year | 1,897.2 | 917.5 |
| Cash (outflow)/inflow from financing | (162.9) | 616.3 |
| Loans and finance lease obligations of subsidiary undertakings acquired during the year | 24.3 | 328.0 |
| Inception of finance lease contracts | - | 35.4 |
| **At end of year** | 1,758.6 | 1,897.2 |