International Greetings PLC
Annual Report and Accounts 2007

COMPANY NUMBER 01401155

AMERICA

EUROPE

ASIA

Financial highlights

Company overview

Product breakdown

33%	Gift wrap
19%	Accessories
11%	Crackers
10%	Stationery
8%	Cards
5%	Gifts
14%	Other
100%	Total

Licensed characters

Disney
Winnie the Pooh
The Simpsons
Barbie
Postman Pat

Corporate history and acquisitions

1979	Company founded
1989	International Greetings Group formed
1989	Hysil Manufacturing Co (US), gift wrap
1991	Gift Design, bows and ribbons
1992	Brite Sparks, Christmas crackers
1992	Giftwrap, printer of gift wrap
1995	AIM listing £25m market capitalisation
1996	Scoop Designs, packaged gifts
1997	AIM Company of the Year
1998	Copywrite Designs, children's stationery and bags
1998	The Cracker Company, confectionery crackers
1999	AIM Corporate Communicator of the Year
2000	Pepperpot, gift stationery business
2000	Stephen Lawrence (US), gift wrap
2003	Hoomark (Netherlands), gift wrap
2004	Krakajack (Ireland), Christmas crackers
2005	AIM Decade of Excellence Award
2005	Napier Industries, Christmas crackers
2005	Anker International, stationery, greetings and photographic gifts
2006	Alligator Books, children's books and stationery
2006	Anchor International (Netherlands), stationery, greetings and photographic gifts
2007	Eick Pack (Germany), gift wrap
2007	Weltec (Holland), photo frames
2007	Artex (Poland), gift wrap
2007	Pinwheel, Children's books

Overseas sales

Sales outside the UK now account for 40% of the Group's turnover, up from 38% last year We expect this trend to continue as we develop our international businesses

Licenced merchandise

The success of the Simpsons franchise continues with the July launch of the first Simpsons big screen movie

As stated in my interim announcement, our strategy for growth continues to focus upon international expansion, particularly across Europe, reducing our reliance on the UK market which has experienced a challenging trading climate and seen the demise of a number of retailers during the past year Against this background, I am pleased to report a 3% rise in adjusted profit before tax* to £18 1m, on sales of £197m, with adjusted earnings per share* growing to 29 5p, a 5% increase

Reflecting our continued confidence in our business and its future prospects, we are recommending a final dividend of 7 75p, making a total of 10p for the year, an increase of 11% on last year This will be paid on 27 September 2007 to shareholders on the register at 7 September 2007

Sales outside the UK now account for 40% of the Group's turnover, up from 38% last year We expect this trend to continue as we develop our international businesses In particular, turnover of our European division grew by 32%, as a result of acquisitions and a concerted sales effort in the region

In addition to the Alligator and Anchor International BV acquisitions announced in the Interim Report, we also completed the acquisition of Eick Pack towards the year end Based in Germany, this business supplies gift wrap for in-store gift wrapping across Europe and we expect to increase our market share in this sector in the future Subsequent to the financial year end, we announced three further acquisitions – Weltec, Artex and Pinwheel

Weltec provides a step change in our photoframe business across Europe and will operate through Anchor International based in Holland Artex, a gift wrap business located in Poland, gives us a manufacturing and distribution platform from which we can continue to grow our presence in the important emerging Eastern European market In the UK, our children's book division, Alligator, acquired the business of Pinwheel, a children's book publisher, complementing their existing portfolio of children's licensed activity products

This is my first full period as Chairman I am delighted with the strategic progress the Group has made this year, and am confident that strong foundations have been laid to ensure our future success

I welcome all our new employees, particularly those working in the companies we acquired this year, and thank all our staff for their commitment to the Group and to serving the needs of our customers around the world

Keith James OBE,
Chairman

* adjusted to exclude exceptional costs of £1 252 000 (2006 £3 310 000) profit on disposal of fixed assets of £2 240 000 (2006 £1 838,000) and amortisation of goodwill of £1 458 000 (2006 £1 031,000)

The bulk of our design is created in our UK studio where 80 designers create in excess of 1,000 pieces of original artwork in any one year These designs are sold to customers all over the world

European growth

Turnover of our European division grew by 32%, as a result of acquisitions and a concerted sales effort in the region

Product development

New products give us the leading edge in our business with co-ordinated ranges being developed by our design teams

The past year has been extremely active for all areas of the Group's business Consistent with our stated strategy, acquisitions have been made that have enabled us to both enter new geographical regions and strengthen our position in existing ones In addition, a number of operating divisions have been restructured and refocused to ensure all opportunities to grow organically are maximised to their full potential

UK

The UK market place, which historically formed the cornerstone of International Greetings' business, has encountered some well documented difficulties in recent years We have *experienced the closure of a number of retailers*, difficult trading conditions and intense pricing pressure To combat this we have clearly identified those opportunities that offer us growth potential, and have put in place a three point strategy which reduces our reliance on our traditional private label seasonal business

We have reorganised our UK seasonal trading divisions into one business unit based in South Wales, this new structure will reduce costs, streamline our supply and logistic functions and simplify the buying process for our customers

We are expanding our proprietary range business by developing the trading brands of Anker, Tom Smith, Giftmaker and Copywrite, with a focus on selling higher volumes of these branded ranges to a broader customer base throughout the UK

We will continue to diversify our business with a highly focused acquisition programme, investing in businesses where we can add value and which will complement our existing operations This is illustrated by last year's acquisition of Alligator Books and our more recent purchase of Pinwheel Children's Books, which takes us into a new product category that utilises our core strengths of design, sourcing and distribution

Europe

Mainland Europe has once again been a key growth region for the Group, achieving a 32% increase in turnover

The Hoomark division is targeted to manufacture and distribute greetings products with Anchor International BV, now a wholly owned subsidiary, concentrating on selling photographic and stationery products throughout Europe

The acquisition of Weltec, with its associated brand of B+H, has made us a major supplier to the German photoframes market and we intend to develop this product category further in other European territories

Mass market licensed stationery ranges have been developed by Copywrite for the European market and early sales indications have been very encouraging

We have a number of showrooms around the world where clients can review a vast range of products displayed in a variety of ways

Percentage of Group sales in the US

The US market offers significant potential for future growth

Printing

With the purchase of new gift wrap equipment this year, our capacity has increased by over 20%

The acquisition of Artex in Poland provides International Greetings with a gift wrap manufacturing base in Eastern Europe and, coupled with our investment in Latvia, we now feel we have the foundations in place to build a solid business in the region

US

Our marketing and product development strategy introduced last year to stratify the market into entry level, mass market and premium ranges for our US retail customer base, has performed well

Our top-end brands, marketed as premium product, feature innovative designs and materials and, in particular, the Pepperpot brand of stationery is carving a niche of its own in the department store and independent sectors

The mass market product offers the largest volume of retail distribution in the US and we continue to add new customers both for proprietary Giftwrap Company ranges and private label brands

Our entry level product is being marketed through the recently formed Anker USA division, with goods initially being fulfiled direct to customers from IG Asia This new division has proved to be very successful and we intend to launch a catalogue of standard products, mirroring the Anker UK collection, from March 2008 for next year's season

Sales in the US now account for 23% of the Group's total turnover, and we believe the US market place offers significant potential for future growth

Far East

Last year's factory move in China and investment in a new sourcing and trading office in Hong Kong have both yielded significant benefits to the Group Direct sales to customers around the globe from IG Asia now represent approximately 9% of Group turnover, a 50% increase over last year's 6%

In addition to the production of Christmas crackers, we have increased output of products that require a high labour content in their manufacture, particularly gift bags, which are a growth product in the worldwide gift wrapping sector We have also invested \$3 7m, primarily in new printing and conversion machinery during the past 12 months in order to obtain the benefits of lower costs through vertical integration

We will continue to develop our activities in Asia, to meet the demands of our customers around the world

Production of the bulk of the Group's product category, gift wrap, takes place domestically in purpose built factories More than a billion feet of wrapping paper is produced in any one year

$3.7m

Invested in China

We have invested $3 7m, primarily in new printing and conversion machinery during the past 12 months in order to obtain the benefits of lower costs through vertical integration

In-house production

Our factory commenced cracker production in 2005 and now has the capability to produce over 2,000,000 crackers a week

Design and licensing

Product development and design still remains *a vital part of our industry and its importance to* our future development cannot be overstated We now employ over 120 people in the creative areas of our business and have recently introduced an intranet based system to allow each trading division within the Group, wherever geographically located, to share its intellectual assets with all Group companies This Digital Asset Management System will allow us to minimise our design costs by maximising the potential of each design created across the global market-place

Licensed properties continue to feature heavily within our portfolio of products, and we are delighted to have obtained merchandise rights for ranges of products for the UK release this week of Shrek 3 and The Simpsons Movie in July

Conclusion

We have now put in place a business strategy *and operational structure to deliver consistent* growth for the next three years Both organic growth and acquisition opportunities have been identified in all the product categories and geographical regions in which we operate Our management teams and staff are focused and motivated to achieve our corporate goals and we look forward to the future with confidence

Anders Hedlund and Nick Fisher
Joint Chief Executives

Production costs have been reduced through the investment in a 400,000 sq ft facility in Shenzen, China, which employs circa 1,300 workers at peak production times

Dividend increase

Reflecting continued confidence in our business, this year's dividend has been increased by 11%

Distribution

During our peak seasonal delivery month, we distribute 20% of our annual sales from our dedicated depots

Reported turnover for the year to 31 March 2007 amounted to £196 7m (2006 £196 6m) With an increasing proportion of our business being overseas, the Group's results are affected by movements in exchange rates on the translation of the results of overseas subsidiaries, particularly in relation to the US$ Last year the results of US$ denominated subsidiaries were translated at $1 73 compared with $1 88 this year Excluding the effect of this, Group turnover would have shown an increase of 2% Overseas sales of £77 7m (2006 £74 1m) accounted for 40% (2006 38%) of the total, of which £45 1m (2006 £47 2m) was in the US Excluding the effect of exchange rates, US sales increased by 2% IG Asia, our Hong Kong subsidiary, performed extremely well with direct sales to customers in the UK, Europe and US increasing by 52% to $32m, compared with $21m last year

The gross profit margin percentage (excluding exceptional costs) increased from 31 2% to 32 9% primarily due to a credit of £4 2m (2006 £1 3m) in relation to compensation for gross profit on lost sales as a result of a fire at the Group's South Wales print plant in 2005

Operating profit increased from £15 0m to £18 2m Adjusted operating profit* increased from £19 3m to £20 9m, an increase of 8% Exceptional items during the year of £1 3m relate to a restructuring of the Group's UK operations in order to maintain competitiveness These changes included the relocation of certain production operations overseas, the integration and relocation of Copywrite's operations into Anker and the merging of the individual UK Christmas giftwrap, cracker and card operations into one division

Net interest payable increased from £1 8m to £2 8m, primarily due to the cost of acquisitions and increasing interest rates during the year

The profit on disposal of fixed assets of £2 2m arose on the sale of the freehold interest in the Group's property in Duxford which was no longer required following the integration of Copywrite's operations into Anker Net profit before taxation increased by 17% to £17 7m, with adjusted profit before tax* increasing 3% to £18 1m Excluding the effect of exchange rates on the profits of overseas subsidiaries referred to above, adjusted profit before tax would have increased by 7%

figure excludes exceptional costs of £1 252 000 (2006 £3 310 000) profit on disposal of fixed assets of £2 240 000 (2006 £1 838 000) and goodwill amortisation of £1 458,000 (2006 £1 031 000)

Shareholders' funds

With interest covered 6 6 times by operating profit, the Group's financial position remains strong

Earnings per share and dividend

Adjusted basic earnings per share* for the year ended 31 March 2007 were 29 5p, an increase of 5% over last year Basic earnings per share were 28 1p, an increase of 7% over last year

The final dividend proposed for the year of 7 75p (2006 7p) makes a total dividend for the year of 10p, an increase of 11% and is covered 2 8 times by basic earnings per share

Balance sheet and cash flows

Net debt at 31 March 2007 amounted to £38 0m, compared to £10 7m last year Cash paid in respect of acquisitions, including debt acquired with new acquisitions, accounted for £16 8m of this movement This included £10 5m deferred consideration paid in relation to the acquisition of Anker International PLC in May 2005 Capital expenditure of £11 9m was £6m higher than the depreciation charge, due primarily to the £1 9m purchase of property in the US to facilitate future growth and a total of £1 8m invested in IG Asia's operations in China Cash from the sale of the Group's property in Duxford, giving rise to the £2 2m profit on disposal on fixed assets during the year, was not received until after the year-end and is therefore not reflected in these figures

Shareholders' funds increased by £8 1m to £83 9m and with year-end gearing of 45% and interest covered 6 6 times by operating profit, the Group's financial position remains strong

Treasury operations

The Board continues to assess and manage the risks associated with the treasury function as our business develops The Group's business has a strong seasonal focus, resulting in large variations in working capital As a result, the Board considers that long-term reduction of exposure to fluctuations in interest rates on working capital is unlikely to be economically viable

A significant proportion of the Group's purchases are denominated in US$ The effect of exchange rate fluctuations is reduced through a combination of measures including hedging and forward exchange contracts

Mark Collini
Finance Director

Production facilities

Our goods are manufactured in one million sq ft of production units around the world

figure excludes exceptional costs of £1 252 000 (2006 £3 310 000) profit on disposal of fixed assets of £2 240 000 (2006 £1 838 000) and goodwill amortisation of £1 458 000 (2006 £1 031 000)

Board of Directors and advisers

Top row, left to right
Keith James OBE Non-Executive Chairman
Anders Hedlund Joint Chief Executive
Nick Fisher Joint Chief Executive
Mark Collini Finance Director

Bottom row, left to right
Martin Hornung
International Operations Director
Paul Fineman Executive Director
John Elfed Jones CBE DL
Non-Executive Director

Nominated broker and adviser
Arden Partners Limited
Nicholas House
3 Laurence Pountney Hill
London EC4R 0EU

Auditor
KPMG Audit PLC
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff CF24 0TE

Registrars
Capita IRG plc
Balfour House
390-398 High Road
Ilford ID1 1NQ

Registered office
Belgrave House
Hatfield Business Park
Frobisher Way
Hatfield AL10 9TQ

Accounts contents

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2007

Principal activities

The principal activities of the Group are the design and manufacture of gift wrapping paper, greetings cards, Christmas crackers, stationery, photo frames, albums and other decorative accessories

Business review

Full details of the results for the year are set out in the attached financial statements A review of the development and performance of the business can be found in the Financial Review on page 12

The Directors believe the significant financial risks facing the Company to be foreign currency risk and interest rate risk Details of the Group's exposure to these risks can be found in note 18 of these accounts, with commentary included within the Treasury Operations paragraph of the Financial Review on page 14

The Group's main key performance indicators are profitability and earnings per share Details of the Group's performance against these indicators is included within the Chairman's Statement and the Financial Review on pages 4 and 12

Dividends

An interim dividend of 2 25p (2006 2p) was paid on 25 January 2007 The Directors recommend a final dividend of 7 75p (2006 7p) making a total for the year of 10p (2006 9p) The final dividend, if approved, will be paid on 27 September 2007 to shareholders on the register on 7 September 2007

Directors and Directors' interests

The Directors who held office during the year were as follows

K James
S A Hedlund
N Fisher
M Collini
P Fineman
M Hornung
J E Jones

J E Jones resigned as Chairman at the Company's Annual General Meeting ("AGM") held on 30 September 2006, and remains on the Board as a Non-Executive Director He was replaced as Chairman by K James, previously a Non-Executive Director

The Directors had the following direct interests in the ordinary shares of 5p each of the Company

	Interest at end of year		Interest at beginning of year	
	Ordinary shares	Options	Ordinary shares	Options
K James	6,562	-	6,562	-
S A Hedlund (a)	901,238	-	901,238	-
N Fisher (b)	1,000,448	-	1,000,448	-
M Collini	175,448	300,000	175,448	300,000
P Fineman (c)	2,168,534	-	2,168,534	-
M Hornung (d)	315,019	650,000	315,019	650,000
J E Jones	15,448	-	15,448	-

In addition to the above holdings

(a) 20,280,400 (2006 20,280,400) and 2,819,800 (2006 2,819,800) ordinary shares of 5p each are respectively registered in the names of Artistic AG and Malios AG, companies incorporated in Switzerland and under the ultimate control of the Hedlund family

(b) 1,500,000 (2006 1,500,000) ordinary shares of 5p each are registered in the name of Benalex Holdings Limited, a company incorporated under the laws of Jersey and owned by a settlement by N Fisher for the benefit of himself and members of his family

(c) P Fineman owns a non-beneficial interest in 851,100 (2006 851,100) ordinary shares of 5p each

(d) 172,557 (2006 172,557) ordinary shares of 5p each are held by M Hornung's pension fund

In accordance with the Company's Articles of Association, Messrs K James, A Hedlund and M Collini retire by rotation at this year's AGM and, being eligible, offer themselves for re-election

Substantial shareholdings

At 15 June 2007, substantial interests in the issued share capital of the Company, notified and registered in accordance with section 198 of the Companies Act 1985, were as follows

	Number of ordinary shares	Percentage of issued share capital
Artistic AG	20,280,400	43 8%
Axa Framlington Investment Management	4,942,557	10 7%
Artemis Investment Management	3,220,713	7 0%
Malios AG	2,819,800	6 1%
P Fineman	2,168,534	4 7%
Benalex Holdings Limited	1,500,000	3 2%

Corporate governance

The Combined Code which sets out the Principles of Good Governance and Code of Best Practice and combines the work of the Cadbury, Greenbury and Hampel committees, is mandatory for fully listed companies

Whilst there is no obligation for AIM listed companies to comply with this Code, the Directors endorse the principles of effective corporate governance and are committed to maintaining the highest standards of ethics, integrity and professional competence In this regard, an Audit Committee and Remuneration Committee has been established by the Board The Directors do not consider full compliance with the Code is appropriate for the Group at this stage of its development but will keep the matter under review and continue to develop procedures as the Group grows

Audit Committee

The Audit Committee consists of K James (Chairman) and J E Jones (Non-Executive Director) N Fisher (Joint Chief Executive) and M Collini (Finance Director) attend by invitation The Committee is chaired by K James and meets as required during the year, at least once with the Group's external auditors Its role is to review the interim and final financial statements for approval by the Board, to ensure that operational and financial controls are functioning properly, and to provide the forum through which the Group's external auditors report to the Board

Remuneration Committee

The Remuneration Committee consists of J E Jones and K James It is chaired by J E Jones and meets as required during the year The Committee determines the remuneration and benefits of the Executive Directors The Executive Directors have rolling one-year contracts subject to one year's notice on either side The remuneration of the Non-Executive Directors is determined by the Board

Employees

The Group recognises the benefits of keeping employees informed as to current business performance The Group conforms with current employment laws on the employment of disabled persons

Political and charitable contributions

The Group made no political or charitable contributions during the year

Creditor payment policy

The Company does not follow any standard codes of payment but aims to settle supplier accounts in accordance with their individual terms of business The number of days' purchases outstanding at the year-end in respect of the Company was 55 (2006 34)

Purchase of own shares

The special business to be considered at this year's AGM includes a resolution (Resolution 9) to renew the Company's authorisation, in accordance with the Companies Act 1985, to purchase its own shares Whilst the Directors have no current intention of doing so, they believe that it would be in the best interests of shareholders as a whole for the Company to retain the flexibility to purchase its own shares where to do so would be likely to lead to an increase in earnings per share

If passed, the resolution would give the Company authority to purchase in the market up to 4,633 820 ordinary shares (representing 10% of the Company's issued share capital) Any shares purchased under this authority would either be treated as cancelled (and the number of shares in issue reduced accordingly) or held in treasury, available for re-sale by the company or transfer to an employees' share scheme

This general authority, if approved, would expire on the date of the Company's 2008 AGM or if earlier 18 months from the date the resolution is passed The Directors presently intend that a resolution to renew this authority will be proposed at next year's AGM and at each succeeding AGM

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors
In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit PLC as auditor of the Company is to be proposed at the forthcoming AGM

By order of the Board
M Collini, Secretary
Belgrave House
Hatfield Business Park
Frobisher Way
Hatfield
Herts AL10 9TQ

26 June 2007

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss for that period

In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report to the members of International Greetings PLC

We have audited the Group and parent company financial statements (the "financial statements") of International Greetings PLC for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

The Directors' responsibility for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 19

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Chairman s Statement and the Financial Review that is cross referenced from the Business Review section of the Directors' Report We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group's and the parent company's affairs as at 31 March 2007 and of the Group's profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit PLC
Chartered Accountants
Registered Auditor

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE

26 June 2007

Consolidated profit and loss account
for the year ended 31 March 2007

		Continuing operations				
		Excluding acquisition				
		Pre-exceptional item	Exceptional item	Acquisition	Total	Total (Restated – see note 1)
	note	2007 £000	2007 £000	2007 £000	2007 £000	2006 £000
Group turnover including share of joint venture turnover		**185,344**	**-**	**11,757**	**197,101**	198,139
Less Share of joint venture turnover		**(383)**	**-**	**-**	**(383)**	(1,585)
Group turnover	2	**184,961**	**-**	**11,757**	**196,718**	196,554
Cost of sales		**(123,814)**	**(897)**	**(8,148)**	**(132,859)**	(135,121)
Gross profit		**61,147**	**(897)**	**3,609**	**63,859**	61,433
Distribution expenses		**(16,818)**	**-**	**(400)**	**(17,218)**	(16,481)
Administrative expenses		**(26,433)**	**(355)**	**(1,675)**	**(28,463)**	(29,942)
Operating profit	2	**17,896**	**(1,252)**	**1,534**	**18,178**	15,010
Share of operating profit of joint venture		**-**	**-**	**-**	**-**	7
		17,896	**(1,252)**	**1,534**	**18,178**	15,017
Profit on disposal of fixed assets		**2,240**	**-**	**-**	**2,240**	1,838
Net interest payable	6	**(2,477)**	**-**	**(280)**	**(2,757)**	(1,801)
Profit on ordinary activities before taxation	2-6	**17,659**	**(1,252)**	**1,254**	**17,661**	15,054
Tax on profit on ordinary activities	7				**(4,662)**	(3,106)
Profit for the financial year	22				**12,999**	11,948
Earnings per share	23					
Basic					**28 1p**	26 2p
Diluted					**27 7p**	25 8p

A statement of movements on reserves is set out in note 22
The 2006 numbers have been restated following the adoption of FRS 20 share based payments (see notes 1, 2(d) and 22)
Details of the exceptional items and acquisitions in both years are set out in notes 2(b) and 13 respectively

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2007

	2007 £000	2006 £000
Profit for the financial year	**12,999**	11,948
Currency translation differences arising on foreign currency net investments	**(2,598)**	914
Total recognised gains and losses relating to the financial year	**10,401**	12,862
Prior year adjustment (see notes 22 and 24)	**68**	
Total gains and losses recognised since the last annual report	**10,469**	

Consolidated balance sheet
at 31 March 2007

	note	2007 £000	2007 £000	2006 (Restated – see note 1) £000	2006 (Restated – see note 1) £000
Fixed assets					
Intangible assets – goodwill	10	**26,695**		21,339	
Tangible assets	11	**41,882**		37,134	
Investments in joint venture					
– share of gross assets		**–**		769	
– share of gross liabilities		**–**		(596)	
			68,577		58,646
Current assets					
Stocks	14	**48,577**		40,008	
Debtors	15	**41,283**		29,931	
Investments – unquoted		**20**		65	
Cash at bank and in hand		**12,990**		11,825	
		102,870		81,829	
Creditors amounts falling due within one year	16	**(79,903)**		(56,382)	
Net current assets			**22,967**		25,477
Total assets less current liabilities			**91,544**		84,093
Creditors: amounts falling due after more than one year	17		**(5,737)**		(6,352)
Provisions for liabilities and charges	19		**(1,939)**		(1,950)
Net assets			**83,868**		75,791
Capital and reserves					
Called up share capital	20		**2,317**		2,308
Share premium account	22		**2,515**		2,386
Potential issue of shares	13(a)(b)		**2,235**		1,052
Other reserves	22		**11,759**		13,964
Profit and loss account	22		**65,042**		56,081
Equity shareholders' funds	24		**83,868**		75,791

These financial statements were approved by the Board of Directors on 26 June 2007 and were signed on its behalf by

N Fisher Director

M Collini Director

Company balance sheet
at 31 March 2007

	note	2007 £000	2007 £000	2006 (Restated – see note 1) £000	2006 (Restated – see note 1) £000
Fixed assets					
Tangible assets	11		**734**		662
Investments	12		**47,350**		41,280
			48,084		41,942
Current assets					
Debtors	15	**1,835**		1,551	
Cash at bank and in hand		**2,668**		10,193	
		4,503		11,744	
Creditors amounts falling due within one year	16	**(5,981)**		(12,419)	
Net current liabilities			**(1,478)**		(675)
Total assets less current liabilities			**46,606**		41,267
Creditors amounts falling due after more than one year	17		**-**		-
Provisions for liabilities and charges	19		**-**		-
Net assets			**46,606**		41,267
Capital and reserves					
Called up share capital	20		**2,317**		2,308
Share premium account	22		**2,515**		2,386
Potential issue of shares	13(a)(b)		**2,235**		1,052
Capital redemption reserve	22		**1,340**		1,340
Merger reserve	22		**13,416**		13,023
Profit and loss account	22		**24,783**		21,158
Equity shareholders' funds	24		**46,606**		41,267

These financial statements were approved by the Board of Directors on 26 June 2007 and were signed on its behalf by

N Fisher
Director

M Collini
Director

Consolidated cash flow statement
for the year ended 31 March 2007

	note	2007 £000	2006 £000
Net cash inflow from operating activities	29	**10,889**	2,706
Returns on investments and servicing of finance	30	**(2,419)**	(1,232)
Taxation		**(3,024)**	(5,980)
Capital expenditure	30	**(11,838)**	7,809
Acquisitions and disposals	30	**(16,776)**	(13,078)
Equity dividends paid		**(4,282)**	(3,578)
Cash outflow before financing		**(27,450)**	(13,353)
Financing	30	**(223)**	(630)
Decrease in cash in the year		**(27,673)**	(13,983)

Reconciliation of net cash flow to movement in net (debt)/funds
for the year ended 31 March 2007

	note	2007 £000	2006 £000
Decrease in cash in the year		**(27,673)**	(13,983)
Cash (inflow)/outflow from debt and lease financing	31	**(688)**	462
Change in net funds resulting from cash flows		**(28,361)**	(13,521)
Loans acquired with subsidiary		**(173)**	–
New finance leases		**(50)**	–
Translation differences	31	**1,315**	(1,013)
Movement in net funds in the year		**(27,269)**	(14,534)
Net (debt)/funds at beginning of year		**(10,744)**	3,790
Net debt at end of year		**(38,013)**	(10,744)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied 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

In these financial statements the following new standard has been adopted for the first time

FRS 20 'Share-based payments"

The accounting policy under this new standard is set out below together with an indication of the effects of its adoption

The corresponding amounts in these financial statements are restated in accordance with the new policy The impact of the adoption of FRS 20 on the results for the year and the preceding year is set out in note 2(d)

Basis of consolidation
The Group financial statements consolidate the financial statements of International Greetings PLC and all its subsidiary undertakings which are all made up to 31 March each year

Unless otherwise stated, the acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition and up to the date of disposal

As permitted by Section 230(3) of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company has not been presented

During the year, the Group acquired the remaining 50% of its joint venture, Leonard Henry Holdings BV Until the date of acquisition, the joint venture is accounted for under the gross equity method, where the Group's share of the joint venture's profit and loss and gross assets and gross liabilities is included in the consolidated profit and loss account A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control Following the date of acquisition, the subsidiary is consolidated under the acquisition method of accounting

1 Accounting policies continued

Intangible assets – goodwill

Financial Reporting Standard 10 (FRS 10) has been adopted in accordance with which goodwill arising on acquisitions after 1 April 1999 is capitalised within fixed assets and written off to nil by equal instalments over its estimated useful economic life, with its carrying value at the end of its first full year reviewed for impairment Where a useful economic life of greater than 20 years is deemed appropriate by management, annual impairment reviews, based on future cash flows and expected profits of the Company, are conducted to support the carrying value in accordance with FRS 10 "Goodwill and Intangible Assets"

As allowed by FRS 10, goodwill arising prior to 1 April 1999 remains, as previously, written off directly to reserves and will be reinstated and charged in arriving at the profit or loss on any subsequent disposal of the related business The useful economic lives of the components of goodwill range from ten to 30 years

Investment in subsidiary undertakings

The Company's investment in subsidiary undertakings is stated at cost less any provision for impairment

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 buildings	-	25 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	4 to 10 years
Office equipment	-	3 to 5 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land

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 are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate and the profit and loss accounts are translated at the average exchange rate for the year Exchange differences arising on these translations are taken directly to reserves In previous years the profit and loss accounts of overseas undertakings have been translated at the closing exchange rate

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate

1 Accounting policies continued

Leases

Where the Group 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 on a straight line basis over the life of the lease, 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, including attributable overheads, and net realisable value

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

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen, but not reversed at the balance sheet date

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year and is recognised when goods are shipped

Share based payments

Share options are, in most cases, issued at market value at the date of grant and consideration is accounted for when the option is exercised The fair value of options granted and not yet vested is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the number of share options ultimately expected to vest based on the Company's anticipated future staff turnover

Pension costs

The Group operates a defined contribution Group personal pension scheme The assets of this scheme are held separately from those of the Group in an independently administered fund The pension charge represents contributions payable by the Group to the fund

2 Segmental analysis

(a) Geographical area of operation

	UK, Europe & Far East		USA		Group	
	2007	2006 (Restated – see note 1)	**2007**	2006 (Restated – see note 1)	**2007**	2006 (Restated – see note 1)
	£000	£000	**£000**	£000	**£000**	£000
Turnover	**171,500**	167,344	**25,218**	29,210	**196,718**	196,554
Operating profit before exceptional items	**17,887**	16,524	**1,543**	1,796	**19,430**	18,320
Exceptional items (see below)	**(1,252)**	(3,310)	**-**	-	**(1,252)**	(3,310)
Operating profit after exceptional items	**16,635**	13,214	**1,543**	1,796	**18,178**	15,010
Share of operating profit of joint venture	**-**	7	**-**	-	**-**	7
	16,635	13,221	**1,543**	1,796	**18,178**	15,017
Profit on disposal of fixed assets	**2,240**	1,838	**-**	-	**2,240**	1,838
Net interest	**(1,849)**	(1,108)	**(908)**	(693)	**(2,757)**	(1,801)
Profit on ordinary activities before taxation	**17,026**	13,951	**635**	1,103	**17,661**	15,054
Net assets (restated – note 1)	**76,783**	68,406	**7,085**	7,385	**83,868**	75,791

The above results relate entirely to continuing operations

2 Segmental analysis continued

(b) Exceptional items

	2007 £000	2006 £000
Restructuring costs (see (i) below)	**1,252**	2,906
Other (see (ii) below)	**-**	404
	1,252	3,310

(i) During the year ended 31 March 2007, the Group incurred a number of costs associated with the ongoing restructuring changes that commenced in the previous year and are being undertaken in order to maintain competitiveness These consisted of (a) the relocation of certain UK production overseas, (b) the relocation and integration of the Copywrite Designs Ltd stationery division into Anker's operations and (c) the reorganisation of the individual UK Christmas giftwrap, cracker and cards operations into one division The costs of these restructuring changes, primarily redundancy and machine relocation costs amounted to £1,252,000 (2006 £2,906,000)

(ii) These represented one-off product safety recall and rectification costs incurred in connection with one of the Group's products

(c) Geographical analysis of turnover by destination

	2007 £000	2006 £000
UK	**119,043**	122,443
USA	**45,140**	47,191
Europe	**29,971**	22,665
Rest of world	**2,564**	4,255
	196,718	196,554

(d) Share based payments

The Company has adopted FRS20 for the first time in this period and accordingly the operating profit is stated after charging £244,000 for the cost of share options The operating profit for the 12 months to 31 March 2006 has been restated to include a charge of £423,000 in respect of this cost with a corresponding reduction of £40,000 in the tax charge as a result of recognising the associated deferred tax asset The only impact on the net assets as at 31 March 2006 relates to the deferred tax asset element and results in an increase in prior year net assets of £68,000

3 Profit on ordinary activities before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Hire of plant and machinery – rentals payable under operating leases	**302**	410
Hire of other assets – operating leases	**1,487**	1,249
Release of deferred grant income	**(823)**	(498)
Depreciation – owned	**5,641**	5,469
– leased	**235**	276
Amortisation of goodwill	**1,458**	1,031

During the year payments were made to the Group auditor, KPMG Audit PLC as follows

	2007 £000	2006 £000
Audit of these financial statements	**39**	36
Amounts receivable by the auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	**95**	80
Other services relating to taxation	**76**	39
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Company's subsidiaries	**24**	64
All other services	**(47)**	158

The credit in 2007 for all other services relates to charges for work undertaken in 2006 in connection with the relocation of the Group's Chinese factory

4 Remuneration of Directors

	Aggregate for all Directors		Highest paid Director	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Remuneration excluding bonuses	**1,116**	1,070	**238**	237
Annual bonus payments	**540**	172	**135**	43
Total remuneration	**1,656**	1,242	**373**	280
Pension contributions to personal money purchase schemes (in respect of four Directors for both years)	**75**	74	**21**	21

Information on share options held by Directors is shown in the Directors' Report

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

	2007	2006
Administration, sales and distribution	**869**	767
Production	**2,049**	1,580
	2,918	2,347

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	**35,521**	34,143
Social security costs	**3,732**	3,159
Pension contributions due and paid to personal money purchase schemes	**734**	785
	39,987	38 087

6 Net interest payable

	2007 £000	2006 £000
Bank interest receivable	**-**	455
Interest payable and similar charges		
On bank loans and overdrafts	**2,551**	1,758
Finance charges in respect of finance leases	**25**	19
Other similar charges	**181**	479
Total	**2,757**	2,256
Net interest payable	**2,757**	1,801

7 Taxation

	2007		2006 (Restated – see note 1)	
	£000	**£000**	£000	£000
Current tax				
UK corporation tax on profits of the year	**2,271**		2,885	
Adjustments in respect of previous periods	**(240)**		22	
		2,031		2,907
Foreign tax				
On profits of the year	**1,591**		1,369	
Adjustments in respect of previous periods	**65**		14	
		1,656		1,383
Total current tax		**3,687**		4,290
Deferred taxation				
Origination and reversal of timing differences	**882**		(1,271)	
Adjustments in respect of previous periods	**93**		87	
Total deferred tax		**975**		(1,184)
Tax on profits on ordinary activities		**4,662**		3,106

7 Taxation continued
Factors affecting tax charge for period

	2007 £000	2006 (Restated – see note 1) £000
Profit on ordinary activities before tax	**17,661**	15,054
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**5,298**	4,516
Effects of		
Current tax charge/(credit)		
Differences between accounting and taxable profits on sale of fixed assets	**(604)**	88
Goodwill arising on consolidation	**314**	265
Fair value adjustment arising on consolidation	**(182)**	(202)
Notional interest expense disallowed	**-**	120
Expenses not deductible for corporation tax purposes	**160**	191
Tax deductions for gains on employee share options	**104**	(88)
Difference between UK and overseas tax rates	**(798)**	(427)
Release of grant	**(247)**	(142)
Difference between capital allowances and depreciation	**86**	(187)
Provisions not deductible until paid	**(50)**	82
Other timing differences	**(131)**	38
Non-taxable income	**(88)**	–
Adjustments in respect of previous periods	**(175)**	36
	(1,611)	(226)
Total current tax	**3,687**	4,290
Deferred tax charge/(credit)		
Credit in relation to the disposal of fixed assets	**-**	(1,305)
Origination and reversal of timing differences	**882**	296
Difference between UK and overseas tax rates	**-**	(262)
Adjustments in respect of previous periods	**93**	87
Total deferred tax	**975**	(1,184)
Total tax charge for the period	**4,662**	3,106

7 Taxation continued
Factors that may affect future tax charges

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008 The deferred tax asset/liability has been calculated at 30% in accordance with FRS 19 Any timing differences which reverse before 1 April 2008 will be relieved at 30%, any timing differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of when the deferred tax liability will reverse, it is not possible to calculate the full financial impact of this change

Proposed amendments included in the 2007 finance bill include provisions to withdraw the requirement to tax (or relieve) balancing charges (or allowances) on the disposals of property on which industrial buildings allowances have been claimed This legislation had not been substantially enacted by the balance sheet date and therefore the effect of this has not been reflected in the above figures However, had this legislation been substantially enacted the deferred tax in note 19 would have recorded "Differences between accumulated depreciation and capital allowances" of £352,000 rather than £784,000, with a credit to the profit and loss account of £432,000 The deferred tax charge would reduce from £975,000 to £554,000 accordingly

Changes have been announced which will have the effect of phasing out industrial buildings allowances from 1 April 2007 However, draft legislation has not yet been produced and it is not therefore possible to quantify what the effect of this change will be on the Company

No provision has been made for deferred tax on gains recognised on previous disposals where potentially taxable gains have been rolled over into replacement assets Nor has deferred tax been provided where grants have reduced the tax cost of properties for use in capital gains calculations on future disposals Such tax would become payable only if the replacement assets were sold without it being possible to claim roll-over relief The total amount unprovided is £370,000 (2006 £597,000) At present it is not envisaged that any such tax will become payable in the future

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries As the earnings are continually reinvested by the Group, no tax is expected to be payable on them for the foreseeable future

8 Dividends paid

	2007 £000	2006 £000
Final for year ended 31 March 2006 – 7p per share (2005 5 75p)	**3,240**	2,652
Interim for year ended 31 March 2007 – 2 25p per share (2006 2p)	**1,042**	926
Dividends paid (see notes 22 and 24)	**4,282**	3,578

9 Profit attributable to the Company

The profit after tax dealt with in the accounts of the Company is £7,663,000 (2006 £4,227,000) As provided by section 230 (3) of the Companies Act 1985, no profit and loss account is presented in respect of International Greetings PLC

10 Intangible assets

Group	Cost £000	Amortisation £000	Net book value £000
Goodwill			
At beginning of year	23,830	(2,491)	21,339
Acquired during year (note 13)	6,744	–	6,744
Adjustment in respect of previous acquisition (see note below)	83	–	83
Amortisation	–	(1,458)	(1 458)
Exchange adjustment	(18)	2	(16)
On acquisition of subsidiary	3	–	3
At end of year	**30,642**	**(3,947)**	**26,695**

The adjustment in respect of a previous acquisition arises as a result of an increase of £83,000 in the estimated deferred consideration payments relating to the acquisition of Hoomark Gift-wrap Partners BV in November 2003 (see note 13(a))

11 Tangible fixed assets

Group	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, and equipment £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	21,529	36,787	5,864	1,658	65,838
Exchange adjustments	(498)	(964)	(188)	(11)	(1,661)
Additions	4,852	6,891	862	418	13,023
Disposals	(1,565)	(658)	(445)	(213)	(2,881)
Acquisition of subsidiary	–	42	27	24	93
At end of year	24,318	42,098	6,120	1,876	74,412
Depreciation and diminution in value					
At beginning of year	5,114	19,344	3,483	763	28,704
Exchange adjustments	(74)	(397)	(131)	(3)	(605)
Charge for year	1,026	3,506	946	398	5,876
On disposals	(223)	(608)	(442)	(172)	(1,445)
At end of year	5,843	21,845	3,856	986	32,530
Net book value					
At end of year	**18,475**	**20,253**	**2,264**	**890**	**41,882**
At beginning of year	16,415	17,443	2,381	895	37,134

The net book value of fixed assets included an amount of £472,000 (2006 £715,000) in respect of assets held under finance leases
The depreciation charge for the year includes £235,000 (2006 £276,000) in respect of leased assets

11 Tangible fixed assets continued

Company	Land and buildings £000	Office equipment £000	Motor vehicles £000	Total £000
Cost				
At beginning of year	358	293	380	1,031
Additions	32	181	88	301
Disposals	–	(16)	(81)	(97)
At end of year	**390**	**458**	**387**	**1,235**
Depreciation				
At beginning of year	10	128	231	369
Charge for year	27	112	85	224
On disposals	–	(12)	(80)	(92)
At end of year	37	228	236	501
Net book value				
At end of year	**353**	**230**	**151**	**734**
At beginning of year	348	165	149	662

The net book value of land and buildings comprises

	Group		Company	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Freehold	**12,772**	13,754	**–**	–
Short leasehold	**5,703**	2,661	**353**	348
	18,475	16,415	**353**	348

12 Fixed asset investments

Company	Shares in subsidiary undertakings £000
Cost	
At beginning of year as previously reported	40,857
Prior year adjustment (see note 22)	423
At beginning of year as restated	41,280
Addition during year	6,229
Capital contribution – share based payments	244
Adjustment to cost of acquisitions in previous period	(403)
At end of year	**47,350**

The additon during the year relates to the acquisition of Alligator Books Limited (note 13 (d))

12 Fixed asset investments continued

The trading subsidiary and joint venture undertakings of the company are as follows

Company	Country of incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary			
Scandinavian Design Limited	Great Britain	Manufacture of gift wrapping paper, bows and ribbons	100%
Belgrave Graphics Limited	Great Britain	Greetings cards, gift tags and bags	100%
Scoop Designs Limited	Great Britain	Packaged gifts	100%
Brite Sparks Limited	Great Britain	Christmas crackers	100%
Metier Creative Associates Limited	Great Britain	Design agency	100%
Gift Design Limited	Great Britain	Gift packaging	100%
Hy-Sil Manufacturing Company Inc	USA	Manufacture of gift wrapping paper, bows and ribbons	100%
International Greetings Asia Limited	Hong Kong	Trading company	100%
The Shenzhen Gift International Greetings Company Limited	China	Manufacture of Christmas crackers and gift bags	100% (indirect holding)
Hoomark Gift-wrap Partners BV	Netherlands	Manufacture of gift wrapping paper	100%
IG Latvia SIA	Latvia	Manufacture of greetings cards and tags	100%
Balt IG SIA	Latvia	Manufacture of bows and ribbons	100%
Anker International PLC	Great Britain	Distribution of photo albums, frames, stationery and Christmas related products	100%
Leonard Henry Holdings BV	Netherlands	Holding Company	100%
Anchor International BV	Netherlands	Distribution of photo albums, frames, stationery and Christmas related products	100% (indirect holding)
Alligator Books Ltd	Great Britain	Childrens book publisher and stationery	100%
Eick Pack Werner Eick GmbH & Co	Germany	Manufacturer of giftwrap counter rolls	100% (indirect holding)

13 Acquisition

(a) On 19 November 2003, the Group acquired 100% of the issued share capital of Hoomark Gift-Wrap Partners BV ("Hoomark") The purchase agreement provided for future payments of deferred consideration, based on Hoomark's profits for the three years ended March 2007
At 31 March 2006, the future consideration payable was estimated at £1,052,000, of which up to 100% was payable by the issuance of new ordinary shares at the Company's option During the year ended 31 March 2007, £508,000 of this amount was paid in cash Based on Hoomark's results for the year ended 31 March 2007, the estimated future consideration has been increased by £83,000 less £35,000 accounted for by exchange differences Up to 100% of the total unpaid consideration of £592,000 at 31 March 2007 may be payable by the issue of new ordinary shares, at the Company's option

(b) On 6 April 2006 the Group acquired 100% of the issued share capital of Alligator Books Ltd ("Alligator"), a publisher and distributor of children's books and stationery Initial consideration of £2 569m (including costs) was paid, £2 319m in cash and £0 25m by the issue of 62,703 new ordinary shares Estimated additional consideration of £3 66m is payable, based on Alligator's results for the year ended 31 March 2007 Up to £1 643m of the additional consideration of £3 66m is payable by the issue of new ordinary shares, at the Company's option

The book value and provisional fair value of assets purchased was as follows

	£000
Intangible assets	3
Tangible assets	52
Stock	1,375
Debtors	1,569
Cash	68
Bank overdraft	(1,839)
Creditors	(1,004)
	224
Goodwill (estimated useful life of 20 years)	6,005
Total consideration	**6,229**

Audited accounts of Alligator Books Limited for the 11 months ended 31 March 2006 reflected turnover of £5 7m, operating profit of £0 5m and interest payable of £0 1m, resulting in a profit before tax of £0 4m

(c) On 8 July 2006, the Group acquired the remaining 50% shareholding not previously owned in the holding company (Leonard Henry Holdings BV) of the Group's Dutch joint venture, Anchor International BV Consideration of €1 26m was paid, €1m in cash and €0 26m by the issue of 44,692 new ordinary shares,

13 Acquisitions continued

The book value and provisional fair value of assets purchased was as follows

	£000
Tangible assets	12
Stock	1,054
Debtors	731
Cash	75
Bank overdraft	(903)
Creditors	(623)
	346
Less 50% share previously owned	(173)
Net share of assets acquired	173
Goodwill (estimated useful life of 20 years)	726
Total consideration	899

Audited accounts were not previously prepared by Leonard Henry Holdings BV Unaudited accounts for the 12 months ended 31 December 2005 reflect turnover of €4 8m, operating profit of €0 065m and net interest payable of €0 049m resulting in a profit before tax of €0 016m

(d) On 23 January 2007, the Group acquired 100% of the issued share capital of Eick Pack Werner Eick GmbH & Co ("Eick Pack"), a manufacturer of giftwrap counter rolls, based in Germany Initial consideration of €1 was paid for the shares The share purchase agreement also provided for the potential repayment of outstanding loans of €0 512m made by the previous shareholders to Eick Pack €0 256m was repaid on completion, with the balance of €0 256m repayable, dependant on Eick Pack's profits for the years ended 31st March 2008 to 2010

13 Acquisitions continued

The book value and provisional fair values of assets acquired was as follows

	Book value £000	Provisional fair value adjustments £000	Provisional fair value at date of acquisition £000
Tangible assets	29	–	29
Stock	377	(38)	339
Debtors	205	–	205
Cash	19	–	19
Bank overdraft	(115)	–	(115)
Creditors	(490)	–	(490)
	25	(38)	(13)
Goodwill (estimated useful life of 20 years)			13
Consideration			–

Audited accounts were not previously prepared by Eick Pack Unaudited accounts for the 12 months ended 31 December 2006 reflect turnover of €2 6m, operating profit of €0 01m and interest payable of €0 05m resulting in a loss before tax of €0 04m

14 Stocks

	2007 £000	2006 £000
Raw materials and consumables	**14,950**	9,149
Work in progress	**4,074**	5,195
Finished goods and goods for resale	**29,553**	25,664
	48,577	40,008

15 Debtors

	Group		Company	
	2007	2006 (Restated – see note 1)	**2007**	2006
	£000	£000	**£000**	£000
Trade debtors	**27,390**	18,936	**660**	11
Amounts owed by group undertakings	**-**	–	**259**	1,068
Other debtors	**8,349**	5,359	**165**	194
Prepayments	**5,359**	5,269	**717**	169
Overseas corporation tax recoverable	**185**	38	**-**	–
Deferred tax asset (note 19)	**-**	329	**34**	109
	41,283	29,931	**1,835**	1,551

The deferred tax asset in the Company is recoverable after more than one year

16 Creditors amounts falling due within one year

	Group		Company	
	2007 **£000**	2006 £000	**2007** **£000**	2006 £000
Bank loans and overdrafts	**48,735**	20,951	**-**	-
Trade creditors	**14,784**	13,269	**903**	176
Amounts owed to group undertakings	**-**	–	**929**	97
Corporation tax	**877**	808	**173**	113
Overseas corporation tax	**687**	–	**-**	–
Other taxes and social security	**961**	750	**211**	–
Other creditors	**1,682**	11,408	**2,027**	10,635
Accruals and deferred income	**12,045**	8,905	**1,738**	1,398
Obligations under finance leases and hire purchase contracts	**132**	291	**-**	–
	79,903	56,382	**5,981**	12,419

The bank loans and overdrafts are secured by a fixed charge on certain of the Group's land and buildings, a fixed charge over certain of the Group's book debts and a floating charge on certain of the Group's other assets

17 Creditors amounts falling due after more than one year

	Group		Company	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Bank loans and overdrafts	**1,887**	1,147	**–**	–
Other loans	**173**	–	**–**	–
Accruals and deferred income	**3,601**	5,025	**–**	–
Finance leases	**76**	180	**–**	–
	5,737	6 352	**–**	–

	Group		Company	
Repayment analysis of bank loan and finance leases	**2007 £000**	2006 £000	**2007 £000**	2006 £000
Due within one year				
Secured bank loan (see below)	**178**	101	**–**	–
Other bank loans and overdrafts	**48,557**	20,850	**–**	–
Finance leases	**132**	291	**–**	–
Due between one to two years				
Secured bank loan (see below)	**386**	107	**–**	–
Finance leases	**48**	149	**–**	–
Due between two and five years				
Secured bank loan (see below)	**424**	488	**–**	–
Other loans (see note below)	**173**	–	**–**	–
Finance leases	**28**	31	**–**	–
Due after more than five years				
Secured bank loan (see below)	**1,077**	552	**–**	–
	51,003	22,569	**–**	–

17 Creditors amounts falling due after more than one year continued

Secured bank loans

Loan 1

The principal of £1,001,000 (2006 £1,248,000) is repayable monthly on a reducing balance basis over a 15-year period, ending in March 2016 The loan is secured over the freehold land and buildings and the contents therein of Hysil Manufacturing Co Inc, and is subject to a variable rate of interest linked to LIBOR

Loan 2

The principle of £1,064,000 (2006 £nil) is repayable monthly on a reducing balance basis over a nine-year period ending in March 2016 The loan is secured over the freehold land and buildings and the content therein of Hysil Manufacturing Co Inc and is subject to a variable rate of interested linked to LIBOR

Other loan

The other loan is non-interest bearing and repayment is dependent of the future profitability of Eick Pack Werner Eick GmbH & Co for the years ended 31 March 2008 to 31 March 2010 (see note 13(d))

18 Treasury operations

The Group's policy is to finance its long-term requirements by a mixture of bank loans and finance leases Bank loans are used primarily for property funding, where the asset has a long-term use within the business, and finance leases are used where appropriate for the medium-term finance of plant and equipment Working capital funding requirements during the year are matched primarily by bank overdraft funding from facilities provided by the Group's principal bankers Such borrowings are at variable interest rates The interest rate risk profile of the Group's borrowings is set out below

The Group operates in three principal functional currencies being Sterling, US Dollar and Euro Both long-term and working capital borrowings and facilities are split between these currencies to reduce the risk of exposure to currency fluctuations

18 Treasury operations continued

Financial assets/liabilities

Interest rate risk profile of financial assets and liabilities

	Total	Floating	Fixed	Fixed rate	
Financial assets/(liabilities)	£000	£000	£000	Weighted average rate at 31 March 2007 %	Weighted average time for which rate is fixed Months
Cash at bank and in hand	12,990	12,990	–	–	–
Bank overdraft	(48,557)	(46,733)	(1,824)	5 6	1
Bank and other loans	(2,238)	(2,238)	–	–	–
Obligations under asset financing	(208)	–	(208)	6 7	21
Net financial assets/(liabilities)	(38,013)	(35,981)	(2,032)		

Exchange rate profile of financial assets and liabilities

	Financial assets £000	Financial liabilities £000	Net book value £000
Sterling (floating and fixed)	12,571	(24,632)	(12,061)
US Dollar (floating and fixed)	26	(10,986)	(10,960)
Euro (floating)	183	(15,135)	(14,952)
Other (floating)	210	(250)	(40)
	12,990	(51,003)	(38,013)

At 31 March 2007 the Group had outstanding forward foreign exchange contracts of up to US$ 24 7m There is a loss between the book values and fair values of the Group's financial liabilities as at 31 March 2007 of £295,000

18 Treasury operations continued

Currency exposure

As at 31 March there were the following assets and liabilities denominated in currencies other than the functional currency of the business to which they relate

	2007 £000	2006 £000
Sterling	**(8,360)**	105
US Dollar	**(3,368)**	(3,075)
Euro	**(323)**	235
Other	**(253)**	430
	(12,304)	(2,305)

19 Provisions for liabilities and charges

Group	**Property provision £000**	**Other provision £000**	**Deferred taxation £000**	**Total £000**
At beginning of year	1,345	605	–	1,950
Transfer from debtors	–	–	(329)	(329)
Acquisition of subsidiary (see note 13)	–	–	(7)	(7)
Exchange differences	–	–	(45)	(45)
Amount (credited)/charged during the year or utilised	–	(605)	975	370
At end of year	**1,345**	**–**	**594**	**1,939**

19 Provisions for liabilities and charges continued

The property provision represents the estimated reinstatement cost of one of the Group's leasehold properties under a fully repairing lease The other provision represents the fair value adjustment in relation to onerous forward exchange contracts arising following the Group's acquisition of Anker International PLC in May 2005

In accordance with Financial Reporting Standard 19 Deferred Tax, full provision has been made for deferred taxation at 30%

As allowed by the standard, deferred tax of £370,000 (2006 £597,000) is unprovided on gains on capital disposals rolled over into replacement assets and where grants have reduced the tax cost of properties for use in capital gains calculations on future disposals (see note 7)

Group	**2007** **£000**	2006 (Restated – see note 1) £000
Deferred tax (asset)/liability (see note 15)		
Difference between accumulated depreciation and capital allowances	**784**	693
Other timing differences	**(190)**	(1,022)
	594	(329)

Company	**2007** **£000**	2006 £000
Deferred tax asset (see note 15)		
Difference between accumulated depreciation and capital allowances	**57**	(77)
Other timing differences	**(91)**	(32)
	(34)	(109)

20 Called up share capital

	2007 £000	2006 £000
Authorised		
120,948,860 (2006 120,948,860) ordinary shares of 5p each	**6,047**	6,047
Allotted, called up and fully paid		
46,330,208 (2006 46,152,813) ordinary shares of 5p each	**2,317**	2,308

During the year 177,395 ordinary shares were issued at an average price of £2 99 per share

All employee share ownership scheme
The Group operates an all employee share ownership scheme whereby the Group sets aside a certain percentage of profits each year, which is used to provide an equal number of shares in the Group to all employees who meet certain qualifying criteria The annual cost associated with this scheme is charged to the profit and loss account

152,976 shares with a market value of £636,380 were held under the scheme at 31 March 2007 (2006 Number of shares 176,978, market value £707,912) No dividends on these shares have been waived

21 Share based payments

Options

Options to subscribe for ordinary shares have been granted, pursuant to the Company's unapproved Employee Share Option Scheme, which are exercisable at dates ranging up to April 2013 At 31 March 2007, outstanding options were as follows

Number of ordinary shares	Exercise price (p)	Exercise dates
204,000	185 00	July 2003 – July 2009
10,000	230 00	May 2003 – May 2009
12,500	212 00	February 2004 – February 2010
265,000	185 00	April 2004 – April 2010
250,000	188 00	April 2004 – April 2010
865 000	220 00	July 2004 – July 2010
45,000	252 00	October 2004 – October 2010
13,400	0 01	April 2006 – April 2012
170,000	380 00	April 2008 – April 2012
1,000,000	385 00	April 2008 – April 2012
327 250	396 00	June 2009 – June 2013
200,000	399 00	April 2010 – April 2013

In most cases, various conditions are attached before options can be exercised, including meeting profitability targets, personal objectives and/or time periods

21 Share based payments continued

The number and weighted average exercise prices of share options are as follows

	2007		2006	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**276p**	**2,914,900**	199p	1,997,500
Granted during the period	**397p**	**585,000**	380p	1,213,400
Forfeited during the period	**393p**	**(67,750)**	154p	(107,500)
Exercised during the period	**143p**	**(70,000)**	201p	(188,500)
Outstanding at the end of the period	**297p**	**3,362,150**	276p	2,914,900
Exercisable at the end of the period	**211p**	**1,457,500**	205p	1,437,500

The weighted average share price at the date of exercise of share options exercised during the period was 424p (2006 426p)

In accordance with the transitional provisions in FRS 20, the recognition and measurement principles in FRS 20 have not been applied to grants made prior to 7 November 2002 For grants subsequent to this date the fair values of services received in return for share options granted to employees are measured by reference to the fair value of share options granted The estimate of the fair value of the services received is measured based on a Black Scholes model (with the contractual life of the option and expectations of early exercise incorporated into the model)

The terms and conditions of the share options granted during the year ended 31 March 2007 were as follows

Grant date	Number of options	Vesting conditions	Contractual life of option
April 2006	385,000	Various, as above	7 years
April 2006	200,000	Profitability related	7 years

The principal assumptions used in assessing the fair value of share options were as follows

	2007	2006
Fair value at measurement date	**97p**	97p
Weighted average share price	**397p**	38p
Exercise price	**396-399p**	380-385p
Expected volatility	**25%**	25%
Expected option life	**5 years**	5 years
Expected dividends	**2%**	2%
Risk free interest rate (based on national government bonds)	**4 5%**	4 5%

21 Share based payments continued

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options)

The total expenses recognised for the period arising from share based payments are as follows

	2007 **£000**	2006 £000
Equity settled share based payments	**244**	423

22 Reserves

	Share premium account £000	Other reserves: Capital redemption reserve £000	Other reserves: Merger reserve £000	Other reserves: Foreign exchange reserves £000	Other reserves: Total other reserves £000	Profit and loss account £000
At beginning of year as previously reported	2,386	1,340	13,023	(399)	13,964	56,013
Prior year adjustment – share based payments	–	–	–	–	–	68
At beginning of year (restated – note 1)	2,386	1,340	13,023	(399)	13,964	56,081
Profit for the financial year	–	–	–	–	–	12,999
Dividend paid in the year (note 8)	–	–	–	–	–	(4 282)
Premium on issue of shares	129	–	–	–	–	–
New shares issued on acquisition of subsidiaries (see note 13(b) and (c))	–	–	393	–	393	–
Exchange adjustments	–	–	–	(2,598)	(2,598)	–
Share based payments	–	–	–	–	–	244
At end of year	**2,515**	**1,340**	**13,416**	**(2,997)**	**11,759**	**65,042**

22 Reserves continued

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which was written off directly to reserves is £1,105,000 (2006 £1,105,000)

Company	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000
At beginning of year as previously reported	2,386	1,340	13,023	20,735
Prior year adjustment – share based payments	–	–	–	423
At beginning of year (restated – note 1)	2,386	1,340	13,023	21,158
Profit for the financial year	–	–	–	7,663
Dividend paid in the year (note 8)	–	–	–	(4,282)
Premium on issue of shares	129	–	–	–
New shares on acquisition of subsidiaries (see note 13 (b), (c))	–	–	393	–
Share based payments	–	–	–	244
At end of year	**2,515**	**1,340**	**13,416**	**24,783**

23 Earnings per share

	2007	2006 (Restated – see note 1)
Adjusted basic earnings per share excluding exceptional items, profit on disposal of fixed assets and goodwill	**29.5p**	28 0p
Loss per share on goodwill	**(3 1p)**	(2 2p)
Loss per share on exceptional items	**(1 9p)**	(5 1p)
Earnings per share on profit on disposal of fixed assets	**3.6p**	5 5p
Basic earnings per share	**28 1p**	26 2p
Diluted earnings per share	**27 7p**	25 8p

The basic earnings per share is based on the earnings of £12,999,000 (2006 £11,948,000) and the weighted average number of ordinary shares in issue of 46,278,695 (2006 45,536,856) The calculation of diluted earnings per share is based on 46,998,106 (2006 46,304,602) ordinary shares The difference of 719,411 (2006 559,291) represents the dilutive effect of outstanding employee share options which has been calculated in accordance with FRS 22

Adjusted basic earnings per share excluding exceptional items, profit on disposal of fixed assets and goodwill is calculated after adjusting for exceptional items of £1,252,000 (2006 £3,310,000), the profit on disposal of fixed assets of £2,240,000 (2006 £1,838,000), amortisation of goodwill of £1,458,000 (2006 £1,031,000), and the tax attributable to these items of £192,000 (2006 tax relief of £1,691,000)

24 Reconciliations of movements in shareholders' funds

	Group		Company	
	2007	2006 (Restated – see note 1)	2007	2006 (Restated – see note 1)
	£000	£000	£000	£000
Profit for the financial year	**12,999**	11,948	**7,663**	4,227
Dividends paid in the year	**(4,282)**	(3,578)	**(4,282)**	(3,578)
Retained profit for the financial year	**8,717**	8,370	**3,381**	649
Other recognised gains and losses relating to the year (net)	**(2,598)**	914	**–**	51
New share capital subscribed	**531**	12,879	**531**	12 879
Potential issue of shares (note 13 (a))	**1,183**	126	**1,183**	126
Purchase of own shares	**–**	(538)	**–**	(538)
Share based payments	**244**	423	**244**	423
Net addition to shareholders' funds	**8,077**	22,174	**5,339**	13,590
Opening shareholders' funds as previously reported	**75,723**	53,589	**40,844**	27,677
Prior year adjustment – share based payments	**68**	28	**423**	–
Closing shareholders' funds	**83,868**	75,791	**46,606**	41,267

25 Contingencies

The Company has given together with its UK subsidiary undertakings, an unlimited composite joint and several guarantee in respect of the bank loans and overdrafts of itself and its subsidiaries The total of this guarantee at the year-end, in relation to the Company only, was £47,531,000 (2006 £31,043,000) in excess of the amount dealt with in the Company's financial statements No such contingent liability arises under this guarantee for the Group

26 Post balance sheet events

Since 31 March 2007, the Group has made the following acquisitions

(a) In April 2007, the Group acquired the business and assets of Przedsiebiorstwo Produckcyjno-Handlowo-Uslugowe Artex ("Artex"), a supplier of giftwrap and greetings products, based in Poland Initial consideration was €300,000 paid in cash, with additional amounts payable based on future profitability

(b) In April 2007, the Group acquired 100% of the issued share capital of Weltec Holding BV, a distributor of photographic frames based in Holland, for €415,000, paid in cash

(c) In May 2007, the Group acquired the business and assets of Pinwheel Limited ("Pinwheel"), a publisher of children's books based in the UK Pinwheel was acquired from the receivers for an initial consideration of £417,000, with a maximum total consideration of £460,000, dependant on certain amounts recovered from debtors acquired

27 Commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows

	2007	2006
	£000	£000
Group		
Authorised and contracted for	**1,566**	3,123
Authorised but not contracted for	**287**	775
Company	**nil**	nil

Annual commitments under non-cancellable operating leases are as follows

	2007		2006	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire				
Within one year	**385**	**76**	1 273	30
In the second to fifth years inclusive	**937**	**164**	855	-
Over five years	**2,282**	**92**	1,871	-
	3,604	**332**	3,999	30

28 Related party transactions and controlling interest

The Group made sales of goods of £409,000 (2006 £365,000) to and purchases of goods of £40,000 (2006 £1,985,000) from Hedlunds Pappers Industri AB S A Hedlund is a director of Hedlunds Pappers Industri AB which is under the ultimate control of the Hedlund family The Group also made sales of goods of £23,000 (2006 £14,000) to and purchases of goods of £23,000 (2006 £23,000) from Festive Productions Limited, a subsidiary undertaking of Malios AG, a company under the ultimate control of the Hedlund family The Group also made sales of goods of £25,000 (2006 £235,000) to Alrick Hedlund Alrick Hedlund is under the ultimate control of the Hedlund family

At 31 March 2007, the Group owed Hedlunds Pappers Industri AB £50,000 (2006 Hedlunds Pappers Industri AB owed the Group £31,000), AB Alrick Hedlund owed the Group £nil (2006 £16,000) and Festive Productions Limited owed the Group £23,000 (2006 £8,000) The above trading takes place in the ordinary course of business and on normal commercial terms

The Group made sales of goods of £61,000 (2006 £512,000) and purchases of goods of £4,000 (2006 £9,000) from Anchor International BV, a subsidiary of Leonard Henry Holdings BV prior to Leonard Henry Holdings BV becoming a 100% subsidiary (see note 13(c)) The Group also received management fees and other income from Leonard Henry Holdings BV of £91,000 (2006 £221,000)

The Group is under the ultimate control of the Hedlund family

29 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £000	2006 (Restated – see note 1) £000
Operating profit	**18,178**	15,010
Depreciation charge	**5,876**	5,745
(Increase) in stocks	**(7,521)**	(9,650)
(Increase) in debtors	**(6,917)**	(5,715)
Increase/(decrease) in creditors	**1,403**	(2,833)
Deferred income	**(1,227)**	(632)
Goodwill amortisation	**1,458**	1,031
Utilisation of provision	**(605)**	(673)
Charge for share based payments	**244**	423
Net cash inflow from operating activities	**10,889**	2,706

30 Gross cash flows

	Cash inflow/(outflow)	
	2007	2006
	£000	£000
Returns on investment and servicing of finance		
Interest paid	**(2,394)**	(1,668)
Interest received	**-**	455
Interest element of finance lease repayments	**(25)**	(19)
Net cash (outflow) for returns on investment and servicing of finance	**(2,419)**	(1,232)
Capital expenditure		
Purchase of tangible fixed assets	**(11,933)**	(11,225)
Disposal of tangible fixed assets	**95**	19,034
Net cash (outflow)/inflow from capital expenditure	**(11,838)**	7,809
Acquisitions and disposals		
Acquisition of subsidiaries	**(14,081)**	(13,047)
Net overdraft acquired with subsidiary	**(2,695)**	(31)
Net cash (outflow) for acquisitions and disposals	**(16,776)**	(13,078)
Financing		
New shares issued	**101**	379
Purchase of own shares	**-**	(538)
Repayment of amounts borrowed	**(89)**	(99)
Capital element of finance lease payments	**(280)**	(363)
Sale/(purchase) of investments	**45**	(9)
Net cash (outflow) from financing	**(223)**	(630)

31 Analysis of changes in net (debt)/funds

	At 1 April 2006 £000	Cash flow £000	Exchange movement £000	Acquisition of subsidiary £000	Inception of new finance leases and loans £000	Other changes £000	At 31 March 2007 £000
Cash at bank and in hand	11,825	1,746	(743)	162	–	–	**12,990**
Overdrafts	(20,850)	(26,724)	1,874	(2,857)	–	–	**(48,557)**
	(9,025)	(24,978)	1,131	(2,695)	–	–	**(35,567)**
Debt due after one year	(1,147)	–	139	(173)	(973)	94	**(2,060)**
Debt due within one year	(101)	89	12	–	(84)	(94)	**(178)**
Finance leases	(471)	280	33	–	(50)	–	**(208)**
	(1,719)	369	184	(173)	(1,107)	–	**(2,446)**
Total net (debt)/funds	(10,744)	(24,609)	1,315	(2,868)	(1,107)	–	**(38,013)**

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ("AGM") of International Greetings PLC ("the Company") will be held at Belgrave House, Hatfield Business Park Frobisher Way, Hatfield, Hertfordshire, AL10 9TQ at 11am on Tuesday 25 September 2007 for the following purposes

Ordinary business

1 To receive and consider the accounts of the Company and reports of the Directors and auditors of the Company for the year ended 31 March 2007,
2 To declare a final dividend on the ordinary shares, as recommended by the Directors,
3 To re-elect K James as a Director,
4 To re-elect A Hedlund as a Director,
5 To re-elect M Collini as Director,
6 To reappoint KPMG Audit PLC as auditors for the ensuing year and to authorise the Directors to determine their remuneration, and
7 To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution

THAT, the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985 ("the Act") up to an aggregate nominal value of £772,226, such authority to expire at the end of the next AGM of the company after the date of the passing of this resolution (unless previously reviewed, varied or revoked by the Company in general meeting), provided that (i) the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired

Special business

8 To consider and if thought fit, to pass the following resolution which will be proposed as a special resolution

THAT, subject to the passing of resolution 7, the Board of Directors of the Company be and is hereby authorised and empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment and the board of Directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the enquiry of such approval, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £115 845 representing 5% of the issued share capital of the Company as at the date hereof

9 To consider and if thought fit, to pass the following resolution which will be proposed as a special resolution

THAT, pursuant to article 9 of the Company's Articles of Association and section 166 of the Act, the company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Act) of its ordinary shares of 5p each in the capital of the company provided that

(a) the maximum aggregate number of ordinary shares which may be purchased is 4,633,820 (representing approximately 10% of the Company's issued ordinary share capital at the date hereof)
(b) the minimum price which may be paid for each ordinary share is 5p per share (exclusive of tax and expenses),
(c) the maximum price which may be paid for each ordinary share is not more than 5 0% above the average of the middle market quotations for an ordinary share as derived from the AIM Appendix to The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased (exclusive of tax and expenses),
(d) the authority hereby granted shall expire 18 months from the date of this resolution or, if earlier, at the conclusion of the AGM of the Company to be held in 2008, provided that a contract of purchase may be made before such an expiry which will or may be executed wholly or partly after the expiry of this authority and the purchase of ordinary shares may be made in pursuance of any such contract as if the authority conferred hereby had not expired

By order of the Board

M Collini, Secretary
26 June 2007

Notes

1 A member of the Company entitled to vote and attend at the above meeting may appoint one or more proxies to attend and (on a poll) vote instead of him/her A proxy need not be a member of the Company
2 Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he/she so wish
3 A form of proxy is attached and to be valid must be completed and returned so as to reach the Company's registered address (together with a letter or power of attorney or other written authority if any under which it is signed or notarially certified or office copy of such power or written authority) not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof
4 As provided by Regulation 41(1) of the Uncertificated Securities Regulations 2001 only those members registered in the register of members of the Company 48 hours before the time set for meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time Changes to entries on the relevant register of securities after that time shall be disregarded in determining the right of any person to attend or vote at the meeting
5 The following documents will be available for inspection at the registered office during normal business hours on any business day and also during the AGM and for 15 minutes before it starts

- copies of the Directors service contracts with or letters of appointment by the Company and
- the register of Directors interest in the Company shares

Form of proxy

For the use of shareholders at the AGM

I/We of
being the holder(s) of ordinary shares in International Greetings PLC hereby appoint the Chairman of the Meeting or
as my/our proxy to vote for me/us on my/our behalf at the AGM of the Company to be held on
and at any adjournment thereof (The manner in which the proxy is to vote shall be indicated by inserting an "X" in the space provided If no "X" is inserted the proxy will vote or abstain as he thinks fit)

Resolutions

	For	Against
1 To adopt the Directors' Report and accounts		
2 To declare a final dividend		
3 To re-elect K James		
4 To re-elect A Hedlund		
5 To re-elect M Collini		
6 To re-appoint KPMG Audit PLC as auditor and to authorise the Directors to fix its remuneration		
7 To authorise the issue of new ordinary shares		
8 To disapply section 89(1) of the Companies Act 1985		
9 To authorise purchase of Company's own shares		

Dated this day of

Signature or Common Seal

Notes
1 If you wish to appoint a proxy of your own choice, you should delete "the Chairman of the Meeting" and insert the name of your choice and initial the alteration
2 To be effective, this form of proxy must be completed and returned so as to reach the company's registered address (together with a letter or power of attorney or other written authority, if any, under which it is signed or notarially certified or office copy of such power or written authority) not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof
3 If the form of proxy is given by a Company, it must be given under its common seal, or under the hand of its attorney or officer of the Company duly authorised in writing
4 In the case of joint holders, if more than one of them tenders a vote at the meeting either personally or by proxy the joint holder whose name appears first in the register of members in respect of the joint holding shall alone be entitled to vote in respect thereof
5 The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so

1st fold

2nd fold

PLEASE
AFFIX
STAMP
HERE

International Greetings PLC
Belgrave House
Hatfield Business Park
Frobisher Way
Hatfield AL10 9TQ

3rd fold & tuck in

International Greetings PLC

Belgrave House
Hatfield Business Park
Frobisher Way
Hatfield AL10 9TQ

Tel +44 (0) 1707 630 630

Website www.internationalgreetings.co.uk