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We are on track to deliver our strategic objective

Our Mission

We are committed to maximising profit through the creation, production and distribution of our products by applying increasingly higher operating standards throughout the Group

Strategic Objective

Our key objective is to restore shareholder value.

Contents

We are making significant improvements right across our business

As a business we have been through a period of dramatic change. A fresh and energetic management team has taken on the challenge of creating a more efficient and focused business, and returning to profit through smarter thinking, innovative solutions, efficient processes and happy customers.

We are focusing our global operations on profitability and growth

What do we do?

International Greetings PLC is one of the world's leading designers, manufacturers, importers and distributors of giftwrap, stationery, gift bags, crackers, greeting cards and accessories.

Who are our customers?

Our focus is on supplying major retailers with products that meet consumer needs.
The establishment of these relationships has been key to the development of the business. We are also concentrating our efforts on the growing discount and value-end retailers.

How do we succeed?

Our success is based on providing industry leading customer service together with innovative product design and development. These factors, combined with low-cost manufacturing, sourcing and logistics, enable us to sustain and develop excellent relationships with major retailers throughout the world.

What we produce

In 2008/9 we manufactured in excess of:

- 120 million bows
- 80 million crackers
- 1.5 billion feet of gift-wrap

We also sold:

- 80 million stationery products
- 300 million greetings cards
- 7 million photo frames and albums

Developing a “balanced” business

Our major revenue streams are delivered across a "balanced" portfolio of activity. We look to "balance" by:

- Product category
- Season
- Customer location
- Source i.e. manufactured and imported products
- Brand i.e. bespoke or generic

Chairman's Statement
A year of change

The difficult trading environment I referred to in our last Report continued throughout the past year. As an international manufacturing and trading business, operating across four continents, inevitably we have been affected by the recessionary pressures in the global economy and recent exchange rate volatility. Notwithstanding this, good progress has been made in the recovery plan we initiated over a year ago. Our Group is leaner, fitter and now operates much more effectively as an integrated business. Most important of all, we have strengthened our management team under the leadership of Paul Fineman.

Revenues for the year ended 31 March 2009 were up over 13% at £216.9 million (2008 restated: £191.7 million). The loss before tax for the year before significant items was £0.3 million (2008 restated: £8.1 million loss). Significant items from continuing operations were £22.4 million (2008 restated: £3.3 million) and the loss from discontinued operations was £3.9 million (2008 restated: £4.4 million loss). The total loss before tax from continuing operations was £22.8 million (2008 restated: £11.4 million loss). The basic loss per share for the year was 59.0p (2008 restated: 27.6p loss).

An interim dividend was not paid to shareholders during the year and no final dividend is proposed. When we move back to profit and reduce bank debt the Board will review the dividend policy.

After several years of acquisitive growth, we are concentrating our efforts on growing existing businesses. A plan prepared by the new team to return the business to profit has been approved by the Board and is now being implemented across the Group.

Significant achievements during the year include:

- The completion of the restructuring of the UK Greetings Division
- Integration of Glitterwrap into our US operations; divestment of Halloween Express
- Successful restructuring of our debt facilities with the support of our banks
- Reducing our dependence on Christmas trade by increasing the sale of 'everyday' products
- Winning globally recognised awards for customer service and innovation from Tesco and Disney

We were delighted to appoint Paul Fineman as Chief Executive on 1 January 2009. Paul joined the Board upon the acquisition of Anker in 2005 and as Group Managing Director successfully led the restructuring of our UK Greetings Division.
He took over from Nick Fisher who left the business in December. We are grateful to Nick for the contribution he made in building the business over the past 20 years.

Sheryl Tye was appointed Finance Director in September 2008, replacing Mark Collini who retired as Finance Director after 17 years with the Group. We thank Mark for all his hard work and wish him a successful future.

John Elfed Jones, my predecessor as Chairman, retired as a Non-Executive Director in March having devoted many years of service to the Group. We shall miss his wise counsel. We welcome Chris Howell as a Non-Executive Director. Chris is an experienced business advisor and a former managing director of turnaround business at KPMG. We have also promoted Charles Uwakaneme to the Board as an Executive Director.

We believe strongly in the potential of our business and motivating our team is key to our success. During the year the Board approved a new share incentive scheme, which will ensure that as our business succeeds and corporate value is restored for our shareholders, our management will also benefit from their hard work and commitment.

We experienced many challenges and frustrations last year, including losing long-standing customers and suppliers whose companies failed. We were also very disappointed to make redundancies due to the restructuring of our business.

However, by the year end, the Group was a transformed business – with a new management team, significantly restructured operations and a solid platform for growth across the Group established. Our priority now is to return the business to profit and to deliver value once again for our shareholders.

We thank our employees for their hard work and commitment during another difficult year and our customers and shareholders for their continued support.

Keith James
Chairman

£217m
revenue
over 13%
increase

Focus on moving to profit

Taking action to reduce debt

Chief Executive's Statement
A focus on delivery

Consumer demand for our products continues to grow

Best practice shared throughout the Group

I am delighted to be reporting for the first time as Chief Executive, in what has been a very challenging and busy year for the Group as a whole. This has been by far the most transformational period we have experienced as we restructured the business during the year and refocused our strategy to establish a solid platform for growth.

Our priority in doing this is to return the business to profit and deliver shareholder value.

Highlights of the year:

- Completing the restructuring of our UK Greetings division, resulting in leaner, streamlined operations aligned to the needs of our market
- Closure of our Latvian operations and the transfer of production and machinery to China, to reduce supply risk
- Completion of the integration of Glitterwrap (USA), Weltec (Holland) and Pinwheel (UK Publishing) into our existing operations
- Significant growth in everyday product lines with the value and discount retailers
- Making a number of high quality appointments across our teams

Strategy

Our strategy is to return the Group to profit within the next 12 months through decisive action to improve cash generation, reduce our debt and enhance margins.

Our restructuring plans are being implemented operationally by refocusing our product offering towards higher margin products, and creating a better balance in the business - between manufactured and imported products, customer bespoke and generic brand products, and sales of 'everyday' and Christmas products. We progressed well on achieving this objective and it is a developing long-term strategy.

We continue to make good progress in sharing best practice across the Group.

UK

Our UK businesses achieved a solid performance during the year, particularly given the challenging market conditions.

The restructuring of our UK Greetings division was completed in March 2009, on time and to plan. This involved refocusing the business on profitable product categories, enhancing our creative design capabilities and streamlining our logistical services; all of which have been underpinned by improved IT systems.

Core to this is a major cultural shift to focus on our profitability by becoming more efficient – embracing all aspects of the business from reducing waste to becoming more innovative about our processes as well as products.

We are delighted that our efforts resulted in supplier performance and innovation awards from Tesco and Disney respectively, in this thirtieth year of our UK Greetings business. We are very pleased with the result to date, and this remains a key focus in the year ahead.

Anker achieved significant profitable growth due to the strong performance of its value and discount retail customers. It has an improved product offering, designed, sold, sourced and distributed by its UK and Far East based teams, providing customers with excellent service levels.

Alligator saw a year of solid sales performance as it benefitted, for the first time, from being awarded a Disney licence due to Group ownership. We expect new product formats to be rolled out which will benefit the business going forward.

Scoop, our gift solutions business, had a year of steady profit and is now looking to expand outside the UK.

We have strong management teams in place across our UK businesses that will take proactive measures to strengthen further our operations and protect margins.

Europe

Our European operations, comprising Anchor BV, Artex, Eick Pack, Hoomark and Weltec had a mixed year of performance, achieving big volume gains with the value and discount retailers, which offset difficult trading with the independent retailers and department stores.

We made good progress in reorganising the logistics of our operations by consolidating our businesses in Europe during the year. Weltec, which had its first full year of operating within the Group, had its product portfolio re-sourced

Chief Executive's Statement continued

and its customer service and sales operations integrated into Anchor BV's operations

The financial and operational management teams of Eick Pack and Artex were also re-organised to report directly into Hoomark management.

US
We saw sales improve by 31% during the year, largely due to the contribution in this year's accounts from Glitterwrap, acquired in September 2007, and our expansion into the mass market. We divested Halloween Express in April 2008 and closed the Glitterwrap party business which is shown in the accounts as a discontinued operation.

In terms of profit, our US business underperformed during the year. We have started to restructure our US operations with a focus on reducing costs and stock levels, improving cash collections and enhancing margins. We made senior management changes and I personally am going to be spending significant time in the US ensuring the restructuring achieves the same benefits as those in the UK this year.

There remains huge scope, in particular with the value and discount retailers, to grow our market share in the US.

Asia
Our two operations in Asia are our Hong Kong sourcing business and our factory in China. The Group's performance in Asia, despite the impact on the Far East supply base of the global economic downturn, was in line with expectations.

We transferred our equipment from Latvia which has enabled us to increase the range of products we are able to competitively manufacture rather than outsource, as our factory reduces the risk of relying on external suppliers.

We have the distinct ability to provide our customers with a broad range of key product categories which are produced in one location with state of the art equipment and in an enviroment that meets high quality factory standards. We were delighted for this to be acknowledged during the year by several of the world's largest retailers auditing and fully approving our factory.

We made several senior appointments to oversee our operations in Asia and believe the measures taken will improve performance in the year ahead.

Australia
Artwrap PTY, an associate in which we have a 50% share, performed in line with the projections for its first year of the three year growth strategy we devised with our co-owners. We are pleased with the continuing integration into the Group's operations.

The business experienced several challenging issues including a large Chinese supplier and large Australian retailer going into administration which resulted in £0.2 million of significant costs in that company.

During the latter end of the year we introduced Anker and Alligator products to this market and we look forward to reporting their progress.

Our customers
Even though market conditions across the globe were tough, consumer demand for our products continued to grow as we focused on the growing discount market.

During the year we significantly increased the amount of business we conduct with the value and discount retailers across all our markets. These retailers allow us to sell significant volumes supported by streamlined and efficient product development and logistics as their performance is proving resilient against challenging trading conditions. This market sector is also allowing us to accelerate our growth of 'everyday' product categories, providing more balance to Group cash flows.

We progressed our working relationships with our key customers to provide them with the best and most innovative products for their markets which was recognised by an award of 'Best Greetings supplier to Tesco Papershop'. This focus led to a consolidation in the number of customers supplied. This is better quality and higher margin business that will continue to be delivered through next year.

With Woolworths and several other retailers going into administration, this resulted in £3.1 million of bad debts and branded stock write offs, which is shown under significant items in the accounts. As a result, our other customers picked up market share, particularly in the greetings and stationery categories.

Our brands and licences
We have a fantastic collection of licences that still has scope to be further utilised across the Group. Traditionally this has been a focus of our UK and European operations, but we have been broadening this activity to our US, Australian and New Zealand markets.

Completed restructure of our UK Greetings Division

Awards received for service and innovation

Close co-operation with the worlds leading licensors

Manufacturing standards that meet the demands of the largest global retailers

Key licences for the Group in 2008-9 included High School Musical. We enjoy an excellent relationship with Disney and we were delighted to receive a Disney 'Consumer Products - Quality Product Award' post period end.
The growing use of licences across the Group contributed to the increase in sales of 'everyday' products, including cards, gifts and bags for birthdays and occasions, making the Group less dependent on Christmas sales.

Our capital investment includes the further development of our design systems and programmes, offering an 'easy to use' digital archive to all Group companies, and providing opportunities for creating revenue for the future.

Our team

During the year we made changes at a Board and operational management level across the business. Of particular note is the appointment of Sheryl Tye as Finance Director. Sheryl was instrumental in renegotiating our banking facilities and has taken swift action to strengthen systems and structures across our finance function.

We are delighted to welcome Charles Uwakaneme to the Board, following his outstanding contribution to the restructuring of UK Greetings. Charles will be applying his considerable experience of international business to ensure we deliver synergy benefits and global strategies.

We now have an Executive Board member responsible for each geographical territory, which we believe will help us in trying to encourage knowledge sharing across our operations.

We have a strong team in place with the experience and platforms across all levels of our business to grow our operations. The team is incentivised by a new share incentive scheme that will reward its hard work and success in achieving this.

The business this year has undergone a significant amount of restructuring, which has been fundamental for the future of the business. I would like to thank my colleagues for their commitment and determination to return our Group to significant profitability.

'IG Greener Greetings'

The Board feel strongly about developing our corporate responsibility position to ensure consistent standards are adopted across the Group that protect the welfare of our colleagues and ensure we are operating responsibly. However, anything that is implemented has to be compatible with our strategy, culture and policies and make commercial sense.

Amongst our new initiatives are a focus on using raw materials from sustainable and environmentally responsible sources, and increasing efficiency in the consumption of energy.

The Board and senior management team gained IOSH qualifications from a health and safety awareness course in the year. We also appointed health and safety officers in each of our operations.

There will be further development of our corporate responsibility practices and we are encouraging our colleagues to provide suggestions as to how we can help improve our social, environmental, ethical and safety standards across the Group.

Outlook

After several years of acquisitive growth, we focused on restructuring our existing operations. There are substantial opportunities to exploit synergistic benefits going forward to drive profitability – our corporate mantra is direct and to the point – 'Synergise to Maximise'.

There has been a cultural shift across our businesses. We now have a mindset that is proactive, encourages our colleagues to work with our customers to develop our product offering and also work with other colleagues across the Group to grow our business. We are adopting industry leading practices and improving our IT systems and procedures to enable us to do this and believe that progressively the business is becoming more cohesive.

I would like to thank our banks for their support during and following our restructuring, which has enabled us to strengthen our financial standing.

I expect market conditions to remain challenging, however we are in the process of putting the business into the best possible shape to respond to market needs. We are encouraged by our performance during the inital trading months of the new financial year and the order book. We believe we can return to profit in 2009-10 as we continue to focus on integrating and consolidating our businesses to maximise our financial performance.

We now have a stronger, more stable, balanced business which is well positioned to meet the challenges of the current economic climate and further benefit from the market recovery when it happens.

Paul Fineman
Chief Executive

Financial Review
Regaining financial strength

Group performance

Revenues from continuing operations for the year to 31 March 2009 were up 13.1% to £216.9 million (2008: £191.7 million, restated from £194.2 million due to reclassification of a discontinued business). The strengthening of the US$ and Euro against Sterling accounted for £13.1 million (6.8%).

The rest of the increase in our revenues was driven mainly in the US, with the full year impact of the Glitterwrap acquisition, and organic growth into mass market customers.

Operating profit before significant items and discontinued operations increased to £4.0 million (2008 restated: £4.8 million loss).

After significant items, our operating loss was £17.1 million (2008 restated: £8.1 million loss).

Significant items excluding discontinued operations, amounted to £22.4 million (2008 restated: £3.3 million), including £11.0 million of Goodwill and asset impairments, mainly in the USA. The other items (£11.4 million) relate to:

- Debtors put into administration, mainly Woolworths, and several other high street names - £3.1 million
- Restructuring of operations, mainly redundancy costs in the UK Greetings Division - £3.1 million
- Financial restructuring, being additional bank facility fees, and legal and professional costs in respect of bank facility restructuring - £2.6 million
- Management restructuring - £1.6 million
- Losses from the disruption of supply of goods during peak supply period from three Asian subcontractors - £1.0 million

The Impairments of £11.0 million relate to:

- A large and high quality printing machine that was transferred at the start of the year from Latvia to China, but there is not the requirement in China to use the machine as it was intended - £1.7 million
- Goodwill acquired with the Glitterwrap acquisition - £5.7 million
- US printing and conversion machinery (and related engraving) due to the implementation of a reworked manufacturing strategy as the business focuses on more bought-in product - £3.0 million
- UK plant and machinery that is no longer in use and has no resale value - £0.6 million

One-off items are substantial due to the major restructuring that has occurred during the last year, which was essential to developing the Group's platform for future growth. We are not expecting major restructuring costs in the coming year.

Discontinued operations relate to the closure in the second half of this year of the Party goods business in the US, which was acquired as part of the Glitterwrap acquisition. We have absorbed the rest of the Glitterwrap business into our US operations. The closure costs include some staff redundancy, and provisions for the write down of the stock.

Finance expenses in the year increased to £5.8 million (2008 restated: £3.8 million). This included £1.4 million of significant items (2008: £nil) relating to the re-structuring of our finances, and net exchange rate losses of £0.4 million (2008: £0.1 million). The fall in base rate interest has mitigated the increased margins now being charged by the bank.

The loss before significant items, discontinued items, and tax was £0.3 million (2008 restated: £8.1 million loss). The loss before tax from continuing operations was £22.8 million (2008 restated: £11.4 million loss).

We spent considerable efforts strengthening the finance teams in most of our major businesses, and have begun reviewing our financial procedures to standardise these across the Group. This has lead to prior year adjustments and reclassifications which give rise to a total reduction of £5.1 million in operating profit before significant items from that previously stated and in brought forward reserves of £1.7 million. These are further explained in note 5 to the Financial Statements.

Debt reduced by 13%

Renegotiated bank facilities

Strengthened finance team

Financial Review continued

Excluding significant items, the gross profit margin decreased slightly from 17.1% to 16.9%. At constant exchange rates, it would have been 17.0 %. We are currently reviewing our USA business to refocus on higher margin products. Overheads have reduced year on year by £4.4 million (11.4% and 17 1% before currency impact) as the impact of some of the restructuring flows through.

Earnings per share and Dividends

The basic loss per share was 59.0p (2008 restated: 27.6p (loss). In the light of the current trading conditions, the Board do not propose a final dividend for the year. Our core focus is on returning the business to profitability and reducing bank debt and our dividend policy will be reviewed when this is achieved.

Balance sheet and cashflow

Net debt at 31 March 2009 was £68.5 million (2008: £64.8 million). Our year end debt includes amounts denominated in currency of $52.0 million (2008: $51.3 million). The year-end exchange rate was $1.44 (2008: $1.97). Using the 2008 exchange rates, our net debt at 31 March 2009 would have been £55.9 million, a reduction of 13.7% from 2008, but the effect of the lower exchange rate at 31 March 2009 increased our reported debt position by £12.6 million.

We have focused a great deal of attention on reducing our outstanding debtors, both to maximise cash but also to reduce our exposure to high risk debts. This approach paid off in the year as, whilst we incurred significant bad debts due to our customers going into administration, the effects could have been considerably worse. Despite the increase in sales, trade debtors fell from £26.0 million to £22.4 million. If this had been calculated at 2008 exchange rates the balance would be further reduced by £2.4 million.

We are also reducing our stock levels, but this takes longer as many of our sales orders are received over 12 months before delivery so we expect to see the benefits of this going forward. Reduction of stock remains a focus for the coming year. Stock fell from £57.0 million to £51.9 million. If this had been calculated at 2008 exchange rates the balance would be reduced by a further £6.2 million. Overall our cash generated from operations was £11.9 millon (2008 : £5.8 million)

Cash paid in respect of acquisitions, accounted for £1.3 million (2008: £19.4 million) and related to the deferred consideration for Glitterwrap and Artwrap which were both acquired in 2007.

We made no new acquisitions during the year. The disposal of our interest in Halloween Express in April 2008, yielded £1.8 million as expected.

We are not currently planning to make any further acquisitions in the coming financial year as we focus on improving our existing operations.

Capital expenditure of £2.2 million was a reduction of £5.3 million from the previous year, as we have deliberately revised our policy on capex payback requirement. We expect our capital expenditure this year to be at a similar level. We realised £0.9 million from asset sales in the year, and continue to make strong attempts to sell excess plant and machinery and surplus property at our UK factory.

Equity attributable to shareholders amounted to £41.3 million compared to £67.3 million (as restated) last year.

Treasury Operations

The Group successfully renegotiated its bank facilities during the year and we are delighted that it continues to receive the support of its bankers. Our facility with HSBC is to continue at until 31 July 2010. In December 2008, £36 million of the £90 million facility was extended for a minimum of two years to December 2010 and converted to an asset backed loan facility. In August 2008, we secured an additional asset backed loan facility with ING bank secured for three years on debtors and stock and for twenty years secured on property.

The Directors have confidence that the current bank facilities are sufficient to meet the Group's needs for the foreseeable future. See note 1 to the Financial Statements for further information.

See the Directors Report note 32 to the Financial Statements for further information on managing treasury risks.

Sheryl Tye
Finance Director

Board of Directors and advisers

Keith James – Non-Executive Chairman
Keith joined the Board in August 2004 as a Non-Executive Director. Keith is also a Director of Admiral Group PLC. Keith was appointed Chairman of International Greetings PLC in September 2006. He is a member of the Audit Committee and Chairman of the Remuneration Committee.

Anders Hedlund - Non-Executive Deputy Chairman
Anders founded our Group's initial gift wrap manufacturing business, Scandinavian Design in 1979 and was joint Chief Executive of International Greetings PLC until December 2007 when he was appointed Deputy Chairman.

Paul Fineman - Chief Executive Officer
Paul joined the Board in May 2005 as Chief Executive Officer of Anker International. He was appointed Group Managing Director in January 2008 and then appointed to CEO in January 2009.

Sheryl Tye – Group Finance Director, Company Secretary
Sheryl joined the Company in September 2008. She is a fellow of the Institute of Chartered Accountants and was formerly a Finance Director of Autoglass Ltd, Computacenter UK Ltd, Microlease PLC, Lex Transfleet and VT Vehicle Solutions

Martin Hornung – Executive Director
Martin joined the Group in 1991 and is currently based in Hong Kong, where he oversees the Group's Hong Kong trading business and manufacturing business based in Shenzhen, China.

Charles Uwakaneme – Executive Director
Charles was appointed Executive Director on April 1st 2009. He was previously Managing Director responsible for restructuring the UK Greetings division and has been a Non-Executive Director of Anker International PLC since 2003. He brings over 30 years of business experience including Executive and Non-Executive roles in Europe, US and the Far East.

Chris Howell – Non-Executive Director
Chris joined the Group on 1st April 2009 He is highly experienced in Executive, Non Executive and advisory roles within large companies working extensively with banks and Private Equity houses. He is a Fellow and Director of the Institute for Turnaround. He is Chairman of the Audit Committee and a member of the Renumeration Committee.

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Directors' Report

The Directors present their annual report and the audited Financial Statements for the year ended 31 March 2009.

Principal activities

The principal activity of the Group is the design, manufacture and distribution of greetings and related products; specifically gift wrapping paper, stationery, gift bags, crackers, greetings cards, 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 performance of the business during the year and an indication of its future developments can be found in the Chairman's Statement on page 6 and Chief Executive's statement on page 8. A summary of the financial impact of major events during the year and the financial position at 31 March 2009 can be found in the Financial Review on page 24.

Employees

The Group recognises the benefits of keeping employees informed as to current business performance.
The Group conforms to current employment laws on the employment of disabled persons. In order to recognise the efforts of UK employees the Group operates an All Employee Share Option scheme (AESOP) but due to the lack of profitability no shares have been allotted in either this or the previous year. Due to tax legislation it is not possible to offer this scheme to employees working outside the UK.

Health and safety

The Group are committed to maintaining high standards of health and safety in every area of the business. It is the aim of the Group to exceed the requirements of Health and Safety legislation, and has established a Group Board level health and safety coordinator to ensure continuous improvement of health and safety across the Group.

Political and charitable contributions

The Group made charitable contributions of £3,437 during the year (2008: £ Nil). The Group made no political contributions in either 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 only was 68 (2008: 72).

Dividends

No interim dividend was paid (2008: 2.0p). The Directors do not recommend a final dividend (2008: £Nil).

Directors and Directors' interests

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

K James	
P Fineman	
S A Hedlund	
M Hornung	
S Tye	(appointed 3 September 2008)
N Fisher	(resigned 31 December 2008)
M Collini	(resigned 21 August 2008)
J E Jones	(resigned 31 March 2009)

Directors appointed post year end were as follows:

C Uwakaneme	(appointed 1 April 2009)
C Howell	(appointed 1 April 2009)

Directors' Report
Continued

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	**10,562**	**–**	**10,562**	**–**
P Fineman (a)	**2,188,534**	**2,265,000**	**2,188,534**	**–**
S A Hedlund (b)	**448**	**–**	**901,238**	**–**
M Hornung (c)	**315,019**	**650,000**	**315,019**	**650,000**
S Tye	**–**	**300,000**	**–**	**–**
C Uwakaneme	**10,000**	**250,000**	**–**	**–**
C Howell	**–**	**–**	**–**	**–**
N Fisher (d)	**1,020,448**	**–**	**1,020,448**	**–**
M Collini	**179,448**	**–**	**179,448**	**300,000**
J E Jones	**19,448**	**–**	**19,448**	**–**

* or date of appointment, if later but before year end

** or date of cessation of appointment if earlier

In addition to the above holdings:

(a) P Fineman owns a non-beneficial interest in 1,025,708 (2008: 851,100) ordinary shares of 5p each.

(b) 20,310,400 (2008: 20,310,400) and 2,819,800 (2008: 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, and Artistic AG have informed the Directors that they also control a further 1,400,000 shares (2008:Nil)

(c) 184,557 (2008: 184,557) ordinary shares of 5p each are held by M Hornung's pension fund.

(d) 1,500,000 (2008: 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.

Directors' options

The options held by M Collini lapsed on retirement.

In September M Hornung, in line with all the holders in the Group's unapproved employee share option scheme, agreed to waive his entitlement to options of 650,000 shares under the scheme. No options were exercised by Directors during the year.

Also in September, the Board approved a new HMRC approved employee share options scheme to assist in the motivation of Executive Directors and senior managers. Some Directors and managers received shares that were in addition to the HMRC approved amounts (which was 214,285 options each), and these are denoted as "unapproved". The exercise of the unapproved options granted to Directors under these schemes are subject to conditions relating to the cumulative profitability of the Group over the next two years. Details of the options granted are as follows.

	Date granted	Number of options granted	Option price per share	Exercise date between
P Fineman	**17 December 2008**	**1,052,556**	**£0.14**	**December 2011-December 2018**
M Hornung	**17 December 2008**	**650,000**	**£0.14**	**December 2011-December 2018**
S Tye	**17 December 2008**	**300,000**	**£0.14**	**December 2011-December 2018**
C Uwakaneme	**17 December 2008**	**250,000**	**£0.14**	**December 2011-December 2018**

In addition to options granted by the Company, the Hedlund family confirmed on 17 December 2008 that it had agreed to grant P Fineman an option over 1,212,444 shares currently held by Artistic AG, a company under the control of the Hedlund family. The exercise price of these options is 14 pence and may be exercised between 17 December 2011 and 17 December 2018.

Directors' Report
Continued

The mid-market price of the company's shares on 31 March 2009 was 19.5 pence per share, the highest and lowest mid-market prices of the company's shares during the year were 71.5 pence and 13.75 pence respectively.

In accordance with the company's Articles of Association, M Hornung retires by rotation at this year's Annual General Meeting and, being eligible, offers himself for re-election.

Substantial shareholdings

At 20 July 2009, 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	**20,310,400**	**41.88%**
Axa Framlington Investment Management	**4,038,394**	**8.33%**
Malios AG	**2,819,800**	**5.81%**
P Fineman	**2,188,534**	**4.51%**
Benalex Holdings Limited	**1,500,000**	**3.09%**

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 have 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

During the year the audit committee consisted of K James (Chairman) and JE Jones (Non-Executive Director). On 31 March 2009 JE Jones retired and was replaced by C Howell on 1 April 2009. The Chief Executive (N Fisher, then from 1 January 2009, P Fineman) and Finance Director (M Collini, then from 3 September 2008, S Tye) attend by invitation. On 17th July 2009, K James retired as chairman of the committee, and was replaced as Chairman by C Howell. The committee meets as required during the year, at least twice 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 consisted of JE Jones and K James. It was chaired by JE Jones and met as required during the year. On 31st March 2009 JE Jones retired and was replaced by C Howell on 1st April 2009. K James took over as Chairman of the committee upon the retirement of JE Jones. The committee determines the remuneration and benefits of the Executive Directors. The Executive Directors have service contracts which can be terminated by either side on no greater than one year's notice. The remuneration of the Non-Executive Directors is determined by the Board.

Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management systems, policies and procedures are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable and not absolute assurance against material misstatement or loss. Risk management processes are reviewed regularly to reflect changes in market conditions and the Group's activities. The Board's oversight covers all controls, including financial, operational and compliance controls and general risk management.

Directors' Report
Continued

It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate the need for more extensive monitoring. The Group Audit Committee oversees how the Board monitors risk and reviews the adequacy of the risk management framework.

During the course of its review of the system of internal controls, the Board has not identified nor been advised of any specific failings which it determined to be significant. Certain potential weaknesses were identified in both operational management structure and elements of financial management, and hence we now have an executive Board member responsible for each geographical territory and we have also strengthened the financial management team.

The Group's key risks are described below with additional information about the Group's exposure to each of these risks and the ways in which these are managed given in note 32.

Risks and uncertainties

The Directors recognise that any commercial opportunity brings with it a degree of risk and, like any business, the Group must manage a range of risks in the course of its activities. An impact assessment of the scale and likelihood of the principal risks affecting the business is now reviewed annually. As part of this ongoing programme of risk assessment and management, the following actual and potential key risks have been identified as those which the Directors believe could have the most material impact on the regeneration of long-term value of the Group. These may change over time and the factors described below are not intended to form a definitive list of all risks and uncertainties.

Currency risk

The biggest risk for the Group is currency risk, which affects the Group in three ways – in funding , in purchasing, and in translation of the results of our businesses.

Funding in currency: The Group's main bank facility is denominated in sterling, but some balances are drawn in US dollars (see financial review for balances at 31 March 2009), and hence should the exchange rates move adversely this has implications on the available headroom.

Purchasing in currency: Nearly half the Group's sales are of items which are bought in, mainly from Asia, using US dollars. This means that purchase prices are subject to currency fluctuations against the local currency sales price.

Translation of subsidiary results: Nearly half the Group's business is conducted through overseas subsidiaries.The businesses are seasonal, and this can mean that fluctuations in periodic results can be exacerbated by exchange movements in that period.

The Directors mitigate these risks using a mixture of forward contracts, spot purchases, and natural hedges, see notes 3 and 32 to the Financial Statements for more details

Liquidity risk

The Group maintains borrowing lines estimated to be sufficient to cover forecast cash requirements. The Directors have negotiated a mixture of long-term and medium term debt of between 2 to 20 years, alongside short term funding to support the business. The Group monitors cash with regular forecasting and review of cash requirements against facilities available. The Group is dependent on the continuing support of its bankers for working capital facilities.

Further details regarding the liquidity risk can be found in notes 1 and 32 to the Financial Statements.

Credit risk

The Group's principal financial assets are trade and other receivables and therefore the Group's main credit risk is attributable to these receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairme the recoverability of the cash. In addition, based on previous experience, the Group makes further impairment based on the probability of a number of as yet unidentified loss events occurring in the year based on the age of specific overdue debts.

The Group has no significant concentration of credit risk, with exposure spread across a large number of customers. More detail on the credit risk of the Group can be found in note 32 to the Financial Statements.

Directors' Report
Continued

Interest rate risk
Given the reliance of the Group on debt finance, interest rate rises are a risk to the Group. Although constantly under review, as a result of the external advice given, the Directors do not believe it is currently appropriate to manage these risks through interest rate derivatives or fixed rate debt. More detail on the interest rate risk of the Group can be found in note 32 of the Financial Statements.

Customer risk
Given the current economic circumstances and after a year where a number of customers have gone into administration, customer risk has become more prominent. The Group manages this risk by adopting tight credit control procedures, regular reviews of credit limits and by avoiding concentrating on any one geographic location or placing over reliance on any one customer. The largest single customer accounts for less than 7% of overall sales. Given the relatively low value of the product within our market, with an average retail sales price of less than £2, the Directors believe that end customer demand is likely to be relatively unaffected by the current economic climate. Margin pressure however remains a threat which again is mitigated by the relative lack of concentration in our customer base.

Supplier risk
The Group uses a large number of external suppliers, with bought in goods for resale purchased mainly from Asia. During the last year difficulties at three suppliers at the peak supply period meant that the Group had to incur considerable cost to maintain delivery to customers. To mitigate these external risks the Group is now to manufacture more of its goods from its own factory in China.

Management risk
The Group has operations in a number of different geographical locations. Prior to 2008, the Group operated upon a relatively decentralised basis with local management teams having devolved responsibility for running their businesses. There was therefore the risk that key decisions were made without the proper oversight by the Board of Directors. During the year both the central and the local management teams have been strengthened. Improved reporting and communication processes have been implemented. The implementation of Group financial policies has also been reviewed and additional control mechanisms put in place.

Operational risk
The Group operates four factories, plus several trading sites. The factories operate to quality standards and are subject to regular customer, internal, health, safety and environmental audits.
We also operate third party warehousing where we have insurance against known operational risks.

Amendment of the Company's Articles of Association
Many English companies are amending their Articles of Association this year to take account of changes in English Company law brought about by the phased implementation of the Companies Act 2006. The Directors will seek authority from shareholders at the forth coming Annual General Meeting to amend the Articles of Association, including amendments to come into force from 1 October 2009 when the Memorandum of Association will no longer be required.

Directors' Report
Continued

Purchase of own shares

The Directors are authorised to make market purchases of the Company's own shares under an authority granted at the Annual General Meeting held on 29 September 2008. The Directors will seek renewal of this authority at the Annual General Meeting to be held on 19 August 2009. During the year the company bought back 119,948 shares into treasury for a temporary period only.

If passed, the resolution would give the company authority to purchase in the market up to 4,849,800 ordinary shares (representing approximately 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 2010 AGM or, if earlier, fifteen 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 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

S Tye
Director

Belgrave House
Hatfield Business Park
Frobisher Way
Hatfield
Herts, AL10 9TQ
29 July 2009

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company Financial Statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

The parent company Financial Statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the Group and parent company 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;
- For the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the parent company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company 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 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity 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' responsibilities for preparing the Annual Report and the Group Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company 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 34.

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 whether the Financial Statements have been 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, Chief Executive's Statement and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we 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 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.

Independent auditors' report to the members of International Greetings PLC

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRS's as adopted by the EU, of the state of the Group's affairs at 31 March 2009 and of its loss for the year then ended;
- the parent company Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs at 31 March 2009;
- 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 29 July 2009

Chartered Accountants
Registered Auditor
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of International Greetings PLC

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRS's as adopted by the EU, of the state of the Group's affairs at 31 March 2009 and of its loss for the year then ended;
- the parent company Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs at 31 March 2009;
- 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 29 July 2009

Chartered Accountants
Registered Auditor
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Consolidated income statement
year ended 31 March 2009

	Note	2009 Before significant items £000	2009 Significant items (note 12) £000	2009 Total £000	2008 restated Before significant items £000	2008 restated Significant items (note 12) £000	2008 restated Total £000
Continuing operations							
Revenue	4	**216,917**	**–**	**216,917**	191,709	–	191,709
Cost of sales		**(180,318)**	**(8,360)**	**(188,678)**	(158,948)	(4,309)	(163,257)
Gross profit		**36,599**	**(8,360)**	**28,239**	32,761	(4,309)	28,452
		16.9%		**13.0%**	17.1%		14.8 %
Selling expenses		**(12,189)**	**(3,206)**	**(15,395)**	(14,361)	(95)	(14,456)
Administration expenses		**(22,046)**	**(9,431)**	**(31,477)**	(24,248)	(3,324)	(27,572)
Other operating income	9	**1,267**	**–**	**1,267**	989	4,200	5,189
Profit/(loss) on sales of fixed assets		**324**	**(16)**	**308**	31	257	288
Operating profit/(loss)	6	**3,955**	**(21,013)**	**(17,058)**	(4,828)	(3,271)	(8,099)
Finance expenses	10	**(4,402)**	**(1,436)**	**(5,838)**	(3,778)	–	(3,778)
Share of profit of associates (net of tax)		**120**	**–**	**120**	509	–	509
Loss before tax	6	**(327)**	**(22,449)**	**(22,776)**	(8,097)	(3,271)	(11,368)
Income tax (charge)/credit	11	**(164)**	**(1,453)**	**(1,617)**	1,579	1,287	2,866
Loss from continuing operations		**(491)**	**(23,902)**	**(24,393)**	(6,518)	(1,984)	(8,502)
Discontinued operations							
Loss from discontinued operations (net of tax)	13	**(2,649)**	**(1,297)**	**(3,946)**	(1,432)	(2,964)	(4,396)
Loss for the year attributable to equity holders of the parent company		**(3,140)**	**(25,199)**	**(28,339)**	(7,950)	(4,948)	(12,898)
Loss per ordinary share	31						
Basic & Diluted				**(59.0p)**			(27.6p)
Continuing operations				**(50.8p)**			(18.2p)
Discontinued operations				**(8.2p)**			(9.4p)

The notes on pages 42 to 83 form part of these Financial Statements.

Consolidated statement of changes in equity
year ended 31 March 2009

	Share capital £000	Share premium £000	Merger reserve £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity attributable to equity holders of the parent company £000
Balance at 1 April 2008 restated	**2,353**	**3,006**	**15,533**	**1,340**	**(125)**	**(1,485)**	**46,679**	**67,301**
Effective changes in fair value of cash flow hedge (net of tax)	–	–	–	–	125	–	–	125
Exchange adjustment	–	–	–	–	–	1,707	–	1,707
Net income recognised directly in equity	–	–	–	–	125	1,707	–	1,832
Loss for the year	–	–	–	–	–	–	(28,339)	(28,339)
Total income and expense recognised for the year	–	–	–	–	125	1,707	(28,339)	(26,507)
Dividends paid	–	–	–	–	–	–	–	–
Equity settled share based payments	–	–	–	–	–	–	19	19
Impairment	–	–	(1,045)	–	–	–	1,045	–
Shares issued	72	–	397	–	–	–	–	469
Balance at 31 March 2009	2,425	3,006	14,885	1,340	–	222	19,404	41,282

The amount of the merger reserve that relates to the Glitterwrap investment has been transferred to retained earnings due to the impairment of the goodwill, as explained in note 15.

Consolidated statement of changes in equity
year ended 31 March 2008 restated

	Share capital £000	Share premium £000	Merger reserve £000	Capital redemption reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity attributable to equity holders of the parent company £000
Balance at 1 April 2007 previously reported	2,317	2,515	13,416	1,340	–	(2,997)	65,246	81,837
Prior year adjustment (note 5)	–	–	–	–	–	–	(886)	(886)
Balance at 1 April 2007 restated	2,317	2,515	13,416	1,340	–	(2,997)	64,360	80,951
Effective changes in fair value of cash flow hedge (net of tax)	–	–	–	–	(125)	–	–	(125)
Exchange adjustment	–	–	–	–	–	1,512	–	1,512
Net income recognised directly in equity	–	–	–	–	(125)	1,512	–	1,387
Loss for the year previously reported	–	–	–	–	–	–	(12,038)	(12,038)
Prior year adjustment (note 5)	–	–	–	–	–	–	(860)	(860)
Loss for the year restated	–	–	–	–	–	–	(12,898)	(12,898)
Total income and expense recognised for the year	–	–	–	–	(125)	1,512	(12,898)	(11,511)
Dividends paid	–	–	–	–	–	–	(4,570)	(4,570)
Equity settled share based payments	–	–	–	–	–	–	(213)	(213)
Shares issued	36	491	2,117	–	–	–	–	2,644
Balance at 31 March 2008	2,353	3,006	15,533	1,340	(125)	(1,485)	46,679	67,301

Merger reserve
The merger reserve comprises premium on shares issued in relation to business combinations.

Capital redemption reserve
The capital redemption reserve comprises amounts transferred from retained earnings in relation to the redemption of preference shares.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

Consolidated balance sheet
at 31 March 2009

	Note	2009 £000	2008 restated £000
Non-current assets			
Property, plant and equipment	14	**39,722**	42,871
Intangible assets	15	**30,380**	35,544
Investments in associates	17	**3,086**	3,106
Deferred tax assets	18	**2,885**	4,169
Total non-current assets		**76,073**	85,690
Current assets			
Inventory	19	**51,913**	57,022
Income tax receivable		**–**	1,221
Trade and other receivables	20	**28,464**	32,312
Cash and cash equivalents	21	**2,060**	2,137
Assets classified as held for sale	13	**–**	1,718
Total current assets		**82,437**	94,410
Total assets		**158,510**	180,100
Equity			
Share capital	29	**2,425**	2,353
Share premium		**3,006**	3,006
Reserves		**16,447**	15,263
Retained earnings		**19,404**	46,679
Total equity attributable to equity holders of the parent company		**41,282**	67,301
Non-current liabilities			
Loans and borrowings	22	**11,156**	1,843
Deferred income	26	**3,801**	4,752
Provisions	27	**1,067**	1,345
Other financial liabilities	25	**1,192**	2,806
Total non-current liabilities		**17,216**	10,746
Current liabilities			
Bank overdraft	21	**58,351**	64,898
Loans and borrowings	22	**1,091**	241
Deferred income	26	**952**	954
Provisions	27	**–**	510
Income tax payable		**494**	59
Trade and other payables	24	**26,356**	21,698
Other financial liabilities	25	**12,768**	13,693
Total current liabilities		**100,012**	102,053
Total liabilities		**117,228**	112,799
Total equity and liabilities		**158,510**	180,100

These Financial Statements were approved by the board of Directors on 29 July 2009 and were signed on its behalf by:

P Fineman
Director

S Tye
Director

The notes on pages 42 to 83 form part of the Financial Statements.

Consolidated cash flow statement
year ended 31 March 2009

	Note	2009 £000	2008 restated £000
Cash flows from operating activities			
Loss for the year		**(28,339)**	(12,898)
Adjustments for:			
Depreciation	14	**5,058**	5,938
Impairment of tangible fixed assets	14	**4,441**	821
Amortisation of intangible assets	15	**387**	221
Impairment of intangible assets	15	**5,763**	-
Negative goodwill recognised		**-**	(189)
Finance expenses - continuing operations	10	**5,838**	3,778
Finance expenses - discontinued operations		**150**	83
Foreign exchange losses	10	**(409)**	(70)
Share of profit of associates - continuing operations		**(120)**	(509)
Share of loss of associates - discontinued operations		**-**	899
Impairment on discontinued associate included within assets held for sale		**-**	3,969
Income tax credit - discontinued operations		**-**	(1,743)
Income tax charge/(credit) - continuing operations		**1,617**	(2,866)
Profit on sale of property, plant and equipment		**(308)**	(288)
Equity settled share - based payment		**19**	(213)
Operating loss before changes in working capital and provisions		**(5,903)**	(3,067)
Change in trade and other receivables		**7,856**	7,834
Change in inventory		**6,858**	(2,362)
Change in trade and other payables		**4,889**	3,834
Change in provisions and deferred income		**(1,779)**	(478)
Cash generated from operations		**11,921**	5,761
Tax received/(paid)		**1,862**	(1,533)
Interest and similar charges paid		**(5,429)**	(4,191)
Net cash inflow from operating activities		**8,354**	37
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**944**	5,114
Acquisition of subsidiary, including overdrafts acquired	16	**(469)**	(11,187)
Acquisition of shares in associates	17	**(781)**	(8,252)
Proceeds from the sale of intangible assets		**-**	205
Acquisition of intangible assets		**(453)**	(155)
Acquisition of property, plant and equipment		**(1,725)**	(7,295)
Receipt of government grants		**-**	1,960
Receipts from sales of investments		**1,796**	20
Dividends received from associates		**166**	-
Net cash outflow from investing activities		**(522)**	(19,590)
Cash flows from financing activities			
Change in borrowings		**(470)**	(433)
Payment of finance lease liabilities		**(52)**	(132)
New bank loans raised		**10,224**	-
Dividends paid		**-**	(4,570)
Net cash inflow/(outflow) from financing activities		**9,702**	(5,135)
Net increase/(decrease) in cash and cash equivalents		**17,534**	(24,688)
Cash and cash equivalents at 1 April		**(62,761)**	(35,567)
Effect of exchange rate fluctuations on cash held		**(11,064)**	(2,506)
Cash and cash equivalents at 31 March	21	**(56,291)**	(62,761)

Notes to the Financial Statements

1 Accounting policies

International Greetings Plc is a company incorporated in the UK.

The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account for the Group's interest in associates. The parent company Financial Statements present information about the Company as a separate entity and not about its Group.

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company Financial Statements in accordance with UK GAAP; these are presented on pages 84 to 91

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group Financial Statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in the policies below.

Going Concern basis

The Financial Statements have been prepared on the going concern basis, notwithstanding the loss for the year of £28.3 million, and net current liabilities of £17.6 million.

As in previous years, the Group relies primarily on an overdraft facility for its working capital needs. Details of the maturity of the Group's financial liabilities are set out in notes 19 and 32. Note 32 also describes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The Board has prepared a working capital forecast which shows that the borrowing requirement of the Group increases steadily over the period August 2009 to late October 2009 and peaks in late October 2009 due to the seasonality of the business, before then reducing. Over this period due to production lead times the orders for pre Christmas delivery have largely been received and therefore the principal sensitivities considered in the forecasts relate to a) the exchange rate between the US dollar and Sterling for both trade and borrowing requirements; and b) costs savings leading to margin improvement and overhead reduction being secured.

Due to the impact of the sensitivities identified above on the available headroom, the Board have obtained confirmation that the Group facility will be temporarily increased over the period August to October 2009 from £90 million to a maximum of £98 million to cover peak working capital requirements. The Group's principal bank has also stated that it would be willing to consider providing further short term funding should it be required over the peak period.

Additionally, the bank have also confirmed that, subject to the on demand nature of the facility, a) it is their present intention that the facility will be made available until 31 July 2010 when the continued availability and level of facilities will be reviewed; and b) assuming that the business continues to perform in line with expectations, that the facility will be renewed (at a level adequate to meet the Group's funding requirement). The Directors consider that this will enable the Company to continue to meet its liabilities as they fall due for payment.

The Directors have also identified a number of mitigating actions that could be taken if required should actual performance fall short of the sensitised forecasts.They are also exploring options with third parties to improve liquidity and working capital.

After making enquiries, the Directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chief Executive's Statement and Directors' Report. Further information regarding the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review and the Directors' Report.

Adopted IFRSs not yet applied

The following adopted IFRSs were endorsed and available for early application but have not been applied by the Group in these Financial Statements. Their adoption is not expected to have a material effect on the Financial Statements unless otherwise indicated:

- IFRS 8 'Operating Segments' (mandatory for years commencing on or after 1 January 2009). The impact of this standard is to change the way operating segments are presented in the Financial Statements. The standard requires disclosure of segment information based on the internal reports regularly reviewed by Management in order to assess each segment's performance and to allocate resources to them. This standard will be adopted for the year ending 31 March 2010. Currently the Group presents segment information in respect of its geographical segments which is not dissimilar to the way it reports on the business internally (see note 4).
- Amendments to IFRS 2 'Share based payment – Vesting Conditions and Cancellations' (mandatory for years commencing on or after 1 January 2009). The impact of these amendments is to change the definition of vesting conditions in IFRS 2 to clarify that vesting conditions are limited to service conditions and performance conditions. Conditions other than service or performance conditions are considered non-vesting conditions. Therefore, if all vesting conditions are met, then the entity will recognise the grant date fair value of the equity-settled share-based payment as compensation cost even if the counterparty does not become entitled to the share-based payment due to a failure to meet a non-vesting condition. This standard will be adopted for the year ending 31 March 2010.

1 Accounting policies (continued)

- Revised IAS 1 'Presentation of Financial Statements' (mandatory for years commencing on or after 1 January 2009). The impact of this revision is to prescribe the basis of presentation of general purpose Financial Statements. The amendments require companies to present both a Statement of Changes In Equity (SOCIE) and either a statement of comprehensive income or an income statement accompanied by a statement of other comprehensive income. Previously companies were required to present only one of either a Statement of Recognised Income and Expenses (SORIE) or a SOCIE. This standard will be adopted for the year ending 31 March 2010. Currently the Group presents a SOCIE only

Measurement convention
The Financial Statements are prepared on the historical cost basis except that financial instruments used for hedging are stated at their fair value.

Basis of consolidation
Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition. The consolidated Financial Statements include the Group's share of the total recognised income and expense and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Foreign currency translation
The consolidated Financial Statements are presented in pounds sterling, which is the Company's functional currency and the Group's presentational currency.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations, and of related qualifying hedges are taken directly to the translation reserve. They are released into the income statement upon disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign currency differences arising on the retranslation of a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Classification of financial instruments issued by the Group
Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these Financial Statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes to the Financial Statements
Continued

1 Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables

Trade and other receivables

Where it is likely to be materially different from the nominal value, trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Where it is likely to be materially different from the nominal value, trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Amounts recognised in equity are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contract hedging export sales is recognised in the income statement within "sales". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold (in case of inventory).

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses Lease payments are accounted for as described below.

Notes to the Financial Statements
Continued

1 Accounting policies (continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• Freehold buildings	25 years
• Leasehold land and buildings	life of lease
• Pixtures and fittings	3 - 5 years
• Motor vehicles	4 years

No depreciation is provided on freehold land.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

Intangible assets and goodwill

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 April 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

In respect of acquisitions prior to 1 April 2006, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised.

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated. If the cost of an acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. The main classes of intangible assets are computer software and publishing imprints.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful life of computer software ranges between 3 and 5 years. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are 10 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on a combination of weighted average and the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Notes to the Financial Statements
Continued

1 Accounting policies (continued)

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and announced its main provisions If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as borrowing costs.

Deferred consideration

Where considered material, the Group calculates deferred consideration by discounting it to its fair value. This fair value is used to calculate the total purchase consideration and hence the goodwill figure. As the discount unwinds it is charged as a finance expense within the income statement and added to the deferred consideration creditor

Revenue recognition

Revenue represents the amounts, net of discounts, allowances for volume and promotional rebates and other payments to customers (excluding value added tax) derived from the provision of goods and services to customers during the year. Sales of goods are recognised when a group entity has despatched products to the customer, legal title has passed and the collectability of the related receivable is reasonably assured.

Notes to the Financial Statements
Continued

1 Accounting policies (continued)

Significant items
Significant items are those items of financial performance which, because of size or incidence, require separate disclosure to enable underlying performance to be assessed.

Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier

When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

Government grants
Capital based government grants are included within other financial liabilities in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Expenses
Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and expenses
Finance expenses comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy) Finance income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Dividend distribution
Final dividends to shareholders of International Greetings Plc are recognised as a liability in the period that they are approved by shareholders.

Notes to the Financial Statements
Continued

1 Accounting policies (continued)

Employee benefits
Pensions
The Group operates a defined contribution 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.

The Netherlands subsidiary operates an industrial defined benefit fund. The employees have a defined benefit based on average wages. The pension fund is a multi employer pension fund and there is no contractual agreement for charging the net defined benefit cost of the plan to participating entities. During the year the Dutch Government confirmed that it had no plans to make employers fund any deficits, accordingly the Group treats the scheme as a defined contribution scheme for disclosure purposes. The Group recognises a cost equal to its contributions payable for the period.

Share-based payment transactions
The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation 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 actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

In addition to the forward operating profit and cash flow projections, the estimates and assumptions that have had a significant bearing on the Financial Statements in the current year or could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Critical judgements in applying the Group's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Significant Items
The Directors have chosen to separate certain items of financial performance which they believe, because of size or incidence; require separate disclosure to enable underlying performance to be assessed. These items are fully described in note 12.

Discontinued operations
The results of the US party stationary and tableware business has been classified as discontinued in these Financial Statements because the operations were terminated prior to the year-end, it represents the only operation in this sector and represented a significant proportion of the Group's operating result. More details are given in note 13

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in the Directors Report.

Impairment of goodwill and fixed assets
Determining whether goodwill and fixed assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated or to which fixed assets belong. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £29.5 million after an impairment loss of £5.7 million was recognised in the year, and fixed assets of £39.7 million after an impairment loss of £4.4 million

Details of the impairment loss calculations are provided in notes 14 and 15.

Share based payments
The Directors are required to estimate the fair values of services received in return for share options granted to employees which are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is based on a Black Scholes model (with the contractual life of the option and expectations of early exercise incorporated into the model). Details of the key assumptions made in the measurement of share based payments are provided in note 28.

Taxation
There are many transactions and calculations for which the ultimate tax determination is uncertain. Significant judgement is required in determining the Group's tax assets and liabilities. Deferred tax assets have been recognised to the extent they are recoverable based on profit projections for future years Income tax liabilities for anticipated issues have been recognised based on estimates of whether additional tax will be due. Notwithstanding the above, the Group believes that it will fully recover all tax assets and has adequate provision to cover all risks across all business operations.

3 Financial risk management

Risk Management is discussed in the Directors report, along with the Group's key risks See note 32 for additional information about the Group's exposure to each of these risks and the ways in which they are managed. Below are key financial risk management areas:

Currency risk is mitigated by a mixture of forward contracts, spot currency purchases, and natural hedges.

Liquidity risk is managed by monitoring daily cash balances, weekly cash flow forecasts, regular reforecasting of monthly working capital, and regular dialogue with the Group's bank.

Credit risk is managed by constant review of key debtors, and banking with reputable banks.

Notes to the Financial Statements
Continued

4 Segmental information

Segmental information is presented in respect of the Group's geographical segments which are the primary basis of segmental reporting.

Geographical analysis

The results below are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure. The disclosure has been extended in the current year with appropriate comparative changes in that the UK, Europe and Asia are now reported separately. There is no financial impact of this change apart from the disaggregation of the prior year segments. Details of prior year adjustments are given in note 5

Intra segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	UK £000	Europe £000	USA £000	Asia £000	Eliminations £000	Group £000
Year ended 31 March 2009						
Continuing operations						
Revenue – external	126,114	34,211	43,143	13,449	-	216,917
– intra segment	2,530	2,544	-	7,090	(12,164)	-
Total segment revenue	128,644	36,755	43,143	20,539	(12,164)	216,917
Segment result before significant items and discontinued operations	2,346	1,871	(686)	111	313	3,955
Significant items	(8,612)	(707)	(9,837)	(1,857)	-	(21,013)
Segment result from continuing operations	(6,266)	1,164	(10,523)	(1,746)	313	(17,058)
Pre-tax loss from discontinued operations	-	-	(3,946)	-	-	(3,946)
Segment result	(6,266)	1,164	(14,469)	(1,746)	313	(21,004)
Pre-tax loss from discontinued operations						3,946
Net finance expenses						(5,838)
Share of profit of associates						120
Income tax						(1,617)
Loss from continuing operations year ended 31 March 2009						(24,393)
Balances at 31 March 2009						
Continuing operations						
Segment assets	86,304	28,396	28,882	18,219	(6,377)	155,424
Investment in associate	3,086	-	-	-	-	3,086
Segment assets from continuing operations	89,390	28,396	28,882	18,219	(6,377)	158,510
Segment assets from discontinued operations	-	-	-	-	-	-
Segment assets	89,390	28,396	28,882	18,219	(6,377)	158,510
Segment liabilities	(46,217)	(27,753)	(49,261)	(1,309)	7,312	(117,228)
Capital expenditure						
-property, plant and equipment	519	515	266	425	-	1,725
-intangible	145	218	90	-	-	453
Depreciation	2,502	1,003	980	573	-	5,058
Amortisation	105	2	280	-	-	387
Impairment of fixed assets	600	51	2,121	1,669	-	4,441
Impairment of intangible assets	-	68	5,695	-	-	5,763

Notes to the Financial Statements
Continued

4 Segmental information (continued)

	UK £000	Europe £000	USA £000	Asia £000	Eliminations £000	Group £000
Year ended 31 March 2008 restated						
Revenue – external	119,693	33,460	33,050	5,506	-	191,709
– intra segment	5,395	7,197	-	8,469	(21,061)	-
Total segment revenue	125,088	40,657	33,050	13,975	(21,061)	191,709
Segment result before significant items and discontinued operations	(10,509)	2,748	(274)	2,068	1,139	(4,828)
Significant items	1,731	(4,087)	(1,039)	(11)	135	(3,271)
Segment result from continuing operations	(8,778)	(1,339)	(1,313)	2,057	1,274	(8,099)
Pre-tax loss from discontinued operations	(1,238)	-	(4,901)	-	-	(6,139)
Segment result	(10,016)	(1,339)	(6,214)	2,057	1,274	(14,238)
Pre-tax loss from discontinued operations						6,139
Net finance expenses						(3,778)
Share of profit of associates						509
Income tax						2,866
Loss from continuing operations year ended 31 March 2008						(8,502)
Balances at 31 March 2008 restated						
Segment assets	84,528	40,909	37,523	18,811	(1,671)	180,100
Segment liabilities	(30,250)	(40,575)	(38,155)	(4,055)	236	(112,799)
Capital expenditure						
-property, plant and equipment	2,954	2,815	1,205	321	-	7,295
-intangible	11	61	83	-	-	155
Depreciation	2,732	1,979	827	400	-	5,938
Amortisation	72	68	81	-	-	221
Impairment of fixed assets	420	401	-	-	-	821

Geographical analysis of turnover by destination	**2009** **£000**	2008 restated £000
UK	**97,642**	94,198
USA	**49,276**	47,353
Europe	**65,744**	46,528
Rest of the world	**4,255**	3,630
	216,917	191,709

The Group has one material business segment being the design and manufacturer of greetings and related products.

5 Prior year adjustments and reclassifications

a) During the year the Group has conducted a detailed review of the application of its accounting policies in respect of inventory valuation and provisioning. During the course of this review material errors were discovered in two of the operating companies. These companies operate standard costing systems for finished goods and at period ends the inventory valuation is adjusted to reflect the actual costs incurred in the year in order to replicate the Group policy of first-in first-out.

In IG USA it was discovered that there were material errors in the way this adjustment was made as it did not take account of when stock was manufactured. This resulted in inventory being overvalued by £860,000 in the year ended 31 March 2008. There was no impact as at 31 March 2007.

In Hoomark there was an error in the calculation of cost for a major raw material and overheads in stock. When investigated it was discovered that this error had been present for several years. This resulted in the opening inventory for both 2007 and 2008 being overvalued by £1,189,000 with an impact on opening reserves of £886,000 net of tax. There was no effect on the 2008 income statement.

b) In order to comply with IFRS the discontinued Party business has been removed from continuing operations for both years, and shown separately The 2008 discontinued business already included the discontinued UK and US retail business and the Halloween Express associate which was sold in April 2008.

c) Additionally, following a review of our accounts the Board has reconsidered the disclosure of certain items within our accounts in order to bring greater clarity and to standardise reporting across the different types of business.

i) As described in the previous year's financial reviews, the company was in receipt of insurance proceeds to cover lost ongoing business following a fire in the UK factory in 2005. The effect on the income statement of these proceeds was taken as a reduction in the cost of sales over the three years to which the insurance proceeds related. In 2008 the impact of these proceeds on the income statement was £4.2 million. Due to its size, the Board has decided it is more appropriate to disclose this receipt within the 2008 comparative as a significant item.

ii) We now show all distribution costs (warehousing and freight), and all costs of design and production of stock within cost of sales. This has resulted in a re-categorisation between overheads and cost of sales in the 2008 comparative figures.

iii) As part of the review of inventory it was discovered that the reporting of engravings used in the printing machines was not consistent across the Group, with amounts included in fixed assets, inventory or prepayments. The Group now shows all its engravings within inventory as work in progress due to its short but variable useful life. The prior year comparative has been adjusted to reflect this with £614,000 moving from fixed assets and £1,467,000 moving from prepayments.

Notes to the Financial Statements
Continued

5 Prior year adjustments and reclassifications (continued)

The effect of the prior year adjustments and reclassifications are detailed below:

	2008 previously stated				2008 restated
	Before significant items £000	Note a) Inventory £000	Note b) Party discontinued £000	Note c) i) & ii) Changes in disclosure £000	Before significant items £000
Continuing operations					
Revenue	194,168	-	(2,459)	-	191,709
Cost of sales	(148,366)	(860)	1,521	(11,243)	(158,948)
Gross profit	45,802	(860)	(938)	(11,243)	32,761
	23.6%				17.1%
Selling expenses	(16,041)	-	688	992	(14,361)
Administration expenses	(30,096)	-	200	5,648	(24,248)
Other operating income	617	-	-	372	989
Profit on sales of fixed assets	-	-	-	31	31
Operating profit/(loss)	282	(860)	(50)	(4,200)	(4,828)
Finance expenses	(3,861)	-	83	-	(3,778)
Share of profit of associates (net of tax)	509	-	-	-	509
(Loss)/profit before tax	(3,070)	(860)	33	(4,200)	(8,097)
Income tax credit/(charge)	1,591	-	(12)	-	1,579
(Loss)/profit from continuing operations	(1,479)	(860)	21	(4,200)	(6,518)
Discontinued operations					
Loss from discontinued operations (net of tax)	(1,411)	-	(21)	-	(1,432)
Loss for the year attributed to equity holders of the parent company	(2,890)	(860)	-	(4,200)	(7,950)

	Significant items £000	Note a) Inventory £000	Note b) Party discontinued £000	Note c) i) & ii) Changes in disclosure £000	Significant items restated £000
Continuing operations					
Revenue	-	-	-	-	-
Cost of sales	(4,309)	-	-	-	(4,309)
Gross Loss	(4,309)	-	-	-	(4,309)
Selling expenses	(95)	-	-	-	(95)
Administration expenses	(3,324)	-	-	-	(3,324)
Other operating income	257	-	-	3,943	4,200
Profit on sales of fixed assets	-	-	-	257	257
Operating (loss)/profit	(7,471)	-	-	4,200	(3,271)
Finance expenses	-	-	-	-	-
Share of profit of associates (net of tax)	-	-	-	-	-
(Loss)/profit before tax	(7,471)	-	-	4,200	(3,271)
Income tax credit	1,287	-	-	-	1,287
(Loss)/profit from continuing operations	(6,184)	-	-	4,200	(1,984)
Discontinued operations					
Loss from discontinued operations (net of tax)	(2,964)	-	-	-	(2,964)
(Loss)/profit for the year attributable to equity holders the of parent company	(9,148)	-	-	4,200	(4,948)

Notes to the Financial Statements
Continued

5 Prior year adjustments and reclassifications (continued)

Impact on Earnings per share

The above changes had the following effect on earnings per share:

	2008 previously stated	Note a) Inventory	Note b) Party discontinued	Note c) Changes in disclosure	2008 restated
Adjusted basic loss per share excluding significant items and discontinued operations	(3.2p)	(1.9p)	0.1p	(8.9p)	(13.9p)
Loss per share on significant items	(13.2p)	0.0p	0.0p	8.9p	(4.3p)
Loss per share on discontinued operations	(9.3p)	0.0p	(0.1p)	0.0p	(9.4p)
Basic loss per share	(25.7p)	(1.9p)	0.0p	0.0p	(27.6p)
Diluted loss per share	(25.7p)	(1.9p)	0.0p	0.0p	(27.6p)

Balance Sheet	2008 previously stated £000	Note a) Inventory £000	Note b) Party discontinued £000	Note c) iii) Engravings £000	2008 restated £000
Assets					
Property, plant and equipment	43,485	-	-	(614)	42,871
Intangible assets	35,544	-	-	-	35,544
Investments in associates	3,106	-	-	-	3,106
Deferred tax assets	4,169	-	-	-	4,169
Inventory	56,990	(2,049)	-	2,081	57,022
Income tax receivable	918	303	-	-	1,221
Trade and other receivables	33,779	-	-	(1,467)	32,312
Cash and cash equivalents	2,137	-	-	-	2,137
Assets classified as held for sale	1,718	-	-	-	1,718
Total assets	181,846	(1,746)	-	-	180,100
Equity					
Share capital	2,353	-	-	-	2,353
Share premium	3,006	-	-	-	3,006
Reserves	15,263	-	-	-	15,263
Retained earnings brought forward	60,463	(886)	-	-	59,577
Loss for the year	(12,038)	(860)	-	-	(12,898)
Retained earnings carried forward	48,425	(1,746)	-	-	46,679
Total equity attributable to equity holders of the parent company	69,047	(1,746)	-	-	67,301
Total liabilities	112,799	-	-	-	112,799
Total equity and liabilities	181,846	(1,746)	-	-	180,100

Notes to the Financial Statements
Continued

6 Expenses and auditor's remuneration

Included in profit/loss are the following charges/(credits):

	2009 £000	2008 £000
Depreciation (note 14)	**5,058**	5,938
Release of deferred grant income (note 9)	**(550)**	(586)
Amortisation of intangible assets (note 15)	**387**	221
Impairment of intangible assets (note 15)	**5,763**	-
Negative goodwill (note 16d)	**-**	(188)
Impairment of plant and equipment (note 14)	**4,398**	821
Other fixed asset impairments (note 14)	**43**	-
Operating lease costs	**3,835**	6,104
Sub lease rentals credited to the income statement (note 9)	**(114)**	-
(Decrease)/Increase in stock provisions	**(1,590)**	4,353

Auditors' remuneration:	2009 £000	2008 £000
Amount receivable by auditors and their associates in respect of:		
Audit of these Finacial Statements	**84**	80
Audit of Financial Statements of subsidiaries pursuant to legislation		
-Overseas subsidiaries	**190**	61
-UK subsidiaries	**158**	85
Other services relating to taxation	**121**	50
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or the group	**243**	150
All other services	**12**	4

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's Financial Statements, have not been disclosed as the information is required to be disclosed on a consolidated basis.

7 Staff numbers and costs

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

	Number of employees	
	2009	2008 restated
Selling and administration	**387**	522
Production and distribution	**1,674**	2,539
	2,061	3,061

The aggregate payroll cost of these persons were as follows:

	£000	£000
Wages and salaries	**38,057**	38,217
Share based payments (see note 28)	**19**	(213)
Social security costs	**3,177**	3,927
Other pension costs	**953**	891
	42,206	42,822

Notes to the Financial Statements
Continued

8 Remuneration of Directors

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

	Aggregate for all directors		Highest paid director	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Remuneration excluding bonuses	**1,207**	1,154	**183**	242
Compensation for loss of office	**451**	-	**240**	-
Annual bonus payments	-	-	-	-
Pension contributions	**67**	75	**37**	21
Total remuneration	**1,725**	1,229	**460**	263

Pension contributions to personal money purchase schemes, in respect of five Directors (2008:4)

9 Other operating income

	2009	2008 restated
	£000	£000
Lease premium	**403**	403
Grant income received	**550**	586
Insurance proceeds (note 5 c) i))	**-**	4,200
Sublease rentals credited to the income statement	**114**	-
Other	**200**	-
	1,267	5,189

10 Finance expenses

	2009	2008 restated
	£000	£000
Interest payable on bank loans and overdrafts	**3,833**	3,547
Other similar charges	**1,417**	126
Unwinding of discount on deferred consideration	**130**	28
Movement in financial derivatives at fair value through income statement	**47**	-
Finance charges in respect of finance leases	**2**	7
Net foreign exchange loss	**409**	70
	5,838	3,778

Notes to the Financial Statements
Continued

11 Taxation

Recognised in the income statement

	2009 £000	2008 restated £000
Current tax expenses		
Current year - UK corporation tax	**(30)**	(140)
Current year - foreign tax	**295**	-
Adjustments for prior years	**(458)**	(260)
	(193)	(400)
Deferred tax expense		
Original and reversal of temporary differences	**(49)**	(2,678)
Reduction in tax	**-**	134
Adjustments in respect of previous periods	**1,859**	78
	1,810	(2,466)
Total tax in income statement	**1,617**	(2,866)

Reconciliation of effective tax rate

	2009 £000	2008 restated £000
Loss before tax	**(22,776)**	(11,368)
Tax using the UK corporation tax of 28% (2008: 30%)	**(6,377)**	(3,410)
Expenses not deductible for corporation tax purposes	**369**	203
Goodwill impairment not tax deductible	**2,159**	-
Tax losses on which deferred tax has not been recognised	**5,690**	258
Adjustments to deferred tax assets on discontinuance of business	**-**	192
Non-taxable income	**(13)**	(30)
Differences between the accounting and tax cost of capital assets disposed	**(100)**	-
Tax credit on loss carry back at 30%	**(1)**	-
Adjustments to UK deferred tax assets and liabilities to reflect the reduction in corporation tax rate to 28%	**-**	134
Difference between UK and overseas tax rates	**(1,511)**	(31)
Under/(over) provided in prior years	**1,401**	(182)
Total tax in income statement	**1,617**	(2,866)

Factors that may affect future tax charges

Industrial buildings allowances are being phased out over a three year period which started in April 2008. This change is not expected to have a significant effect on the Group's future tax charges.

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.

Notes to the Financial Statements
Continued

12 Significant items

	Cost of sales £000	Selling expenses £000	Admin expenses £000	Other operating income £000	Profit or loss on disposal £000	Finance expenses £000	Total £000
2009 Continuing operations							
Impairment in respect of restructuring of operational activities:							
US goodwill	-	-	5,695	-	-	-	5,695
US fixed asset	2,121	-	-	-	-	-	2,121
US engravings	911	-	-	-	-	-	911
Latvian printing press	1,669	-	-	-	-	-	1,669
UK fixed assets	600	-	-	-	-	-	600
	5,301	-	5,695	-	-	-	10,996
Other costs							
Restructuring of operational activities	1,693	277	1,067	-	16	-	3,053
Debtors in administration	252	2,889	-	-	-	-	3,141
Financial restructuring	-	-	1,220	-	-	1,417	2,637
Restructuring of management functions	157	-	1,416	-	-	-	1,573
Asia supplier disruption	957	40	33	-	-	19	1,049
	8,360	3,206	9,431	-	16	1,436	22,449
Income tax charge							1,453
							23,902
2008 Continuing operations restated							
UK restructuring	1,507	95	1,085	-	-	-	2,687
Latvia closure	1,988	-	1,185	-	-	-	3,173
Integration of acquisitions	814	-	735	-	-	-	1,549
Aborted acquisition costs	-	-	319	-	-	-	319
Profit on disposal of property, plant and equipment	-	-	-	-	(257)	-	(257)
Insurance proceeds - compensation for loss of gross profit due to a fire in 2005 (see note 5)	-	-	-	(4,200)	-	-	(4,200)
	4,309	95	3,324	(4,200)	(257)	-	3,271
Income tax credit							(1,287)
							1,984

The Group incurred the following significant items in respect of continuing operations:

Year ended 31 March 2009

The restructuring and refocusing of the business in the UK and Latvia, which was started last year, was completed in March 2009, on time and to plan. Some restructuring also took place in our US operations with a focus on reducing costs and enhancing margins.

Impairment

- As a result of the closure of the Party business, and the current performance of the US business, the Board has fully impaired the goodwill acquired on Glitterwrap, leading to a charge to the income statement of £5.7 million. (see note 15 for details of this calculation)
- US printing and conversion machinery (£2.1 million) and related engraving for cylinders (£0.9 million) have also been impaired as the business focuses on a revised manufacturing strategy.
- A large and high quality printing machine was transferred during the year from Latvia to China, however as there is no longer the requirement in China to use the machine as it was originally intended, the asset has been impaired down to its value in use by £1.7 million.
- As a result of the restructuring of UK Greetings division plant and machinery that is no longer in use and is estimated to have no resale value, was impaired by £0.6 million.

12 Significant items (continued)

Other costs

- As a result of restructuring the manufacturing activities, mainly in the UK Greetings Division, £2.6 million of staff redundancy costs were incurred. A further £0.5 million was incurred on write downs of stock transferred from Latvia and the disposal and relocation of assets
- Due to the current economic climate the Group has experienced an unprecedented number of mainly UK based high street retailers going into administration. This cost the Group £3.1 million of which £1.8 million was in respect of the collapse of Woolworths. This includes a write down of Woolworths branded stock of £0.3 million.
- To restructure its Bank financing the Group incurred substantial additional bank facility fees and related charges of £1.4 million, with a further £1.2 million being incurred on advisors to both the Bank and the Board.
- The Group has restructured the Board and strengthened the senior financial management both centrally and at an operating company level. The Group incurred termination fees of £1.2 million, just under half of which relate to Directors with a further £0.4 million incurred in respect of recruitment costs and interim senior management.
- The disruption of supply of goods from Asian subcontractors during the peak supply period cost the Group £1.0 million. The costs relate to incremental expenditure incurred by switching to alternative suppliers and for air freight to customers. One supplier suffered a fire and two experienced severe financial difficulties. The Group is currently in the process of submitting an insurance claim in relation to the fire.

Income Tax

The income tax charge for the year of £1,453,000 (2008: £1,287,000 credit) is due to a provision of £1,708,000 against US losses bought forward due to the restructuring of US manufacturing activities. This is offset by £255,000 of net credits from the other business segments

Year ended 31 March 2008

UK restructuring costs relate primarily to the integration of the Group's UK Christmas gift wrap, cracker and cards operations into one division and rationalisation changes in order to maintain competitveness. The costs consist primarily of losses on impairment and disposal of property, plant and equipment, stock write-downs and personnel-related costs.

Lativa closure costs relate to the closure of the Group's Latvian production facility and the resulting transfer of equipment and production to other parts of the Group. The costs consist primarily of losses on impairment and disposal of property, plant and equipment, and stock write-downs, machinery relocation and personnel-related costs.

The costs of integration of acquisitions relate to the integration of Glitterwrap, Pinwheel and Weltec (see note 6) into the Group's existing operations. The costs consist primarily of range rationalisation and personnel-related costs.

Notes to the Financial Statements
Continued

13 Discontinued operations

US Party Business

As part of the acquisition of Glitterwrap in 2007 the Group obtained a party tableware and accessory operation "Party". Although part of the same legal entity, this was a separate business. At the beginning of October 2008 management took the decision to discontinue Party as it was not seen to be a core activity of the Group, was underperforming and was unlikely to perform in the future. The significant item relates primarily to inventory write downs of £565,000, staff termination costs and property closure expenditure. During the year ended 31 March 2009 the business had cash outflows from operating activities of £2,149,000 (2008: £2,090,000) and cash outflows from financing activities of £52,000 (2008: £254,000).

	2009	2008	2008	2008	2008
	US Party business	UK seasonal retail	Associate investment in Halloween Express	US Party business	Total
	£000	£000	£000	£000	£000
Revenue	**2,206**	580	-	2,459	3,039
Expenses	**(4,855)**	(1,311)	-	(2,492)	(3,803)
Loss before significant items	**(2,649)**	(731)	-	(33)	(764)
Share of associate	-	-	(899)	-	(899)
Income tax credit	-	219	-	12	231
Loss after tax before significant items	**(2,649)**	(512)	(899)	(21)	(1,432)
Significant items (net of tax)	**(1,297)**	(355)	(2,609)	-	(2,964)
Loss for the year	**(3,946)**	(867)	(3,508)	(21)	(4,396)

Year ended 31 March 2008

UK seasonal retail and internet

This division had been established during the course of 2007, but was discontinued when it did not meet expectations.

During the year ended 31 March 2008, this division had cash outflows from operating activities of £715,000 and cash outflows from financing activities of £15,000.

Halloween Express

On 27 July 2007, the Group acquired 50% of the issued share capital of Halloween Express Inc, a franchise retailer of Halloween products based in the USA. Initial consideration of £1,373,000 was paid through a combination of cash and the issue of 119,948 new ordinary shares.

During the year ended 31 March 2008 further sums totalling £5,514,000 were paid to Halloween Express in order to fund its operations. The Group's share of the associate's losses was £899,000, net of tax.

The carrying value of the investment was written down to the recoverable amount of £1,718,000 and was sold in April 2008.

The UK seasonal retail significant items related to the closure of the operation and consisted primarily of stock write-downs and personnel related costs. The Halloween Express significant item related to the write-down of the Group's investment in the associate. The tax credits in relation to the significant items were £152,000 and £1,360,000 respectively.

Notes to the Financial Statements
Continued

14 Property, plant and equipment

	Land and buildings Freehold £000	Leasehold £000	Plant and equipment restated £000	Fixtures and fittings £000	Motor Vehicles £000	Total restated £000
Cost						
Balance at 1 April 2007	17,888	6,430	42,098	5,073	1,876	73,365
Acquisitions through business combinations	-	-	11	573	-	584
Additions	2,271	497	4,090	344	93	7,295
Disposals	(173)	(33)	(2,671)	(155)	(531)	(3,563)
Transfer to stock	-	-	(1,886)	-	-	(1,886)
Effect of movements in foreign exchange	959	85	1,691	147	41	2,923
Balance at 31 March 2008	20,945	6,979	43,333	5,982	1,479	78,718
Balance at 1 April 2008	**20,945**	**6,979**	**43,333**	**5,982**	**1,479**	**78,718**
Additions	**300**	**257**	**879**	**280**	**9**	**1,725**
Disposals	**(174)**	**(2,106)**	**(1,185)**	**(304)**	**(672)**	**(4,441)**
Transfers between fixed asset categories	**-**	**-**	**(219)**	**219**	**-**	**-**
Effect of movements in foreign exchange	**1,112**	**2,194**	**5,284**	**2,012**	**60**	**10,662**
Balance at 31 March 2009	**22,183**	**7,324**	**48,092**	**8,189**	**876**	**86,664**
Depreciation and impairment						
Balance at 1 April 2007	(4,872)	(971)	(21,845)	(3,141)	(986)	(31,815)
Depreciation charge for the year	(779)	(412)	(3,352)	(1,005)	(390)	(5,938)
Disposals	-	33	1,546	347	411	2,337
Impairment	-	-	(821)	-	-	(821)
Transfers to stock	-	-	1,272	-	-	1,272
Effect of movements in foreign exchange	(41)	(22)	(748)	(48)	(23)	(882)
Balance at 31 March 2008	(5,692)	(1,372)	(23,948)	(3,847)	(988)	(35,847)
Balance at 1 April 2008	**(5,692)**	**(1,372)**	**(23,948)**	**(3,847)**	**(988)**	**(35,847)**
Depreciation charge for the year	**(856)**	**(295)**	**(2,864)**	**(839)**	**(204)**	**(5,058)**
Disposals	**118**	**1,737**	**1,183**	**261**	**506**	**3,805**
Impairment	**-**	**(30)**	**(4,398)**	**(11)**	**(2)**	**(4,441)**
Transfers between fixed asset categories	**-**	**-**	**38**	**(38)**	**-**	**-**
Effect of movements in foreign exchange	**(106)**	**(410)**	**(3,231)**	**(1,601)**	**(53)**	**(5,401)**
Balance at 31 March 2009	**(6,536)**	**(370)**	**(33,220)**	**(6,075)**	**(741)**	**(46,942)**
Net book value						
At 31 March 2008	15,253	5,607	19,385	2,135	491	42,871
At 31 March 2009	**15,647**	**6,954**	**14,872**	**2,114**	**135**	**39,722**

Depreciation is charged to either cost of sales, selling costs or administration costs within the income statement depending on the department to which the assets relate.

Leased plant and machinery

The net book value of property, plant and equipment included an amount of £25,000 (2008: £348,000) in respect of assets held under finance leases.

Impairment

The 2008 impairment relates to the write down of plant and equipment following the closure of the Group's production facility in Latvia. The impairment in 2009 relates to a) £1.7 million in respect of further write down of printing equipment following the closure of the Group's production facility in Latvia and the transfer of equipment to China where there is no longer the requirement to use the machine as intended and b) £0.6 million in respect of plant and equipment that is no longer in use in the UK, and has no resale value.

Additionally due to a change in production strategy all the US assets were the subject of an impairment review. This led to an impairment of printing and conversion equipment of £2.1 million. Details of the value in use calculation is given in note 15. The losses have been included within cost of goods sold in the income statement within significant items.

Security

At 31 March 2009 freehold properties with a carrying amount of £15,647,000 (2008: £8,729,000) are subject to a fixed charge.

Notes to the Financial Statements
Continued

15 Intangible assets

	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
Balance at 1 April 2007	30,642	1,047	-	31,689
Acquisitions through business combinations (note 16)	5,840	-	737	6,577
Adjustment in respect of previous acquisitions	788	-	-	788
Additions	-	155	-	155
Disposals	-	-	(205)	(205)
Effect of movements in foreign exchange	(35)	-	-	(35)
Balance at 31 March 2008	37,235	1,202	532	38,969
Balance at 1 April 2008	**37,235**	**1,202**	**532**	**38,969**
Additions	**-**	**453**	**-**	**453**
Disposals	**-**	**-**	**(71)**	**(71)**
Effect of movements in foreign exchange	**1,657**	**184**	**10**	**1,851**
Balance at 31 March 2009	**38,892**	**1,839**	**471**	**41,202**
Amortisation and impairment				
Balance at 1 April 2007	(2,489)	(715)	-	(3,204)
Amortisation for the year	-	(168)	(53)	(221)
Effect of movements in foreign exchange	-	-	-	-
Balance at 31 March 2008	(2,489)	(883)	(53)	(3,425)
Balance at 1 April 2008	**(2,489)**	**(883)**	**(53)**	**(3,425)**
Amortisation for the year	**-**	**(338)**	**(49)**	**(387)**
Impairments	**(5,695)**	**-**	**(68)**	**(5,763)**
Disposals	**-**	**-**	**71**	**71**
Effect of movements in foreign exchange	**(1,189)**	**(132)**	**3**	**(1,318)**
Balance at 31 March 2009	**(9,373)**	**(1,353)**	**(96)**	**(10,822)**
Net book value				
At 31 March 2008	34,746	319	479	35,544
At 31 March 2009	**29,519**	**486**	**375**	**30,380**

Impairment

The impairment in the year primarily relates to the goodwill acquired on the acquisition of Glitterwrap, within the USA segment, see note 12 for further details. The aggregate carrying amounts of goodwill allocated to each segment are as follows:

	2009 £000	2008 £000
UK segment		
Anker International Plc	**16,410**	16,410
Alligator Books Ltd	**6,445**	6,445
Multiple UK units without significant goodwill	**2,745**	2,745
Total UK segment	**25,600**	25,600
US segment		
Glitterwrap	**-**	5,103
Hysil Manufacturing Inc	**-**	116
Total US segment	**-**	5,219
European segment		
Hoomark Gift-Wrap Partners BV	**2,528**	2,528
Multiple European units without significant goodwill	**1,391**	1,399
Total European segment	**3,919**	3,927
Total Goodwill	**29,519**	34,746

Notes to the Financial Statements
Continued

15 Intangible assets (continued)

Impairment testing for cash generating units containing goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to the business unit, or group of business units, that are expected to benefit from the synergies of the combination (see table above), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is referred to below as a cash generating unit. This has changed from the previous year, where the cash generating units were deemed to be the subsidiary on the acquisition of which the goodwill arose. During the year the businesses have begun to work more closely with each other, exploiting the synergies that arise. The recoverable amounts of cash generating units are determined from the higher of value in use and fair value less costs to sell.

The Group prepares cash flow forecasts for each cash generating unit derived from the most recent financial budgets for the following two years. The key assumptions in these are sales, margins achievable and overhead costs which are reviewed and approved by the Board. The Group then extrapolates cash flows for the following years into perpetuity based on a conservative estimate of market growth of 2% (2008: 3%)

The cash generating units within UK, Europe and Asia, used a pretax discount rate of 13% (2008: 15%) which is derived from a prudent estimate of the Group's future average weighted cost of capital adjusted to reflect the market assessment of the risks specific to their estimated cashflows over the same period. The cash generating unit for USA used a discount rate of 16% (2008: 15%) to represent the higher risk within that business given its recent performance, and forthcoming change in manufacturing strategy.

Each of the cash generating units' values in use were determined to be higher than fair value less costs to sell, thus these were used as their recoverable amounts. In all businesses except for the USA the carrying value of the goodwill was supported by the recoverable amount.

With the closure of the Party business, and the required change in manufacturing strategy in the USA the recoverable amount was not able to support the tangible and intangible fixed assets by £7.8 million. The impairment was first allocated against the Goodwill held, being an impairment of £5.7 million, and the balance to tangible fixed assets, being £2.1 million (note 14).

The conclusions were not considered to be sensitive to a 10% change in either the discount rate or the growth rate.

16 Acquisition of subsidiaries

a) On 19 November 2003, the Group acquired 100% of the issued share capital of Hoomark Gift-Wrap Partners BV. The purchase agreement provided for future payments of deferred consideration, based on Hoomark's profits for the 3 years ended 31 March 2007.

   During the year ended 31 March 2008 a final payment of £926,000 for the acquisition of Hoomark Gift-Wrap Partners BV was paid in cash which was £334,000 higher than the estimated consideration at 31 March 2007

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 £2,569,000 (including costs) was paid, £2,319,000 in cash and £250,000 by the issue of 62,703 new ordinary shares.

   During the year ended 31 March 2008 a payment of £3,350,000 was made, £1,850,000 in cash and £1,500,000 by the issue of 366,505 new ordinary shares. Further additional consideration of £750,000 is payable in August 2009 and has been included in the cost of investment.

Notes to the Financial Statements
Continued

16 Acquisition of subsidiaries (continued)

c) On 4 April 2007, the Group acquired 100% of the issued share capital of Weltec Holding BV ("Weltec"), a distributor of photographic frames based in Holland for £329,000, paid in cash and directly attributable costs incurred of £55,000. During the year ended 31 March 2008, Weltec was merged into the operations of Anchor International BV.

	Fair value at date of acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	38
Intangible assets	58
Inventories	618
Trade and other receivables	870
Cash	21
Bank overdraft	(1,021)
Trade and other payables	(522)
Net identifiable assets and liabilities	62
Goodwill on acquisition	32
Total amount paid (including costs)	384
Cash and overdraft acquired	1,000
Net cash outflow	1,384

Pre-acquisition carrying amounts were determined based on local management unaudited Financial Statements immediately before the acquisition, and are considered to represent fair values.

The goodwill recognised is attributable mainly to the synergies expected to be achieved from integrating the operation into the Group's existing business.

d) On 10 May 2007, the Group acquired the business and assets of Pinwheel Ltd (in administration), a publisher of children's books. Total consideration of £417,000 was paid in cash and directly attributable costs incurred of £21,000 During the year ended 31 March 2008, Pinwheel was merged into the operations of Alligator Books.

The acquisition had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Fair value at date of acquisition £000
Acquiree's net assets at the acquisition date:			
Intangibles	-	679	679
Inventories	193	-	193
Trade and other receivables	557	-	557
Trade and other payables	(803)	-	(803)
Net identifiable assets and liabilities	(53)	679	626
Goodwill on acquisition			(188)
Total amount paid (including costs) and net cash outflow			438

Pre-acquisition carrying amounts were determined based on unaudited management information provided by the administrator. The values of assets and liabilities recognised on acquisition are considered to represent fair values.

Negative goodwill on the acquisition is considered to have arisen as the price paid reflected the fact that the business had been in administration and has been included within administration costs in the income statement.

Notes to the Financial Statements
Continued

16 Acquisition of subsidiaries (continued)

e) On 17 May 2007, the Group acquired the business and assets of Przedsiebiorstwp Produckcyjno-Hanlowo-Uslugowe Artex ('Artex'), a supplier of gift wrap and greetings products based in Poland for consideration of £603,000, paid in cash and directly attributable costs incurred amounted to £18,000.

The acquisition had the following effect on the Group's assets and liabilities.

	Fair value at date of acquisition £000
Acquiree's net assets at the acquisition date:	
Property, plant and equipment	11
Inventories	274
Trade and other payables	(79)
Net identifiable assets and liabilities	206
Goodwill on acquisition	415
Total amount paid (including costs)	621
Cash and overdraft acquired	-
Net cash outflow	621

Pre-acquisition carrying amounts were determined based on local management unaudited Financial Statements immediately before the acquisition, and are considered to represent fair values.

The goodwill recognised is attributable mainly to the synergies expected to be achieved from integrating the operation into the Group's existing business.

f) On 23 January 2007, the Group acquired 100% of the issued share of Eick Pack Werner GmbH and co ("Eick Pack") a manufacturer of gift wrap counter rolls based in Germany. Initial consideration of €1 was paid for shares. The Share purchase agreement also provided for the potential payment of outstanding loans of €512,000 made by the previous shareholders to Eick Pack, €256,000 was repaid on completion with the balance of €256,000 dependant on Eick Pack's profits for the years ended 31 March 2008 to 2010. This amount was previously shown in the accounts as other loans with a balance of £203,000 being shown at 31 March 2008. Due to the profitability of Eick Pack the amount expected to become payable in 2010 and presented as part of deferred consideration in note 25 is £115,000. The reduction of the amount outstanding had been recognised in the income statement within other operating income.

Notes to the Financial Statements
Continued

16 Acquisition of subsidiaries (continued)

g) On 4 September 2007, the Group acquired 100% of the issued share capital of Glitterwrap Inc, a supplier of giftware and party products based in the USA. Initial consideration of £1,295,000 was paid, £635,000 in cash and £660,000 by the issue of 232,024 new ordinary shares. Directly attributable costs of £178,000 were incurred. During the year ended 31 March 2008, Glitterwrap was merged into the operations of International Greetings USA INC.

At 31 March 2008 the future deferred consideration payable was £2,816,000 at the exchange rate prevailing at that date. During the year ended 31 March 2009 a payment of £938,000 was made, £469,000 in cash and £469,000 by the issue of 1,438,359 new ordinary shares. The Dollar values payable remain the same, but after unwinding a proportion of the fair value discounts and due to the weakness of sterling against the US Dollar at 31 March 2009 the deferred consideration payable is now £2,725,000 (at 2008 this would have been £1,992,000), with up to £1,779,000 (at 2008 this would have been £1,300,000) payable by the issue of new ordinary shares. Of the £2,725,000 payable, £1,719,000 is payable in August 2009 and £1,006,000 is payable in August 2010

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Fair value at date of acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	1,110	(575)	535
Inventories	3,890	(1,793)	2,097
Trade and other receivables	2,517	(126)	2,391
Bank overdraft	(5,127)	-	(5,127)
Trade and other payables	(1,153)	-	(1,153)
Deferred tax asset/(liability)	(257)	700	443
Net identifiable assets and liabilities	980	(1,794)	(814)
Goodwill on acquisition			5,103
Total consideration			4,289
Total consideration consists of:			
- Total amount paid in cash (including costs)			813
- Consideration through issue of shares			660
- Deferred consideration			2,816
			4,289
Total amount paid in cash (including costs)			813
Cash and overdrafts acquired			5,127
Net cash outflow			5,940

Pre-acquisition carrying amounts were determined based on local management unaudited Financial Statements immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

The goodwill recognised was attributed mainly to the synergies expected to be achieved from integrating the operations into the Group's existing business. Due to the current economic conditions and the revised manufacturing strategy for the US it is now felt that these synergies will not be attained within the expected timescale. The goodwill arising on the acquisition has been tested for impairment and has consequently been impaired in full during the year ended 31 March 2009 (see note 15).

17 Investments in associates

The investments in associates are as follows:

	2009 £000	2008 £000
At 1 April 2008	**3,106**	-
Acquisition	**-**	2,507
Share of profit (net of tax)	**120**	509
Dividends received	**(166)**	-
Exchange differences	**26**	90
At 31 March 2009	**3,086**	3,106

On 3 October 2007, the Group acquired 50% of the ordinary shares in Artwrap Pty Limited, a designer and distributor of gift wrap and greetings products based in Australia. Initial consideration of £1,701,000 was paid in cash, with additional deferred consideration of up to £806,000 payable. In August 2008, £781,000 was paid, the difference being due to exchange gain.

Summary aggregated financial information is summarised below (100%).

	2009 £000	2008 £000
Assets	**7,294**	5,151
Liabilities	**(3,013)**	(900)
Revenues	**13,757**	7,277
Profit (net of tax)	**240**	1,018

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Assets	Liabilities	Liabilities	Net	Net
	2009 £000	2008 £000	**2009 £000**	2008 £000	**2009 £000**	2008 £000
Property, plant and equipment	**(368)**	(457)	**362**	1,280	**(6)**	823
Derivative instruments	**-**	(53)	**-**	-	**-**	(53)
Inventories	**(1,450)**	(965)	**-**	-	**(1,450)**	(965)
Capital gains deferred	**-**	-	**1,507**	971	**1,507**	971
Deferred lease premium	**(189)**	(302)	**-**	-	**(189)**	(302)
Provisions	**(116)**	(645)	**-**	-	**(116)**	(645)
Tax loss carried forward	**(2,590)**	(4,138)	**-**	-	**(2,590)**	(4,138)
Other timing differences	**(72)**	(44)	**31**	184	**(41)**	140
Net tax (assets)/liabilities	**(4,785)**	(6,604)	**1,900**	2,435	**(2,885)**	(4,169)

The deferred tax asset in respect of tax losses carried forward at 31 March 2009 of £2,590,000 (2008: £4,138,000) is comprised of US losses of £291,000 *(2008: £1,708,000)* and UK tax losses of £2,299,000 *(2008: £2,430,000)*. The deferred tax assets recognised in respect of US tax losses carried forward will become irrecoverable in March 2023. The deferred tax assets have been recognised where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Board fully expect that all the tax losses will be recoverable against future profits but given the level of tax losses brought forward recoverability has only been assessed on the basis of expected profits currently forecast. Deferred tax assets in respect of taxable losses that are expected to be recovered outside this forecast period have been provided in full. This has led to provision against deferred tax assets in respect of UK tax losses in the year of £2,679,000 and against UK losses brought forward of £455,000. Similarly provisions have been made against deferred tax assets to the value of £5,313,000 relating to current US tax losses and £1,708,000 in respect of US tax losses brought forward.

Notes to the Financial Statements
Continued

18 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year	1 April 2008 £000	Recognised in income £000	Recognised in equity £000	31 March 2009 £000
Property, plant and equipment	**823**	**(1,098)**	**269**	**(6)**
Derivative instruments	**(53)**	**-**	**53**	**-**
Inventories	**(965)**	**(201)**	**(284)**	**(1,450)**
Capital gains deferred	**971**	**536**	**-**	**1,507**
Deferred lease premium	**(302)**	**113**	**-**	**(189)**
Provisions	**(645)**	**656**	**(127)**	**(116)**
Tax loss carried forward	**(4,138)**	**2,027**	**(479)**	**(2,590)**
Other timing differences	**140**	**(223)**	**42**	**(41)**
Net tax (assets)/liabilities	**(4,169)**	**1,810**	**(526)**	**(2,885)**
Amounts included in discontinued operations		**-**		
Deferred tax credit to continuing operations		**1,810**		

Movement in deferred tax during the prior year restated

	1 April 2007 £000	Acquired with subsidiary £000	Recognised in income £000	Recognised in equity £000	31 March 2008 £000
Property, plant and equipment	788	-	35	-	823
Derivative instruments	(89)	-	89	(53)	(53)
Inventories	(164)	(443)	(358)	-	(965)
Capital gains deferred	1,041	-	(70)		971
Deferred lease premium	(444)	-	142	-	(302)
Provisions	(433)	-	(212)	-	(645)
Tax loss carried forward	(100)	-	(3,988)	(50)	(4,138)
Stock options	(114)	-	114	-	-
Other timing differences	101	-	39	-	140
Net tax (assets)/liabilities	586	(443)	(4,209)	(103)	(4,169)
Amounts included in discontinued operations restated	-	-	1,743	-	-
Deferred tax credit relating to continuing operations	-	-	(2,466)	-	-

19 Inventory

	2009 £000	2008 restated £000
Raw materials and consumables	**10,321**	16,842
Work in progress	**8,297**	10,088
Finished goods	**33,295**	30,092
	51,913	57,022

Of the £51,913,000 inventory value, £44,330,000 is held at cost and £7,583,000 is held at net realisable value. Included within inventories is £Nil (2008: £3,136,000) expected to be recovered in more than 12 months. The write down of inventories to net realisable value amounted to £3,418,000 (2008: £7,810,000). The reversal of previous write downs amounted to £1,496,000 (2008: £3,457,000). In 2009 materials and consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £156,632,000 (2008 restated: £137,764,00).

Notes to the Financial Statements
Continued

20 Trade and other receivables

	2009 £000	2008 restated £000
Trade receivables	**22,413**	25,999
Prepayments and accrued income	**3,449**	4,820
Other receivables including VAT recoverable	**2,570**	1,493
Forward foreign currency contracts carried at fair value through the income statement	**32**	-
	28,464	32,312

Included within trade receivables is £198,000 (2008: £ Nil) expected to be recovered in more than 12 months.
The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 32.

21 Cash and cash equivalents/bank overdrafts

	2009 £000	2008 £000
Cash and cash equivalents per balance sheet	**2,060**	2,137
Bank overdrafts	**(58,351)**	(64,898)
Cash and cash equivalents per cash flow statement	**(56,291)**	(62,761)

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 32.
The bank overdrafts are secured by a fixed charge on certain of the Group's land and buildings, a fixed charge on certain of the Group's book debts and a floating charge on certain of the Group's other assets.

22 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 32.

	2009 £000	2008 £000
Non - current liabilities		
Secured bank loans	**11,143**	1,612
Other loans	**-**	203
Finance lease liabilities	**13**	28
	11,156	1,843
Current liabilities		
Current portion of secured bank loans	**1,080**	193
Current portion of finance lease liabilities	**11**	48
	1,091	241

Notes to the Financial Statements
Continued

22 Loans and borrowings (continued)

Terms and debt repayment schedule

Repayment analysis of bank loans and finance leases	2009 £000	2008 £000
Due within one year		
Secured bank loans (see below)	**1,080**	193
Other bank loans and overdrafts	**58,351**	64,898
Finance leases	**11**	48
Due between one and two years		
Secured bank loans (see below)	**1,094**	193
Finance leases	**12**	13
Due between two and five years		
Secured bank loans (see below)	**3,289**	579
Other loans	**-**	203
Finance leases	**1**	15
Due after more than five years		
Secured bank loans (see below)	**6,760**	840
	70,598	66,982

Secured bank loans

Loan 1
The principal of £1,088,000 (2008: £891,000) 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 International Greeting USA Inc and is subject to a variable rate of interest linked to the US Federal Funds Rate (US FFR).

Loan 2
The principle of £1,116,000 (2008: £914,000) 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 International Greeting USA Inc and is subject to a variable rate of interest linked to the US FFR.

Loan 3
The principle of £8,155,000 (2008: £Nil) is repayable quarterly over an 20 year period ending in July 2028. The loan is secured over the freehold land and buildings and the content therein of Hoomark Gift-Wrap Partners BV and is subject to a variable rate of interest linked to EURIBOR.

Loan 4
The principal of £1,864,000 (2008: £Nil) is repayable monthly over a 5 year period ending November 2013. The loan is secured over the plant and machinery of International Greetings UK Ltd and is subject to a variable rate interest linked to the UK base rate.

Notes to the Financial Statements
Continued

23 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2009 £000	**Interest 2009 £000**	**Principal 2009 £000**	Minimum lease payments 2008 £000	Interest 2008 £000	Principal 2008 £000
Less than one year	**14**	**(3)**	**11**	50	(2)	48
Between one and five years	**17**	**(4)**	**13**	29	(1)	28
More than five years	**-**	**-**	**-**	-	-	-
	31	**(7)**	**24**	79	(3)	76

24 Trade and other payables

	2009 £000	2008 £000
Trade payables	**24,838**	20,580
Other payables including income taxes and social security	**1,518**	1,118
	26,356	21,698

25 Other financial liabilities

	2009 £000	2008 £000
Included within non-current liabilities		
Deferred acquisition payments	**1,121**	2,806
Other creditors and accruals	**71**	-
	1,192	2,806

	2009 £000	2008 £000
Included within current liabilities		
Deferred acquisition payments	**2,469**	1,745
Other creditors and accruals	**10,220**	11,770
Forward foreign currency contracts carried at fair value through the income statement	**79**	-
Forward foreign currency carried at fair value through the hedging reserve	**-**	178
	12,768	13,693

Notes to the Financial Statements
Continued

26 Deferred income

	2009 £000	2008 £000
Included within non-current liabilities		
Deferred grant income	**3,530**	4,078
Lease premium	**271**	674
	3,801	4,752

	2009 £000	2008 £000
Included within current liabilities		
Deferred grant income	**549**	550
Lease premium	**403**	404
	952	954

27 Provisions

The property provision represents the estimated reinstatement cost of one of the Group's leasehold properties under a fully repairing lease.

	Other £000	Property £000	Total £000
Balance at 1 April 2008	**510**	**1,345**	**1,855**
Provisions made during the year	**-**	**-**	**-**
Provisions released during the year	**(510)**	**(278)**	**(788)**
Balance at 31 March 2009	**-**	**1,067**	**1,067**

	2009 £000	2008 £000
Non-current	**1,067**	1,345
Current	**-**	510
	1,067	1,855

Notes to the Financial Statements
Continued

28 Share based payments

Options

Options to subscribe for ordinary shares have been granted, pursuant to the Company's approved and unapproved Employee Share Option Schemes, which are exercisable at dates ranging up to December 2018. At 31 March 2009, outstanding options were as follows:

Number of ordinary shares		Exercise price (p)	Exercise dates
Approved:	4,374,995	14	December 2011-December 2018
Unapproved:	1,502,561	14	December 2011-December 2018
	5,877,556		

All share based payments are equity settled.

There were no performance or profitability conditions attached to the approved options. Conditions related to profitability over the next two years are attached to the unappoved options before options can be exercised.

For the options in existence in the year to 31 March 2008 and until they were waived or forfeited in the year to 31 March 2009, various conditions relating to performance and profitability and period served were attached.

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

	2009		2008	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**290p**	**2,876,025**	297p	3,362,150
Approved options granted during the period	**14p**	**4,374,995**	-	-
Unapproved options granted in the period	**14p**	**1,502,561**	-	-
Forfeited during the period	**220p**	**(410,200)**	344p	(478,125)
Waived during the period	**290p**	**(2,463,125)**	-	-
Exercised during the period	**1p**	**(2,700)**	1p	(8,000)
Outstanding at the end of the period	**14p**	**5,877,556**	290p	2,876,025
Exercisable at the end of the period	**Not applicable**	**-**	210p	1,462,900

The weighted average share price at the date of exercise of share options exercised during the period was 29p (2008: 419p).

In accordance with the recognition and measurement principles in IFRS 2 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).

Notes to the Financial Statements
Continued

28 Share based payments (continued)

The principal assumptions used in assessing the fair value of share options granted during the year were as follows.

	2009
Fair value at measurement date	£0.05
Weighted average share price	£0.14
Exercise price	£0.14
Expected volatility	50%
Expected option life	3
Expected dividends	0%
Risk free interest rate (based on national government bonds)	3%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options). (No share options were granted during the year ended 31 March 2008)

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

	2009 £000	2008 £000
Equity settled share based payments	19	(213)

29 Share capital

	Ordinary shares	
In thousands of shares	**2009**	2008 restated
In issue at 1 April	47,057	46,331
Issued as consideration for acquiring subsidiaries and associates	1,438	718
Options exercised during the year	3	8
In issue at 31 March – fully paid	48,498	47,057

	2009 £000	2008 £000
Authorised		
Ordinary shares of £0.05 each	6,047	6,047
Allotted called up and fully paid		
Ordinary shares of £0.05 each	2,425	2,353

During the year the Company issued 1,441,059 (2008: 726,477) ordinary shares of 5p each for £469,027 (2008: £2,644,000), 1,438,359 in respect of partial consideration for the cost of acquiring subsidiaries and 2,700 due to the exercise of share options.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Notes to the Financial Statements
Continued

30 Dividends

Dividends paid

	2009 £000	2008 £000
Final for previous period - Nil (2008: 7.75p)	-	3,629
Interim for current - Nil (2008: 2.0p)	-	941
	-	4,570

The Directors do not propose a final dividend for 2009.

31 Earnings per share

	2009	2008 restated
Adjusted basic loss per share excluding significant items and discontinued operations	**(1.0p)**	(13.9p)
Loss per share on significant items	**(49.8p)**	(4.3p)
Loss per share on discontinued operations	**(8.2p)**	(9.4p)
Basic loss per share	**(59.0p)**	(27.6p)
Diluted loss per share	**(59.0p)**	(27.6p)

The basic loss per share is based on the loss of £28,339,000 (2008 restated: £12,898,000 loss) and the weighted average number of ordinary shares in issue of 48,017,616 (2008: 46,799,068) calculated as follows:

Weighted average number of shares in thousands of shares	**2009**	2008
Issued ordinary shares at 1 April	**47,057**	46,331
Shares issued in respect of acquisitions	**959**	460
Shares issued in respect of exercising of share options	**2**	8
Weighted average number of shares at 31 March	**48,018**	46,799

Adjusted basic loss per share excludes significant items charged of £22,449,000 *(2008 restated: £3,271,000)*, the tax charge attributable to those items largely as a result of writing off previous year's tax losses in the US of £1,453,000 *(2008: £1,287,000 credit)*, and the loss on discontinued operations (net of tax) of £3,946,000 *(2008 restated: £4,396,000)*.

Share options have not been included in the calculation of fully diluted earnings per share for 2008 because their inclusion would be anti-dilutive. There were no share options exercisable at 31 March 2009.

The instruments which could potentially dilute the basic earnings per share but were not included because they were anti-dilutive are as follows:

	2009	2008
Number of shares		
Share options	-	254,794

Notes to the Financial Statements
Continued

32 Financial instruments
32 a) Fair values of financial instruments

The carrying values for each class of financial assets and financial liabilities in the balance sheet, which are given below, are not considered to be materially different to their fair values.

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material Doubtful receivable provisions are established based upon the difference between the receivable value and the estimated net collectible amount.

Trade and other payables
The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents
The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings
Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Derivative financial instruments
The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds)

Notes to the Financial Statements
Continued

32 Financial instruments (continued)

	Carrying amounts 2009 £000	**Fair value 2009 £000**	Carrying amount 2008 restated £000	Fair value 2008 restated £000
Cash and cash equivalents (note 21)	**2,060**	**2,060**	2,137	2,137
Trade receivables (note 20)	**22,413**	**22,413**	25,999	25,999
Other receivables (note 20)	**2,570**	**2,570**	1,493	1,493
Forward foreign currency contracts (note 20)	**32**	**32**	-	-
Total financial assets	**27,075**	**27,075**	29,629	29,629
Bank overdrafts (note 21)	**58,351**	**58,351**	64,898	64,898
Secured bank loans (note 22)	**12,223**	**12,223**	1,805	1,805
Other Loans (note 22)	**-**	**-**	203	203
Finance lease liability (note 23)	**24**	**24**	76	76
Other financial liabilities	**13,881**	**13,881**	16,321	16,321
Trade and other payables (note 24)	**26,356**	**26,356**	21,698	21,698
Total financial liabilities measured at amortised cost	**110,835**	**110,835**	105,001	105,001
Derivative financial liabilities				
Financial liabilities at fair value through the income statement (note 25)	**79**	**79**	-	-
Financial liabilities at fair value through the hedging reserve (note 25)	**-**	**-**	178	178
	79	**79**	178	178
Total financial liabilities	**110,914**	**110,914**	105,179	105,179
Net financial liabilities	**83,839**	**83,839**	75,550	75,550

32 b) Credit risks

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is managed by dealing only with banks and financial institutions with strong credit ratings. The Group's financial credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables estimated by the Group's management, based on prior experience and their assessment of the current economic environment.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £27,075,000 (2008 restated: £29,629,000) being the total of the carrying amount of financial assets, excluding equity investments, shown in the table above.

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

	2009 £000	2008 £000
UK	**10,554**	11,443
USA	**5,336**	6,936
Europe	**1,040**	7,060
Asia	**5,483**	560
	22,413	25,999

Notes to the Financial Statements
Continued

32 Financial instruments (continued)

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2009 £000	Impairment 2009 £000	Gross 2008 £000	Impairment 2008 £000
Not past due	15,257	-	14,828	(11)
Past due 0-90 days	6,940	(835)	9,240	(464)
More than 90 days	2,667	(1,616)	4,531	(2,125)
	24,864	(2,451)	28,599	(2,600)

There were no unimpaired balances outstanding at 31 March 2009 where the Group had renegotiated the terms of the trade receivable (2008 £122,000)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009 £000	2008 £000
Balance at 1 April	2,600	1,265
Acquisition of subsidiary	-	25
Impairment loss recognised	841	1,632
Impairment loss reversed	(1,256)	(416)
Effects of movement in foreign exchange	266	94
Balance at 31 March	2,451	2,600

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly

32 c) Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's policy with regard to liquidity has historically been to ensure adequate access to funds by maintaining appropriate levels of short-term overdraft facilities, which are reviewed on a regular basis. The maturity profile of debt outstanding at 31 March 2009 is set out in note 22 For 2009 onwards the Group's policy was to introduce an element of longer term borrowing and correspondingly reduce its short term overdraft facilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 March 2009 Financial instrument	Nominal interest rate	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities							
Secured bank loans - Sterling	5.00%	1,864	(2,315)	(421)	(439)	(1,455)	-
Secured bank loans - US Dollar	2.10%	2,204	(2,388)	(319)	(360)	(1,019)	(690)
Secured bank loans - Euros	4.00%	8,155	(10,864)	(688)	(674)	(1,940)	(7,562)
Total secured bank loans		12,223	(15,567)	(1,428)	(1,473)	(4,414)	(8,252)
Finance leases							
-Sterling leases	9.00%	24	(31)	(14)	(14)	(3)	-
Other financial liabilities		13,881	(13,903)	(12,711)	(1,192)	-	-
Trade and other payables		26,356	(26,356)	(26,356)	-	-	-
Bank overdrafts	2.39%-6.25%	58,351	(58,351)	(58,351)	-	-	-
Derivative financial liabilities							
Financial liabilities at fair value through the income statement		79	(6,000)	(6,000)	-	-	-
		110,914	(120,208)	(104,860)	(2,679)	(4,417)	(8,252)

32 Financial instruments (continued)

31 March 2008 Financial instrument	Nominal Interest rate	Carrying amount £000	Contractual cash Flows £000	1 year or less £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities							
Secured bank loans - US Dollar	2.26%	1,805	(1,845)	(197)	(201)	(591)	(856)
Other loans		203	(244)	-	-	(244)	-
Finance leases							
- Sterling leases	7%-9%	76	(79)	(50)	(29)	-	-
Other financial liabilities		16,321	(16,500)	(13,574)	(2,066)	(860)	-
Trade and other payables		21,698	(21,698)	(21,698)	-	-	-
Bank overdrafts	2.65%-5.55%	64,898	(64,898)	(64,898)	-	-	-
Derivative financial liabilities							
Financial liabilities at fair value through the hedging reserve		411	(7,230)	(7,230)	-	-	-
		105,412	(112,494)	(107,647)	(2,296)	(1,695)	(856)

32 d) Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	2009						2008					
	Carrying amount £000	**Expected cash flow £000**	**1 year or less £000**	**1 to 2 years £000**	**2 to 5 years £000**	**5 years and over £000**	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Forward exchange contracts:												
Assets	**32**	**(12,616)**	**(12,616)**	**-**	**-**	**-**	233	(10,170)	(10,170)	-	-	-
Liabilities	**(79)**	**(6,000)**	**(6,000)**				(411)	(7,230)	(7,230)	-	-	-
	(47)	**(18,116)**	**(18,116)**	**-**	**-**	**-**	(178)	(17,400)	(17,400)	-	-	-

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

	2009						2008					
	Carrying amount £000	**Expected cash flow £000**	**1 year or less £000**	**1 to 2 years £000**	**2 to 5 years £000**	**5 years and over £000**	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Forward exchange contracts:												
Assets	**32**	**(12,616)**	**(12,616)**	**-**	**-**	**-**	233	(10,170)	(7,617)	(2,553)	-	-
Liabilities	**(79)**	**(6,000)**	**(6,000)**	**-**	**-**	**-**	(411)	(7,230)	(5,423)	(1,807)	-	-
	(47)	**(18,116)**	**(18,116)**	**-**	**-**	**-**	(178)	(17,400)	(13,040)	(4,360)	-	-

The cash flow hedging instruments held at 31 March 2009 did not meet the criteria for hedge accounting under IFRS 39 therefore the fair value of the instruments has been recognised in the Income statement in the year.

Notes to the Financial Statements
Continued

32 Financial instruments (continued)

32 e) Market risks

Financial risk management
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group hedges a proportion, as deemed appropriate by management, of its UK subsidiaries' sales and purchases of inventory denominated in foreign currency by entering into foreign exchange contracts. Such foreign exchange contracts typically have maturities of less than one year.

The Group does not hedge profit translation exposure, since such hedges provide only a temporary deferral of the effects of movement in foreign exchange rates. Similarly, the Group does not hedge its long term investments in overseas assets.

Market risk - Foreign currency risk
The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 March 2009	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Other £000**	**Total £000**
Cash and cash equivalents	**17**	**963**	**505**	**575**	**2,060**
Trade receivables	**8,557**	**5,457**	**7,364**	**1,035**	**22,413**
Secured bank loans	**(1,864)**	**(8,155)**	**(2,204)**	**-**	**(12,223)**
Finance leases	**(24)**	**-**	**-**	**-**	**(24)**
Bank overdrafts	**(9,710)**	**(14,175)**	**(34,424)**	**(42)**	**(58,351)**
Other financial liabilities held at amortised cost	**(10,177)**	**(1,337)**	**(2,367)**	**-**	**(13,881)**
Trade payables	**(11,764)**	**(3,978)**	**(8,564)**	**(532)**	**(24,838)**
Forward exchange contracts designated as at fair value through income statement	**-**	**-**	**(79)**	**32**	**(47)**
Balance sheet exposure	**(24,965)**	**(21,225)**	**(39,769)**	**1,068**	**(84,891)**

31 March 2008	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Cash and cash equivalents	163	1,156	413	405	2,137
Trade receivables	12,370	5,295	7,225	1,109	25,999
Secured bank loans	-	-	(1,805)	-	(1,805)
Finance leases	(76)	-	-	-	(76)
Other loans	-	(203)	-	-	(203)
Bank overdrafts	(18,836)	(21,204)	(24,941)	83	(64,898)
Other financial liabilities held at amortised cost	(11,554)	-	(4,610)	(157)	(16,321)
Trade payables	(10,240)	(3,531)	(5,063)	(1,746)	(20,580)
Forward exchange contracts used for hedging	-	-	233	(411)	(178)
Balance sheet exposure	(28,173)	(18,487)	(28,548)	(717)	(75,925)

Notes to the Financial Statements
Continued

32 Financial instruments (continued)

The following significant exchange rates applied during the year, for conversion to sterling:

	Average rate		Reporting date spot rate	
	2009	2008	**2009**	2008
Euro 1	**0.820**	0.704	**0.917**	0.794
USD 1	**0.559**	0.498	**0.694**	0.508

Sensitivity analysis

A 10% percent weakening of the following currencies against the pound sterling at 31 March 2009 would have increased equity and profit or loss by the amounts shown below This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 March 2008.

	Equity		Profit or loss	
	2009	2008 restated	**2009**	2008 restated
	£000	£000	**£000**	£000
Euro	**2,123**	1,849	**2,123**	1,849
US dollar	**3,969**	2,855	**3,969**	2,855

A 10% percent strengthening of the above currencies against the pound sterling at 31 March 2009 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2009	2008
	£000	£000
Fixed rate instruments		
Financial liabilities	**-**	(1,805)
	-	(1,805)
Variable rate instruments		
Financial assets	**2,060**	2,137
Financial liabilities	**(70,598)**	(65,177)
	(68,538)	(63,040)

Notes to the Financial Statements
Continued

32 Financial instruments (continued)

Sensitivity analysis

A change of 50 basis points (0.5%) in interest rates at the balance sheet date would have decreased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect on financial instruments with variable interest rates, financial instrument at fair value through profit or loss. The analysis is performed on the same basis for 31 March 2008.

	2009 £000	2008 £000
Equity		
Increase	-	-
Decrease	**495**	324
Profit or loss		
Increase	-	-
Decrease	**495**	324

32 f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group is dependent on the continuing support of its bankers for working capital facilities and so the Board's major objective is to keep borrowings within these facilities.

The Board manages as capital its trading capital, which it defines as its net assets plus net debt Net debt is calculated as total debt (Bank overdrafts, loans and borrowing as shown in the balance sheet), less cash and cash equivalents. There were no externally imposed capital requirements in terms of ratios during the year however our articles currently permit borrowings (including letter of credit facilities) to a maximum of 4 times equity

The main areas of capital management revolve around the management of the components of working capital including monitoring stock turn, age of stock, age of debtors, debtor days, creditor days, balance sheet reforecasting, period projected loss, weekly cash flow forecasts, and daily cash balances. Major investment decisions are based on reviewing the expected future cash flows and all major capital expenditure requires sign off by the Group Chief Executive. There were no major changes in the Group's approach to capital management during the year.

33 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2009 £000	2008 £000
Less than one year	**3,829**	4,018
Between one and five years	**12,460**	10,774
More than five years	**16,119**	17,234
	32,408	32,026

The Group leases a number of warehouse and factory facilities as well as vehicles and office equipment under operating leases. The leases of warehouse and factory facilities typically have an option to renew at the end of the lease term and lease payments are subject to 5 yearly rent reviews.

One of the leased properties has been sublet by the Group. The sublease has a period to run of less than a year with an option for the lessee to renew at the end of the lease term. Sublease payments of £114,000 (2008: £464,000) are expected to be received during the financial year.

During the year £3,835,000 was recognised as an expense in the income statement in respect of operating leases (2008: £6,104,000).

34 Capital commitments

At 31 March 2009, the Group had no outstanding authorised capital commitments to purchase plant and equipment (2008: £355,000).

35 Related parties

Identity of related parties

During the year ended 31 March 2009 the Group made sales of goods of £266,000 (2008: £400,000) to AB Alrick Hedlund, in addition it sold fixed assets with £Nil net book value for £17,000 (2008: £Nil) to Artistic AG. AB Alrick Hedlund and Artistic AG are under the ultimate control of the Hedlund family. The Group also made sales of goods of £119,000 (2008: £487,000) to Hedlunds Pappers Industri AB. SA Hedlund is a director of Hedlunds Pappers Industri AB which is under the ultimate control of the Hedlund family. The Group made purchases of goods of £225,000 (2008: £302,000) from Festive Productions Limited, a subsidiary undertaking of Malios AG, a company under the ultimate control of the Hedlund family. The Group made no sales of goods to Festive Productions Limited in the year (2008: £42,000).

During the year ended 31 March 2008 the Group acquired 50% of the issued share capital Artwrap Pty Ltd. The Group made sales of goods of £758,000 (2008: £99,000) to Artwrap Pty Ltd.

At 31 March 2009, Hedlunds Pappers Industri AB owed the Group £115,000 (2008: £59,000.), AB Alrick Hedlund owed the Group £60,000 (2008: £3,000). There were no outstanding balances with Festive Productions Limited (2008: £355,000 owed to Festive Productions Limited by the Group).

Artwrap Pty Ltd owed the Group £70,000 (2008: £96,000).

The above trading takes place in the ordinary course of business and on normal commercial terms.

Directors of the Company and their immediate relatives have an interest in 55 percent (2008: 63 percent) of the voting shares of the Company.

Other related party transactions

The compensation of key management personnel is shown in note 8.

36 Post balance sheet events

Subsequent to the year end, there have been no events that require disclosure.

Company balance sheet
as at 31 March 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Tangible assets	39		**370**		635
Investments	40		**48,880**		50,419
			49,250		51,054
Current assets					
Debtors	41	**13,573**		1,747	
Cash at bank and in hand		**-**		15,968	
		13,573		17,715	
Creditors: amounts falling due within one year	43	**(25,730)**		(26,558)	
Net current liabilities			**(12,157)**		(8,843)
Total assets less current liabilities			**37,093**		42,211
Creditors: amounts falling due after more than one year	44		**-**		(750)
Net assets			**37,093**		41,461
Capital and reserves					
Called up share capital	45		**2,425**		2,353
Share premium account	46		**3,006**		3,006
Capital redemption reserve	46		**1,340**		1,340
Merger reserve	46		**14,885**		15,533
Profit and loss account	46		**15,437**		19,229
Equity shareholders' funds	47		**37,093**		41,461

These Financial Statements were approved by the Board of Directors on 29 July 2009 and were signed on its behalf by:

P Fineman
Director

S Tye
Director

The notes on pages 85 to 91 form part of these Financial Statements

Notes to the Financial Statements
Continued

37 Accounting policies - Company

Basis of preparation
The Financial Statements have been prepared in accordance with applicable UK Generally Accepted Accounting Standards and under the historical cost accounting rules. The following accounting policies have been applied consistently in dealing with matters which are considered material in relation to the Financial Statements.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated Financial Statements.

As 100% of the Company's voting rights are controlled within the Group headed by International Greetings Plc, the Company has taken advantage of the exemption within FRS 8 and has therefore not disclosed transactions or balances with entities that form part of the Group.

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 company 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:

Leasehold land and buildings	life of lease
Office equipment	3 to 5 years
Motor vehicles	4 years

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, except in the case of loans to finance equity investment in overseas subsidiaries where both the investment and the loan are translated at the rate of exchange ruling at the balance sheet date and the exchange differences are taken directly to reserves.

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

Notes to the Financial Statements
Continued

37 Accounting policies - Company

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.

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.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these Financial Statements for called up share capital and share premium account exclude amounts in relation to those shares.

Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted 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 an option pricing 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 actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For cash settled share based payment transactions, with the exception of those awards settled before the transition date the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment.

The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account

Notes to the Financial Statements
Continued

37 Accounting policies - Company (continued)

Share based payments (continued)
Where the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's Financial Statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary. If the amount recharged exceeds the increase in the cost of investment the excess is recognised as a dividend to the extent that it reflects post acquisition profits of the subsidiary.

Dividends on shares presented within shareholders' funds
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and deposits repayable on demand.

38 Dividends

The aggregate amount of dividends comprises:

	2009 £000	2008 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	3,629
Interim dividends paid in respect of the current year	-	941
Aggregate amount of dividends paid in the financial year	-	4,570

39 Tangible fixed assets

Company	Shortleasehold Land & buildings £000	Office equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2008	392	502	352	1,246
Additions	-	1	-	1
Disposals	-	-	(170)	(170)
Group disposals	-	(4)	(182)	(186)
At 31 March 2009	392	499	-	891
Depreciation				
At 1 April 2008	(63)	(357)	(191)	(611)
Charge for year	(20)	(84)	(24)	(128)
On disposals	-	-	98	98
On group disposals	-	3	117	120
At 31 March 2009	(83)	(438)	-	(521)
Net book value				
At 31 March 2009	309	61	-	370
At 31 March 2008	329	145	161	635

Notes to the Financial Statements
Continued

40 Fixed asset investments

Company	Shares in associates £000	Shares in subsidiary undertakings £000	Total £000
Cost			
At 1 April 2008	2,507	47,912	50,419
Impairment	-	(1,539)	(1,539)
At 31 March 2009	2,507	46,373	48,880

Due to the closure of Latvia and the restructuring of the manufacturing operations in the US the investments held in respect of these activities have been impaired.

The main trading subsidiary and associate undertakings of the company are as follows:

Company	Country of incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary			
International Greetings (UK) Limited *(formerly Scandinavian Design Limited)*	Great Britain	Manufacture of gift wrapping paper, bows and ribbons	100%
Scoop Designs Limited	Great Britain	Packaged gifts	100%
Gift Design Limited	Great Britain	Gift packaging	100%
International Greetings USA Inc *(formerly Hysil 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	100% (indirect holding)
Hoomark Gift-wrap Partners BV	Netherlands	Manufacture of gift wrapping paper	100%
Anker International PLC	Great Britain	Distribution of photo albums, frames, stationery and Christmas related products	100%
Anchor International BV	Netherlands	Distribution of photo albums, frames, stationery and Christmas related products	100% (indirect holding)
Alligator Books Ltd	Great Britain	Children's book publisher and stationery	100%
Eick Pack Werner Eick GmbH & Co	Germany	Manufacturer of gift wrap counter rolls	100% (indirect holding)
Weltec Holdings BV	Netherlands	Distributor of photographic frames	100% (indirect holding)
Associates			
Artwrap Pty Ltd	Australia	Design and distribution of gift wrap and greetings products	50%

Notes to the Financial Statements
Continued

41 Debtors

	2009 £000	2008 £000
Trade debtors	**1**	40
Amounts owed by group undertakings	**12,971**	1,099
Other debtors	**171**	81
Prepayments	**153**	394
Deferred tax asset (see note 42)	**277**	133
	13,573	1,747

Included within debtors is £Nil (2008: £1,301,000) expected to be recovered in more than 12 months, other than the deferred tax asset.

42 Deferred tax asset

	2009 £000	2008 £000
Difference between accumulated depreciation and capital allowances	**59**	108
Tax losses carried forward	**212**	-
Other timing differences	**6**	25
	277	133

Notes to the Financial Statements
Continued

43 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank and other borrowings	**21,790**	-
Trade creditors	**388**	1,133
Amounts owed to undertakings	**1,248**	22,603
Corporation tax	**-**	300
Other taxes and social security	**119**	159
Other creditors	**1,081**	1,083
Accruals and deferred consideration	**354**	474
Deferred consideration*	**750**	806
	25,730	26,558

44 Creditors: amounts falling due after one year

	2009 £000	2008 £000
Deferred consideration*	**-**	750

*Deferred consideration is payable on the Alligator acquisition (see note 16b). In 2008 deferred consideration also included a payment due of £806,000 for our share of the associated undertaking. Artwrap Pty Limited (note 17).

45 Called up share capital

	2009 £000	2008 £000
Authorised		
120,948,860 (2008: 120,948,860) ordinary shares of 5p each	**6,047**	6,047
Allotted, called up and fully paid		
48,497,744 (2008: 47,056,685) ordinary shares of 5p each	**2,425**	2,353

During the year the Company issued 1,441,059 (2008: 726,477) ordinary shares of 5p each for £469,027 (2008: £2,644,000), 1,438,359 in respect of the partial consideration for the cost of acquiring subsidiaries and 2,700 due to the exercise of share options.

Notes to the Financial Statements
Continued

46 Share premium and reserves

Company	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000
At 1 April 2008	3,006	1,340	15,533	19,229
Loss for the financial year	-	-	-	(7,018)
Dividends received from subsidiaries	-	-	-	1,996
Dividends received from associates	-	-	-	166
Share based payments	-	-	-	19
New shares issued on acquisition of subsidiaries	-	-	397	-
Impairment (see page 38)	-	-	(1,045)	1,045
At 31 March 2009	**3,006**	**1,340**	**14,885**	**15,437**

47 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Loss for the financial year	(7,018)	(771)
Dividends paid	–	(4,570)
Dividends received (note 46)	2,162	-
	(4,856)	(5,341)
New shares issued on acquisition of subsidiaries	469	2,644
Share based payments	19	(213)
Net decrease to shareholders' funds	(4,368)	(2,910)
Opening shareholders' funds	41,461	44,371
Closing shareholders' funds	37,093	41,461

48 Contingencies

The Company has given, together with certain of its 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 £48,784,000 (2008: £70,336,000) in excess of the amount dealt with in the Company's Financial Statements. No such contingent liability arises under this guarantee for the Group.

Dear Shareholder, 29 July 2009

Notice of Annual General Meeting

I am pleased to invite you to the Annual General Meeting ("AGM") of International Greetings plc (the "Company") to be held on Friday 4th September 2009 at 11.30 a.m. at Howard House, Howard Way, Newport Pagnell, Buckinghamshire, MK16 9PX, United Kingdom. The formal notice of AGM is on pages 93 to 95 of this document, which sets out the business to be considered at the Meeting.

Each resolution at the AGM will be proposed and voted on separately and there will be an opportunity during the Meeting to ask questions of your Directors on the issues involved. Explanatory Notes on the resolutions to be proposed are set out on pages 96 to 99 of this document.

Your Directors believe that the proposed resolutions are in the best interests of the Company and its shareholders as a whole and unanimously recommend that you vote in favour of each of the proposed resolutions.

You are entitled to appoint another person as your proxy to exercise all or any of your rights to attend and to speak and vote at the meeting. You may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. A proxy does not need to be a shareholder of the Company. If you wish to appoint a proxy please use the enclosed Form of Proxy.

Whether or not you propose to be at the AGM, you are asked to complete and return the enclosed Form of Proxy as soon as possible, but in any event so as to be received by the Company at its registered address no later than 11.30 a.m. on Wednesday 2 September 2009.

I look forward to meeting you at the AGM.

Yours sincerely,

Keith James

Chairman

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Howard House, Howard Way, Newport Pagnell, Buckinghamshire, MK16 9PX, United Kingdom on Friday 4 September 2009 at 11.30 a.m. The business of the Meeting will be to consider and, if thought fit, to pass the following Resolutions of which Resolutions 1 to 8 are proposed as Ordinary Resolutions and Resolutions 9 to 13 as Special Resolutions.

ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions, which will be proposed as ordinary resolutions:

1. To receive the Report of the Directors and the Accounts for the year ended 31 March 2009 and the Report of the Auditors on the Accounts.
2. To re-elect Martin Hornung as a Director.
3. To elect Sheryl Tye as a Director.
4. To elect Charles Uwakaneme as a Director.
5. To elect Chris Howell as a Director.
6. To re-appoint KPMG Audit plc as auditors of the Company.
7. To authorise the Directors to determine KPMG Audit Plc's remuneration as auditors of the Company.
8. That the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985 (the "CA 1985")) up to an aggregate nominal amount of £1,616,500 comprising:
   (a) an aggregate nominal amount of £808,250 (whether in connection with the same offer or issue as under (b) below or otherwise), and
   (b) an aggregate nominal amount of £808,250 in the form of equity securities (within the meaning of section 94(2) of the CA 1985) in connection with an offer or issue by way of rights, open for acceptance for a period fixed by the Directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever

   This authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) 15 months after the date of the passing of this resolution, or if earlier, at the conclusion of the Annual General Meeting of the Company in 2010, except that 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 by this resolution had not expired.

   Provided that all previous authorities under section 80 of the CA 1985 shall be revoked.

SPECIAL RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions, which will be proposed as special resolutions:

9. That the Directors be empowered pursuant to section 95 of the CA 1985 to allot equity securities (as defined by section 94(2) of that act) for cash pursuant to the general authority conferred on them by Resolution 8 above as if section 89(1) of the CA 1985 did not apply to any such allotment or sale, provided that this power shall be limited to:
   (a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the Directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter; and
   (b) any such allotment and/or sale, other than persuant to sub-paragraph (a) above of equity securities having, in the case of relevent shares (as defined in section 94(5) of CA 1985), an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares, having an aggregate nominal value not exceeding the sum of £242,490.

Notice of Annual General Meeting
Continued

This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the Directors by Resolution 8 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

Provided that all previous authorities under section 95 of the CA 1985 shall be revoked.

10. That pursuant to Article 9 of the Company's Articles of Association and section 166 of the CA 1985, the Company be and is generally and unconditionally authorised to make market purchases (as defined in section 163(3) of the CA 1985) of its ordinary shares of 5 pence each provided that in doing so it:

    (a) purchases no more than 4,849,800 ordinary shares in aggregate;

    (b) pays not less than 5 pence (excluding expenses) per ordinary share; and

    (c) pays a price per share that is not more (excluding expenses) per ordinary share than the higher of (i) 5 % above the average of the middle market quotations for the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately before the day on which it purchases that share and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation.

    This authority shall expire at the conclusion of the Company's next Annual General Meeting of the Company in 2010 or within 15 months from the date of passing of this resolution (whichever is the earlier), but the Company may, if it agrees to purchase ordinary shares under this authority before it expires, complete the purchase wholly or partly after this authority expires.

11. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice

12. That the Articles of Association produced to the Meeting and initialled by the Chairman of the Meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company from the date of the Meeting (the "New Articles of Association").

13. That, subject to the passing of Resolution 12, and with effect from 1 October 2009, the New Articles of Association be amended by:

    (a) deleting all the provisions of the Company's Memorandum of Association that are deemed to be part of the New Articles of Association by virtue of section 28 of the Companies Act 2006 (the "CA 2006"); and

    (b) deleting all provisions referred to in paragraph 42 of Schedule 2 of the CA 2006 (Commencement No.8, Transitional Provisions and Savings) Order 2008 (No.2860).

On behalf of the Board

Sheryl Tye
Company Secretary
29 July 2009

Registered office: Belgrave House, Hatfield Business Park, Frobisher Way, Hatfield, Hertfordshire, AL10 9TQ. Registered in England and Wales No. 1401155

Notice of Annual General Meeting
Continued

Notes:

1 A shareholder is entitled to appoint another person as that shareholder's proxy to exercise all or any of that shareholder's rights to attend and to speak and vote at the AGM. A shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy does not need to be a shareholder of the Company.

2 A personalised form of proxy for use in connection with the AGM is enclosed with the document of which this notice forms part. If you do not have a personalised form of proxy and believe that you should, please contact the Company. Completion and return of a form of proxy will not prevent a shareholder from attending and voting at the AGM.

3 To appoint a proxy or proxies shareholders must complete: (a) a form of proxy, sign it and return it, together with the power of attorney or any other authority under which it is signed, or a notarially certified copy of such authority, to the Company; or (b) a CREST Proxy Instruction (see note 4 below), in each case so that it is received no later than 11.30 a.m. on Wednesday 2 September 2009.

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) of the Meeting by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed any voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by 11 30 a.m. on Wednesday 2 September 2009.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders included in the register of members of the Company at 6.00 p m on Wednesday 2 September 2009 (or, if the meeting is adjourned, in the register of members at 6.00 p.m on the day which is two days before the day of any adjourned meeting), will be entitled to attend and to vote at the AGM in respect of the number of shares registered in their names at that time. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.

6 Copies of the Directors' service contracts and letters of appointment are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays and public holidays) until the end of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes before and during the Annual General Meeting.

7 Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.

Explanatory notes to the Notice Of Annual General Meeting

Resolutions 1 to 8 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

Resolution 1 - Laying of Accounts

The Directors will present to the shareholders of the Company the reports of the Directors and auditors, and the audited accounts of the Company for the year ended 31 March 2009. The report of the Directors and the audited accounts have been approved by the Directors, and the report of the auditors has been approved by the auditors

Resolution 2 - Directors' Reappointment by Rotation

The Company's Articles of Association require that at each AGM one third of the Directors who are subject to retirement by rotation must retire, although they may offer themselves for reappointment. Martin Hornung is retiring and seeking reappointment.

Resolutions 3,4 and 5 – Directors' Reappointment

The Company's Articles of Association allow the Board to appoint directors to hold office until the next AGM, although they may offer themselves for reappointment (any directors appointed by the Board in the previous year are not taken into account when calculating the number of directors who are to retire by rotation at the AGM).

Since the last AGM the Board has appointed Charles Uwakaneme and Chris Howell as directors of the Company. The Board also appointed Sheryl Tye after the Notice for the last AGM was sent to shareholders. Sheryl Tye, Charles Uwakaneme and Chris Howell are seeking reappointment.

Resolution 6 – Auditors' Appointment

The CA 2006 requires that auditors be appointed at each AGM at which accounts are laid, to hold office until the next such meeting. This resolution seeks shareholder approval for the reappointment of KPMG Audit Plc. The Audit Committee keeps under review the independence and objectivity of the external auditors, further information on which can be found in the Annual Report and Accounts. After considering relevant information the Audit Committee recommended to the board of Directors that KPMG Audit Plc be reappointed.

Resolution 7 – Auditors' Remuneration

This resolution gives the Directors the authority to determine the remuneration of the auditors for the audit work to be carried out by them in the next financial year. The amount of the remuneration paid to the auditors for the next financial year will be disclosed in the next audited accounts of the Company.

Resolution 8 - Authority to the Directors to Allot Shares

The CA 1985 provides that the Directors may only allot shares if authorised by shareholders to do so. Resolution 8 will, if passed, authorise the Directors to allot the Company's unissued shares up to a maximum nominal amount of £1,616,500, which represents an amount which is approximately equal to two-thirds of the issued ordinary share capital of the Company at 20 July, 2009, the latest practicable date prior to the publication of the notice. At that date, the Company did not hold any treasury shares.

As provided in paragraph (a) of the resolution, up to half of this authority (equal to one-third of the issued share capital of the Company will enable Directors to allot and issue new shares in whatever manner they see fit. Paragraph (b) of the resolution provides that the remainder of the authority (equal to a further one-third) may only be used in connection with a rights issue in favour of ordinary shareholders. As paragraph (a) imposes no restrictions on the way the authority may be exercised, it could be used in conjunction with paragraph (b) so as to enable the whole two-thirds authority to be used in connection with a rights issue. This accords with guidance issued by the Association of British Insurers in December 2008.

The authority will expire 15 months after the date of the passing of this resolution, or if earlier, at the conclusion of the Annual General Meeting of the Company in 2010.

Passing Resolution 8 will ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares. The Company does not at present hold any shares in treasury

Resolutions 9, 10, 11, 12 and 13 are special resolutions. These resolutions will be passed if not less than 75% of the votes cast for or against are in favour.

Explanatory notes to the Notice Of Annual General Meeting
Continued

Resolution 9 – Disapplication of statutory pre-emption rights
The CA 1985 requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. It is proposed that the Directors be authorised to issue shares for cash and/or sell shares from treasury (if any are so held) up to an aggregate nominal amount of **£242,490 (up to 4,849,800)** new ordinary shares of five pence each) (representing approximately **10%** of the Company's issued share capital as at 20 July 2009, the latest practicable date prior to the publication of the notice) without offering them to shareholders first, and to modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue. If passed, this authority will expire at the same time as the authority to allot shares given pursuant to Resolution 8.

Resolution 10 – Purchase of own shares by the Company
If passed this resolution will grant the Company authority for a period of up to 15 months after the date of passing of the resolution to buy its own shares in the market. The resolution limits the number of shares that may be purchased to 10% of the Company's issued share capital as at 20 July 2009, the latest practicable date prior to the publication of the notice. The price per ordinary share that the Company may pay is set at a minimum amount (excluding expenses) of five pence per ordinary share and a maximum amount (excluding expenses) of the higher of: (i) 5% over the average of the previous five days' middle market prices; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out.

Resolution 11 - Notice period for general meetings
This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an annual general meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 11 seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Resolution 12 - The New Articles of Association
As a result of certain provisions of the CA 2006 proposed to come into force on 1 October 2009 and other provisions that have already come into force on 1 October 2007, 6 April 2008 and 1 October 2008 and other matters, it is proposed that by virtue of Resolution 12 the Company will adopt new Articles of Association from the date of the Meeting.

Set out below is an explanation of the key differences between the proposed Articles of Association and the current Articles of Association as well as certain changes to the proposed Articles of Association which would become effective on 1 October 2009.

Key differences between the proposed Articles of Association and the current Articles of Association
The fundamental reason for adopting the proposed Articles of Association is to 'modernise' the Company's Articles of Association and, generally speaking, the proposed Articles of Association and the current Articles of Association are consistent. Nevertheless, there are some key differences between the two documents and these differences are set out below.

1. The proposed Articles of Association do not contain out-of-date references to the CA 1985 and concepts such as 'extraordinary general meetings' and security seals. The proposed Articles of Association contain up-to-date references to the CA 2006 and modern concepts, such as sending communications by electronic means.
2. There are no provisions in the proposed Articles of Association relating to preference shares as such shares are no longer in issue and such provisions are not currently required. As such, there are also no provisions in the proposed Articles of Association relating to class meeting as the proposed Articles of Association only contemplate the Company having one class of shares.
3. As the CA 2006 now requires the Directors to register all transfers of shares as soon as practicable (unless the transfer is refused), there are no provisions in the proposed Articles of Association allowing the Directors to suspend the registration of transfers of shares.
4. The quorum requirement in the proposed Articles of Association for shareholders' meetings has been decreased from three members to two members. The proposed Articles of Association also allow an amendment to an ordinary resolution to be made provided that notice of the amendment is given at least 48 hours before the relevant meeting.

Explanatory notes to the Notice Of Annual General Meeting
Continued

5. The proposed Articles of Association reflect the CA 2006 by providing that a proxy may vote on both a show of hands and on a poll. The proposed Articles of Association also allow a proxy to speak at a meeting of the Company without first requiring the chairman's consent.
6. There are no provisions in the proposed Articles of Association relating to members' written resolutions as the CA 2006 only allows written resolutions to be passed by the members of private companies.
7. The current Articles of Association state that an executive director will lose his executive office if he ceases to be a director. The proposed Articles of Association do not contemplate this. There is no reference to associate Directors in the proposed Articles of Association. Alternate Directors are contemplated and they are entitled to sign any document as a director of the Company unless their notice of appointment provides otherwise.
8. The proposed Articles of Association include additional dividend payment methods such as direct debit and bank transfer. The proposed Articles of Association allow the Company to issue enhanced scrip dividends whereas the current Articles of Association do not.
9. While containing standard provisions relating to Directors' interests, the proposed Articles of Association also contain provisions allowing the board to authorise any matter that would otherwise result in a Director breaching his duty under the CA 2006 to avoid conflicts of interests.
10. The proposed Articles of Association reflect best practice in limiting the Director's fees payable, other than for executive remuneration. The proposed limit is £250,000 pa.

Changes from 1 October 2009

There are some provisions of the CA 2006 that are proposed to come into force on 1 October 2009 and that will affect the proposed Articles of Association. So that the effect of these provisions is included in the proposed Articles of Association, various provisions of the proposed Articles of Association will only take effect, or cease to have effect (as the case may be) from 1 October 2009 Articles 1.11 to 1.13 of the proposed Articles of Association set out which Articles will have effect and which will cease to have effect from this time.

The following is a summary of the Articles in the proposed Articles of Association that will have effect from 1 October 2009. Such provisions are not contained in the current Articles of Association.

1. In accordance with the CA 2006, from 1 October 2009, Article 7.3 allows the Directors to determine the terms, conditions and manner of redemption of shares. This may still, however, also be done by way of ordinary resolution of the Company.
2. The concept of authorised share capital, and thus unissued share capital, is being abolished on 1 October 2009. Necessary changes are therefore required to certain provisions in the proposed Articles of Association such as Article 129.1.5.
3. A company can only currently change its name by special resolution. From 1 October 2009, Article 97 extends this power to the Board.
4. From 1 October 2009, Article 120 will empower the Directors to make provision for the benefit of current and former employees in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company. A resolution by the Board is not, however, sufficient for payments or benefits to current and/or former Directors (see Article 120). This is consistent with the CA 2006.

The following is a summary of the articles in the proposed Articles of Association that will cease to have effect from 1 October 2009. These provisions are contained in the current Articles of Association.

1. From 1 October 2009, Table A in the schedule to the Companies Act (Tables A to F) Regulations 1985 will cease to exist. As such, Article 3 will cease to have effect
2. As the concept of authorised share capital will be abolished from 1 October 2009, Articles 5 and 129.1.4 will cease to have effect from this date.
3. From 1 October 2009, a company will not be required to have enabling provisions in its Articles of Association for it to be able to purchase its own shares as the process to achieve this will be set out in the CA 2006. Accordingly, Article 49 will cease to have effect from 1 October 2009

Explanatory notes to the Notice Of Annual General Meeting
Continued

Resolution 13(a) - The Memorandum of Association

The provisions regulating the operations and conduct of the Company are currently set out in the Company's Memorandum and Articles of Association. The Memorandum of Association sets out the Company's name, status, country of registration, objects, authorised share capital and the limited liability of the members Under provisions in the CA 2006, which are due to become effective on 1 October 2009, the contents of a company's Memorandum of Association will automatically be deemed to form part of the Company's Articles of Association.

Companies are no longer required to state their objects, and are in effect permitted to have unrestricted objects, provided that the objects of the company are not specifically restricted in the Articles of Association. As a result, it is preferable that the objects clause from the Memorandum of Association is not included in the Company's Articles of Association. All other clauses from the Memorandum of Association are superfluous as they are already covered in the Articles of Association or are out-of-date.

It is proposed that from 1 October 2009, the Company will, by virtue of Resolution 13(a) remove from its Articles of Association all of the clauses from the Memorandum of Association included in the Articles of Association.

Resolution 13(b) – Authorised share capital

The CA 2006 (Commencement No. 8, Transitional Provisions and Savings) Order 2008 provides that any provision in a company's Memorandum of Association relating to the amount of the company's authorised share capital immediately prior to 1 October 2009 will be treated on and after 1 October 2009 as a provision of the company's Articles of Association setting the maximum amount of shares that may be allotted by the company.

As the Company's preferred approach is to not set a limit on the amount of shares that may be allotted (noting the existing restrictions set out in the Articles of Association on the allotment of shares), it is proposed that Resolution 13(b) is passed so that the specific provisions of the CA 2006 (Commencement No. 8, Transitional Provisions and Savings) Order 2008 placing a cap on the maximum amount of shares that may be allotted by the Company will not affect the Company.

Form of Proxy
Notes

1. You are entitled to appoint another person as your proxy to exercise all or any of your rights to attend and to speak and vote at the meeting. You may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you.

2. A proxy need not to be a shareholder but must attend the meeting to represent you. If you wish to appoint someone other that the Chairman of the meeting, insert the name of the person you wish to appoint in block capitals in the space provided. If the proxy is being appointed in relation to less than your full entitlement, please enter in the box next to the proxy holder's name, the number of shares in relation to which the proxy is authorised to act. If that box is left blank, the proxy will be deemed to be authorised in respect of your full voting entitlement. Where you appoint someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.

3. In the case of joint holders the signature on this proxy form of any one holder will suffice but where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding, with the first named being the most senior.

4. Any alteration to this proxy form should be initialled

5. The completion and return of this proxy form will not prevent a shareholder from attending the meeting and voting in person.

6. To be effective, this proxy form, fully completed, together with the power of attorney or any other authority under which it is executed (or a notarially certified copy), must be lodged with the Company at its registered address not later than 11.30 a.m. on Wednesday 2 September 2009 (i.e. not later than 48 hours before the time fixed for the holding of the AGM or any adjournment thereof).

Form of Proxy

Shareholder's Name & Address:

Before completing this form, please read the explanatory notes

I/We appoint the following person (called the 'proxy') to vote on my/our behalf at the Annual General Meeting of International Greetings plc to be held on Friday 4 September 2009 and at any adjournment of the meeting I/We would like my/our proxy to vote and to abstain on the resolutions proposed at the meeting as indicated on this form. Unless otherwise instructed the proxy may vote as he or she sees fit or abstain in relation to any business of the Meeting.

(Please mark in one of the boxes to indicate your choice)

The Chairman ☐ **Please leave this box blank if you are selecting someone other than the Chairman of the meeting.**

OR

The following Person ☐

Please leave this box blank if you have selected the Chairman. Do not insert your own name(s). Otherwise write the full name of the individual or body corporate you are appointing as your proxy.

☐ **Please tick here if this appointment is one of multiple appointments being made**

For appointment of more than one proxy, please refer to Note 1

Signature ☐

(Any one joint holder may sign)

Date ☐

Note: The 'Withheld' option is provided to enable you to direct your proxy to abstain on any particular resolution. If a vote is withheld it will not be counted in the calculation of the proportion of votes for or against the relevant resolution.

The Board recommends a vote FOR resolutions 1 to 13

Vote	**For**	**Against**	**Withheld**
1. **Ordinary Resolution** to receive the Report and Accounts	☐	☐	☐
2. **Ordinary Resolution** to re-elect Martin Hornung as a Director	☐	☐	☐
3. **Ordinary Resolution** to elect Sheryl Tye as a Director	☐	☐	☐
4. **Ordinary Resolution** to elect Charles Uwakaneme as a Director	☐	☐	☐
5. **Ordinary Resolution** to elect Chris Howell as a Director	☐	☐	☐
6. **Ordinary Resolution** to appoint KPMG Audit Plc as the auditors	☐	☐	☐
7. **Ordinary Resolution** to authorise Directors to determine the auditors' remuneration	☐	☐	☐
8. **Ordinary Resolution** to allow Directors power to allot shares	☐	☐	☐
9. **Special Resolution** to allow Directors to disapply pre-emption rights	☐	☐	☐
10. **Special Resolution** to authorise the Company to make market purchases of its own shares	☐	☐	☐
11. **Special Resolution** to allow the Company to call a general meeting on not less than 14 day's notice	☐	☐	☐
12. **Special Resolution** to approve certain amendments to the Company's Memorandum and Articles with immediate effect	☐	☐	☐
13. **Special Resolution** to approve certain amendments to the Company's Memorandum and Articles with effect from 1 October 2009	☐	☐	☐

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First fold

Capita Registrars
The Registry
34 Beckenham Road
BECKENHAM
Kent BR3 4BR

Second fold