



International Greetings PLC

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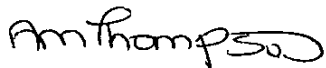
Dear Sirs

INTERNATIONAL GREETINGS PLC – COMPANY NUMBER 1401155 – ANNUAL REPORT AND ACCOUNTS 2012

Please find enclosed the signed and dated annual accounts for International Greetings plc for filing

I look forward to hearing from you in due course once the accounts have been filed Please feel free to contact me if you have any questions

Yours faithfully



Alison Thompson
PA to Paul Fineman

Enc



**Designed
to succeed**

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COMPANIES HOUSE

Company number 1401155

International Greetings plc

Annual report and accounts 2012

Welcome to International Greetings
We are one of the world's leading designers,
manufacturers, importers and distributors
of gift packaging and greetings, stationery
and creative play products

Our mission
To succeed by design in all that we do, to
drive profitable growth through exceptional
customer service, industry leading innovation
and great value

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Highlights

- Profit before exceptional items and tax up 37% to £71 million (2011: £5.2 million)
- Cash generated from operations of £11.5 million (2011: £10.7 million)
- Debt down 6% to £41.7 million (2011: £44.4 million) and year-end leverage at 2.8 times (2011: 3.5 times)
- Restructured our Board in preparation for a new era of growth
- Completed important investment in future efficiency at our operations in the Netherlands and China
- Awarded the prestigious "Turnaround PLC of the year" from the Institute for Turnaround

Sales (£m)

£221m +2%

12	221
11	217
10	198

Operating profit before exceptional items (£m)

£10.7m +33%

12	10.7
11	8.1
10	6.5

Profit before exceptional items and tax (£m)

£7.1m +37%

12	7.1
11	5.2
10	3.5

Net debt (£m)

£41.7m -6%

12	41.7
11	44.4
10	48.8

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Our strategy

Great design, innovative product solutions,
outstanding value and customer service.
That's what we focus on.

Our strategy is core to our business's success. Our five key focus points drive the Company forward and keep us reaching for the high standards and targets we set ourselves

1 Nurturing valuable relationships

2 Creating a toolbox of expertise

3 Providing best quality, value and service

4 Giving our people the knowledge they need

5 Balancing our business

1. Nurturing valuable relationships

We continually nurture the deep and mutually valuable relationships we enjoy with our customers by delivering great design, innovative product solutions and outstanding customer services

2. Creating a toolbox of expertise

We have created a toolbox of marketing, design, product and brand category expertise which is exploited in every market through local entrepreneurial management.

Revenue by season

12	£221
11	£217
<ul style="list-style-type: none"> • Christmas £111.7m 51% (2011: £115.5m 53%) • Everyday £109.1m 49% (2011: £101.3m 47%) 	

Revenue by brand

12	£221
11	£217
<ul style="list-style-type: none"> • Customer own brand £101.6m 46% (2011: £104.0m 48%) • Trade/generic £119.2m 54% (2011: £112.9m 52%) 	

Revenue by product category

12	£221
11	£217
<ul style="list-style-type: none"> • Gift packaging and greetings £148.5m 67% (2011: £142.4m 66%) • Stationery and creative play £72.2m 33% (2011: £74.4m 34%) 	

Revenue by customer destination

12	£221
11	£217
<ul style="list-style-type: none"> • UK £84.6m 39% (2011: £89.9m 41%) • USA £58.4m 26% (2011: £53.1m 25%) • Europe £39.8m 18% (2011: £43.7m 20%) • Australia and New Zealand £29.6m 13% (2011: £25.6m 12%) • Rest of the world £8.4m 4% (2011: £4.6m 2%) 	

3. Providing best quality, value and service

We are constantly enhancing our capabilities in buying, innovation, sourcing and manufacturing so we can leverage these to provide best quality, value and service.

4. Giving our people the knowledge they need

We strive to give our people knowledge, tools and inspiration to create value for the Company and help them pursue their careers and goals.

5. Balancing our business

We continue to balance our business across different geographic regions, seasons, product categories and brand, thereby improving margins and the profile of our profitability

Our design process

Following our products from concept to customer.

Because it all starts with design.

Our design and product development process is constantly improved to maximise efficiency and therefore profit

1

A collaborative approach

Accessing knowledge and research, including customer, consumer and market trends, we develop fresh, new designs and products to generate sales in over 80 countries worldwide

2

Commercially driven design and product development

Our products are designed and engineered to provide commercially appealing solutions and leverage global sales whilst reflecting local knowledge

Focused on meeting customer expectations

Our focus is on supplying our customers with products that meet consumer needs. The establishment of these relationships has been key to the development of the business. We are concentrating our efforts on the growing discount and value-end retailers where operational efficiency is key to sustainable and competitive supply on a profitable basis.

to view our brochures and catalogues,
visit www.internationalgreetings.co.uk

4

3

Providing award winning services

A flexible and broad base of logistics and inventory management enables us to provide award-winning services to our customers.

Meeting quality standards

Quality control at the point of manufacturing and distribution is an integral part of the service provided to meet the rigorous standards required by today's major retailers.

Chairman's statement

A year of continued progress to deliver improved shareholder value.

John Charlton Chairman

Key achievements

- Profit before exceptional items and tax up 37% to £71 million (2011 £52 million)
- Cash generated from operations of £115 million (2011 £107 million)
- Debt down 6% to £417 million (2011 £444 million) and year-end leverage at 2.8 times (2011 3.5 times)
- Restructured our Board in preparation for a new era of growth
- Completed important investment in future efficiency at our operations in the Netherlands and China
- Awarded the prestigious "Turnaround PLC of the year" from the Institute for Turnaround

I am proud and privileged to have been appointed Chairman of our Group, following the retirement of my predecessor, Keith James, during September 2011. It is therefore very pleasing for me to report that the Group has made good progress, with profits before exceptional items and tax increasing by 37% over the prior year to reach £71 million. At the same time our balance sheet continues to strengthen showing a reduction in net debt and an improvement in our leverage ratio.

Revenues for the year ended 31 March 2012 rose by 2% to £221 million, from continuing operations. Operating profit before exceptional items was up 33% to £107 million and £68 million after exceptional items whilst, as stated, profit before exceptional items and tax was up 37% to £71 million and £32 million after exceptional items. Debt fell by 6% to £417 million and cash generated from operations, excluding exceptional items, rose to £154 million compared with £124 million the previous year.

Following the restructuring of the Group over the past several years, our focus now is on improving efficiency, developing sales and growing profits in the areas of our business where we are committed to be true market leaders, whilst continuing to look at every opportunity to improve our cost effectiveness in competitive and challenging markets. It is therefore a continuous strategy that we seek out initiatives to improve our margins as a consequence of reducing our cost of goods by implementing manufacturing efficiencies, creative product development and effective sourcing techniques. To these ends, during the year we have made significant investments to relocate our manufacturing facilities in China and install a state-of-the-art gift wrap printing press in our company in Holland. Within each of the countries that we operate, we see that consumers and as a consequence our retail customers, are increasingly looking for "value for money" in the products that they purchase. Accordingly, we challenge the management in all our businesses to find ways to not only look for sales and profit opportunities, but also to deliver improved gross margins.

As previously advised, Keith James retired as our Chairman following the Annual General Meeting in September 2011. Keith joined the Board in 2004 and was appointed Chairman in 2006. I should like to place on record our thanks and appreciation for the significant contribution that he made to the Group during that period. Under his leadership, the Group successfully carried out some essential reorganisation and restructuring and is now well placed to go forwards. I wish Keith a long, happy and healthy period of retirement.

During the year three of our Executive Directors also left our Group. Charles Uwakememe, who played an important role in the reorganisation of our businesses in the UK and continental Europe, retired at the same time as Keith James. Sheryl Tye, our Group Finance Director left in September, having played a vital part in the restructuring of our finances, systems, controls and management reporting over the past three years. Martin Hornung,

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who joined our Group 22 years ago following our acquisition of the cracker company Brite Sparks was responsible for our manufacturing and sourcing offices in China and Hong Kong, Martin left in December 2011. We also saw the departure of Chris Howell from our Board, following his three year term of office. Chris joined as a Non-Executive Director in 2009 and was Chair of our Audit Committee. I should like to thank each of them for their contributions to our various successes over the years and their loyalty and support. On behalf of the Board, we wish them every success for the future.

However, I am delighted to welcome three new Directors to the Board. Anthony Lawrinson joined as Chief Finance Officer in October 2011. Anthony previously held the same role with Reliance Security Group Limited and prior to that O2 Airwave. Elaine Bond joined as a Non-Executive Director in February 2012. Elaine is also a Non-Executive Director of Yorkshire Ambulance Service and was previously Group Operations Director of UK Greetings Ltd, the UK's largest manufacturer of greeting cards, gift wrap and related social expression products. Phil Dutton joined as a Non-Executive Director in May 2012 and is also Chair of our Audit Committee. Phil was previously Finance Director of Matalan Plc, Finance Director of Asda Stores and more recently Group Finance Director of Punch Taverns Plc. I wish all three every success and fulfilment on joining our Board and look forward to working with them.

I should like to thank my colleagues on the Board for their hard work and support that they have given to me personally and for their loyalty, commitment and contributions to the Group. Similarly, I wish to record our thanks and appreciation to all our staff within the Group for their loyalty, efforts and support.

It is through their hard work that we are making the progress that I am able to report. Finally, I thank our shareholders, bankers, customers, suppliers and advisors for their loyalty and continuing support to our businesses throughout the world that comprise International Greetings plc.

John Charlton
Chairman
27 June 2012

Chief Executive Officer's review

Focussing on growth.

Paul Fineman Chief Executive Officer

Key achievements

- Operating profit before exceptional items up 33% to £10.7 million and £6.8 million after exceptional items
- Cash generated from operations before exceptional items £15.4 million
- Debt down 6% to £41.7 million
- Successful relocation of China factory
- Reorganisation of Hong Kong based operations
- Installation of new state-of-the-art gift wrap manufacturing in Holland
- Operational streamlining in the UK
- Major profits growth in USA

I am pleased to report that we have delivered another year of solid growth with excellent progress achieved across our portfolio of activity. As a result, operating profit before exceptional items, has exceeded market expectations, whilst we have also continued our trend, in recent years, of generating increased levels of cash and reducing debt.

The sustained increase in gross margins, sales and profitability reflects the strong platform we now have in place across the business. This, combined with our ability to design and engineer commercially appealing product solutions and develop innovative and added value categories, has enabled us to deliver sustained growth at Group level since 2008.

Despite continued inflationary pressures on our cost base, we have achieved improved efficiencies, particularly through reorganisation in the UK and Hong Kong and investment in manufacturing in China and Holland. These actions have enabled us to maintain our ability to profitably compete in commoditised markets, whilst providing exceptional value and excellent service to our customers on a worldwide basis.

The encouraging growth outlined above has been achieved despite the continued challenging market conditions and we remain focused on identifying and delivering new and significant opportunities for accelerating future profits growth.

Geographical highlights

UK and Asia

The UK and Asia business accounted for 53% (2011: 54%) of the Group's revenue for the year. Sales were sustained following strong growth in the prior year, driven by a notable expansion and contribution in product categories targeted at entry level price points, which led to record-breaking volumes and efficient manufacturing.

The year saw a particularly strong performance in our gift packaging and greetings categories, with a 70% increase in our sales of single greeting cards in the UK market. We expect this growth to continue following the commencement of trading in the area of personalised, digital, online greetings and the expansion of our portfolio of products and service within this marketplace.

Within the UK, our businesses engaged in the stationery, creative play and gift categories have continued to improve profitability, by focusing on operational efficiency and a collaborative approach to sales and product development.

The ever-closer co-operation of our UK and Asia based operations, enabled us to provide on-time, in-full deliveries throughout the year, whilst reducing our cost base through the merger and reorganisation of our Hong Kong-based sourcing, quality control and customer liaison facilities.

The relocation of our China-based manufacturing facilities from Shenzhen to Huizhou will result in the establishment of a lower cost base that will enable us to remain competitive, whilst providing the highest standards of quality and service to our global customers

Mainland Europe

In what is currently the most challenging of our main markets, mainland Europe accounted for 13% (2011 15%) of the Group's revenue for the year, representing a fall in revenue of 13%. Nevertheless, tight control of overheads and margins ensured that all of our European businesses were profitable and the purchase and timely installation of a new, highly efficient gift wrap manufacturing plant in Holland has enabled us to establish new opportunities for reduced cost and profitable expansion

However, as in other regions, value and mass market retailers have proved to be most resilient to economic conditions and we have established and nurtured important relationships with many of the key pan-European retail groups which will serve us well going forward

USA

The USA operations accounted for 20% (2011 19%) of the Group's revenue for the year. Sales increased by 13% and profits improved significantly on the prior year, continuing the trend established in 2011

Growth was delivered across all business segments and, from an operational perspective, we achieved good execution of production, procurement and shipping

Whilst our business has enjoyed growth with our major customers, including the world's largest retailers, we have developed and expanded our trading base, with over 1,000 new customers established over the last two years. In addition, we have also developed incremental product categories and customer channels for future growth. Of particular note is the growth achieved with retailers specialising in \$1 priced merchandise, where we provide great design and value to a fast growing market

Australia

Artwrap Australia accounted for 13% (2011 12%) of the Group's revenue for the year. Sales increased by 16%, in a currently resilient marketplace, and the business continued to expand its customer base throughout Australia, New Zealand and the Pacific Region

To support future growth and deliver greater efficiency, we have invested in fast payback improvements to our Melbourne-based logistics facilities, that are planned to have an impact in the next financial year and beyond

Customers and licences

We have once again seen the expansion in our global sales of products developed under our portfolio of International Greetings' own generic brands, thus enabling us to leverage our designs and product development on a worldwide basis

At the same time, we have enjoyed considerable success in the areas of licensed product categories and during the year, in addition to strong sales of well-established "perennial" characters, we have seen excellent performance in the sales of a wide selection of our Peppa Pig™ products and the recently introduced Monster High™ range. Our licensed characters and brands in 2012/13 continue to help us provide our customers with a superb choice of generic licensed and bespoke products

Chief Executive Officer's review (continued)

Customers and licences continued

Whilst we have long established relationships with many of the world's major retailers, there remains significant opportunity for us to expand our business with existing customers, as well as with targeted new customers and channels. We remain fully aware of the changing dynamics in the marketplace and have established a flexible and efficient manufacturing and sourcing base to meet the needs of our customers in a competitive marketplace, offering global scale with local knowledge and service.

Our team

Our teams across the Group have continued to meet the challenges of combatting cost inflation, whilst providing the highest standards of product and service to customers whose focus and main areas of growth have been in entry level price point categories. This has been reflected in the impressive growth of our gross margins through the combination of driving efficiency and adding value through innovation.

I take the opportunity of thanking our teams for their energy, enthusiasm and commitment in continuing to drive our business forward.

Our strategy

Our five key focus points enable us to achieve high standards and reach the targets we set ourselves.

- Nurturing the mutually valuable relationships we enjoy with our customers, suppliers and stakeholders
- Creating a toolbox of marketing design product and brand category expertise
- Providing best quality value and service through optimum product development, manufacturing, sourcing and supply
- Giving our teams across the world the knowledge and tools needed to achieve their goals
- Balancing our business, through sustainable and growing sales across geographic regions, seasons, product categories and brands

Designed to succeed

The disciplines and processes that have been put in place in recent years to enable us to significantly reduce debt and improve leverage remain important to us. We have now established an organisation, strategy and culture to sustain existing income streams and drive profitable expansion of our global businesses, which are increasingly working together to drive efficiencies and harness opportunities.

Whilst one of our core competencies is our ability to design commercially appealing products that meet the needs of our customers and consumers, we have focused our energies to ensure that all aspects of our business - operational, financial and commercial - are designed to succeed.

I am delighted that our 2011/12 results were ahead of market expectations and we are focused on achieving continued sustained growth across the business during 2012/13 and beyond. We remain focused on identifying new opportunities and implementing plans for future growth and ultimately on continuing to drive shareholder value.

Paul Fineman

CEO

27 June 2012

Financial review

Increasing profit, decreasing leverage.

Anthony Lawrinson Chief Financial Officer

Key achievements

- Sales up 2% to £221 million from continuing operations despite challenging markets in Europe
- Gross profit margins up from 17.4% to 19.3%
- Operating profit before exceptional items up 33% to £10.7 million
- Profit before exceptional items and tax up 37% to £7.1 million
- Cash generated from operations before exceptional items of £15.4 million (2011: £12.4 million)
- Net debt down from £44.4 million to £41.7 million which, together with increased profitability, reduces year-end leverage to 2.8 times down from 3.5 times
- New longer-term banking facilities in place in UK and USA

Group performance

Our focus on margins, operating profits and cash management has resulted in further steady improvement to the financial position of the business. Net debt as a multiple of pre-exceptional EBITDA has fallen to under 2.8 times (2011: 3.5 times) at the year end and our portfolio of international businesses has provided financial resilience in tough trading markets.

Continuing operations

Revenues from continuing operations for the year to 31 March 2012 were up slightly by 2% to £220.8 million

(2011: £216.9 million). External sales from the UK were maintained following strong growth in the prior year (+8%). Europe was our most difficult marketplace where external sales fell 13%. However, this was more than offset by excellent sales growth at our USA and Australian operations of +13% and +16% respectively.

Gross profit margin has increased significantly to 19.3% (2011: 17.4%) and reflects continued margin recovery in the UK but also margin development in the USA and especially Australia. Geographical diversity, an improving mix of own brand products and innovative design engineering to price points have created this result in markets where we have seen deflationary pressure on selling prices and inflationary pressure on raw materials and goods sourced from the Far East.

Favourable sea freight rates in 2011/12 have helped to offset these pressures but this benefit is not continuing in the current year. Increasing rates will make further gross margin improvement more difficult in the year ahead.

Overheads in absolute terms have increased year-on-year by £1.1 million, excluding the effect of currency (£0.8 million). However, this primarily reflects the effect of benefits in 2010/11 which did not recur in 2011/12, increasing spend on medium-term business development opportunities and investment in people (particularly sales) in our growing USA and Australian markets. Cost control remains tight and the opportunity to generate substantial improvements to profitability with limited investment in our overhead base remains clear. Opportunities to remove or reduce costs are constantly sought out and new costs are only incurred where actual or prospective value can be demonstrated.

Operating profit before exceptional items increased by 33% to £10.7 million (2011: £8.1 million). After exceptional items, operating profit was £6.8 million (2011: £7.2 million).

Overview

Business review

Governance

Financials

Financial review (continued)

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Continuing operations continued

Exceptional items during the year amounted to £3.9 million before tax (2011 £0.9 million). As previously announced these relate to

- restructuring relating to Board of Directors and senior personnel within our UK businesses (£1.2 million) which is expected to result in annual savings of £0.6 million and
- the relocation of our factory in China and associated restructuring of management (£2.7 million). This included relocation/redundancy costs, relocation of equipment and costs of exit from our previous leasehold arrangements.

The significant investment to relocate our factory within China will materially reduce rental and labour costs, generating both absolute savings and mitigating the effect of labour inflation that would otherwise have been experienced. Payback is expected to be approximately two years.

Finance expenses in the year were £3.6 million (2011 £2.9 million) despite falling year-end debt. This change reflects increased costs and margins associated with the refinancing and extension of our banking facilities to longer maturities (£0.4 million) but also unrealised market movements on Euro-denominated interest rate swaps which were not hedge accounted (£0.3 million). Notes 8 and 20 to the financial statements provide further information.

Profit before exceptional items and tax was up 37% to £7.1 million (2011 £5.2 million).

Profit before tax from continuing operations was £3.2 million (2011 £4.3 million) after charging exceptional items of £3.9 million (2011 £0.9 million).

Taxation

The headline taxation charge of £1.75 million (2011 credit £0.7 million) or 55.3% arises because of the exceptional costs associated with the factory relocation in China, where no taxation relief has been recognised as the prospect of this crystallising is low.

The effective underlying tax charge on profits before exceptional items is 27.5% (2011 tax credit 8.0%) with the prior period benefiting from recognition of deferred tax assets relating to historical losses in the USA and loss carry-backs in Europe. Actual taxation paid in cash during the year amounted to £1.1 million (2011 £0.4 million) and arose almost entirely in Australia.

The current geographical profile of Group profits before exceptional items at current local rates of tax would result in an underlying blended tax rate of approximately 31%. However, there are still losses in the USA and UK with a current tax value of £4.8 million, not yet recognised in the balance sheet, and the opportunity to recognise and utilise these as profitability improves will suppress the actual tax rate for some time to come.

Profit for the year

Profit for the year was £1.4 million (2011 £4.9 million). However, this was after charging £3.7 million (2011 £0.6 million) in respect of exceptional items.

Earnings per share and dividends

The basic earnings per share was 0.3p (2011 7.5p). After removing the effect of exceptional items, the adjusted earnings per share increases to 7.2p (2011 8.9p). However, the effect of the prior year taxation credit as compared with current year charge was to increase adjusted earnings per share in the prior year by approximately 3.4p. This means that the true underlying change in earnings per share is an increase from 5.5p to 7.2p.

A large proportion of employee share options vested in December 2011 and, as these are exercised, earnings per share will trend towards the fully diluted levels. At 31 March 2012, 10 million shares had been exercised with a further 4.5 million shares which had vested but not yet been exercised.

No dividend was paid during the year (2011 £Nil) and the Board does not propose a final dividend for the year. The primary focus remains the reduction of leverage from the current level of 2.8 times EBITDA to below 2.0 times EBITDA. At this point, the Board will consider whether it is appropriate to resume dividends.

Gross margin

Good management of product mix and engineering has driven margins higher despite price pressures

19.3%

12	19.3
11	17.4
10	17.0

Balance sheet and cash flow

Net debt at 31 March 2012 reduced by 6% to £41.7 million (2011: £44.4 million) (see notes 19 and 29 to the financial statements)

Year-end net debt includes amounts denominated in US dollars of \$20.7 million (2011: \$21.4 million) and in euros of €11.0 million (2011: €14.9 million). The year-end exchange rates were \$1.60 (2011: \$1.61) and €1.20 (2011: €1.13).

Working capital management continues to be a priority. Outstanding debtors are monitored closely, both to maximise cash but also to reduce our credit risk. Trade debtors fell slightly to £17.1 million (2011: £17.4 million) on slightly increased sales with foreign exchange rates representing one third of this small reduction. The charge for bad and doubtful debts in the year was minimal and at year end debtors net of provisions in excess of 60 days overdue at £0.4 million accounted for just 2.5% of the debtor balance, reflecting continual and careful attention to this risk.

Gross stock levels declined by 8.2% from £51.6 million to £47.3 million. This is despite the fact that, as last year, success in obtaining early firm customer orders allowed more factory production to begin for the coming season ahead of the traditional summer peak. This allows more efficient use of resources throughout the year, reducing costs.

Older stock (measured as over 15 months since last purchase) fell by a further 35% (2011: 25% reduction) to £5.2 million (2011: £8.1 million). Our businesses have consistently achieved in excess of 100% recovery against written down values of old stock, indicating adequate provisioning levels.

Group cash generated from operations was £11.5 million (2011: £10.7 million). Stated before outflows relating to exceptional items, cash generated from operations was stronger still at £15.4 million (2011: £12.4 million).

Capital expenditure was slightly above depreciation but remains relatively low at £4.4 million for the year (2011: £2.7 million). This reflects the investment in a new

state-of-the-art printing press at our gift-wrap manufacturing operation in Europe and modest capital costs associated with the setup of our new factory location in China. Both investments will improve efficiencies and further enhance our competitive portfolio of products and services.

The property in the USA purchased last year and held for resale was disposed of in the year realising £0.5 million.

Equity attributable to shareholders has decreased from £48.1 million to £47.8 million. The reduction arises despite profits generated because of reductions to unrealised hedging and translation reserves.

Risks and key performance indicators

Our areas of primary focus are:

- improved profitability, which we aim to achieve through top line growth in selected markets and channels together with strong cost and gross margin management, and
- lower leverage measured as the ratio of net debt to pre-exceptional EBITDA, which we aim to achieve through improved profitability together with close management of our working capital.

Operationally we are increasing the spread of our revenue base and enhancing our margins by seeking to balance our business across:

- different territories – turnover to UK destinations has fallen to 39% from 41% (see note 4),
- different products – stationery and creative play products account for 33% of turnover (see note 4),
- more everyday products across the year – despite the strength of giftwrap sales which are strongly seasonal, everyday product represents 49% of revenue, up from 47% last year, and
- brands – the profile of IG brands and licensed products continues to grow with sales in this category now representing 54% of our revenue up from 52% last year.

Financial review (continued)

Leverage

Year-end leverage is reducing steadily

2.8 times

12	2.8
11	3.5
10	4.3

Net debt divided by pre-exceptional EBITDA.

Treasury operations

As announced in last year's annual report, in July 2011 the principal bank of the Group agreed to restructure and extend its facilities as follows, providing a sound capital foundation with a maturity profile to suit the Group's needs

- two term loans, totalling £29.9 million, split between US dollars and sterling, and repayable over five years, with a £14.9 million repayment on the fifth anniversary;
- a two year asset backed loan facility secured on the stock and debtors of the two largest UK businesses,
- a one year rolling revolving multi-currency credit facility of up to £33.4 million, and
- a one year rolling multi-currency overdraft facility of up to £5 million

The blended interest rate on these facilities in 2011/12 was just over 4% and the short-term element of these facilities was renewed on improved terms in May 2012 which will slightly lower the blended rate in the forthcoming year and provides significant additional headroom giving the Group the flexibility to take advantage of value enhancing supplier and customer terms where appropriate

Additionally, access to facilities was diversified through the addition of a USA bank in July 2011 who provide a three year asset backed loan facility of up to \$25 million, at a rate of 2.5% over USA LIBOR

There are financial covenants attached to our facilities and the Group comfortably complied with these throughout the year. These covenants include

- debt service, being the ratio of cash flow available to finance costs on a rolling twelve month basis,
- interest cover, being the ratio of earnings before interest, depreciation and amortisation to interest on a rolling twelve month basis,
- leverage being the ratio of debt to pre-exceptional EBITDA on a rolling twelve month basis, and

Stock

Closing gross stock down 8.2% and levels of older stock fell by 35% to £5.2 million

	Gross stock	
	Old stock	
12	5.2	47.3
11	8.1	51.6
10	10.6	55.1

- in the individual businesses which have asset backed loans, covenants of pre-exceptional EBITDA before interest, depreciation on a rolling twelve month basis compared with the forecast, and the dilution of credit notes as a percentage of invoices issued

The Group has entered into various interest rate swaps denominated in US dollars and sterling and renewed others in Euros to improve certainty over interest charges. This also provided the opportunity to adopt hedge accounting where previously fluctuations had been experienced associated with unrealised market movements

Note 29 to the financial statements provides further information

Anthony Lawrinson
CFO

27 June 2012

Risk management

Identifying and managing risks and uncertainties.

Any commercial opportunities bring a degree of risk.

Category	Description of risk
Currency exposure	<p>The Group is exposed to currency risk, which impacts in three principal ways</p> <ol style="list-style-type: none"> i translation of the results of our overseas businesses, which account for nearly half of the Group's sales and three-quarters of profit before tax the businesses are seasonal and this can mean that fluctuations in periodic results can be exacerbated by exchange movements in that period, ii purchase prices are subject to currency fluctuations against the local currency sales price in particular approximately half of the Group's sales are of items which are bought in or manufactured in Asia and are paid for using US dollars or Chinese renminbi and iii the Group is funded in a mixture of currencies, tailored where possible to match the needs of each business and to reduce the effect of currency fluctuations on the Group's financial results However, the main banking facility is denominated in sterling with some balances drawn in US dollars hence should exchange rates move adversely this has implications on the available headroom <p><i>Mitigation</i></p> <p>The Directors mitigate these risks using a mixture of natural hedges and, where appropriate, spot purchases and forward contracts. Translation risks are only hedged selectively</p>
Availability of liquidity	<p>The Group's operations are highly seasonal and significant flexible working capital funding is required during the course of the annual trading cycle The Group is dependent on the continuing support of its bankers for these working capital facilities A reduction in the availability of these facilities would materially impact the Group's ability to fulfil its obligations as they fall due</p> <p><i>Mitigation</i></p> <p>The Group budgets carefully and cautiously and operates regular forecasting and cash monitoring processes against facilities available Based on budgeted requirements, the Group maintains borrowing lines with a range of counterparties and maturities, estimated to be sufficient to cover funding requirements These borrowing lines range from short-term facilities of one year to long-term debt of up to 20 years (16 years remaining) Significant tranches of funding were refinanced in August 2011 for four and five years respectively See note 20 to the financial statements</p>
Inventory obsolescence	<p>The Group's business remains highly seasonal and fashions in some products change from year to year Poor sell-through where the Group carries inventory risk can result in the value realised falling below cost</p> <p><i>Mitigation</i></p> <p>The Group maintains a blend of business between customer brands and its own brands Purchasing and production decisions are carefully controlled at local level and KPIs including inventory turn and ageing are monitored by the Board Each business aims to minimise its inventory holdings relative to economic return and provides appropriately to ensure inventory is held at the lower of cost and net realisable value</p>

Risk management (continued)

Category	Description of risk
Supply chain	<p>The Group uses a large number of external suppliers, with bought-in goods for resale purchased mainly from Asia. Issues with the quality or integrity of supply chain, particularly at peak season, could result in contractual penalties or adversely impact the Group's ability to maintain supply to its customers.</p> <p><i>Mitigation</i></p> <p>The Group manufactures, where expedient to do so, more of its own goods in China and other locations throughout the world. Suppliers are carefully selected and their performance monitored by our businesses and locally from our sourcing office in Hong Kong through means such as clear contractual terms of business, robust quality control and on-site visits. Alternative routes of supply are maintained wherever possible to assure keen pricing and continuity of supply.</p>
Economic climate	<p>Given the relatively low value product within our market, with an average retail price of less than £2, the Directors believe that aggregate end customer demand remains relatively unaffected by the current economic climate. However, while fewer customers have gone into administration relative to recent years, risks associated with the current economic circumstances remain prominent. These manifest through loss of sales if customers stop trading or we elect not to do business with them, pressure to margins, particularly in the more commoditised products, and bad debts arising.</p> <p><i>Mitigation</i></p> <p>The Group maintains tight credit control procedures, regularly reviews credit limits and avoids concentrating on any one geographic location or placing over reliance on any one customer. The largest single customer accounts for approximately 7% of overall sales. Amounts presented in the balance sheet are net of allowances for doubtful receivables, which are made both for identified loss events which evidence a reduction in the recoverability of the cash, and to provide against the probability of a number of as yet unidentified loss events based on the age of overdue debts.</p>
Management risk	<p>The Group operates subsidiaries and a joint venture in a number of geographical locations across four continents with tight margins requiring close attention to detail both in supply and sale. A number of our businesses benefit from close local entrepreneurial management from skilled management teams particularly in this challenging economic climate. Loss of key management personnel could adversely impact the results of one or more of those businesses.</p> <p><i>Mitigation</i></p> <p>The Group's activities in Asia are particularly integral to the supply chain for our UK operations. The China factory benefits from carefully selected local management but is also monitored by the UK management team by way of on-site reviews and regular monitoring of key performance indicators. The Group considers succession planning and seeks to develop strong teams around key individuals to reduce the impact of potential loss.</p>
Operational disruption	<p>The Group operates four major factories plus several trading sites across the world including China, UK, USA, Australia and mainland Europe. The Group's business is dependent on the ongoing operation of these facilities particularly at peak season. A significant operational disruption could adversely affect its ability to make and supply products to customers on a timely basis.</p> <p><i>Mitigation</i></p> <p>The Group has implemented policies and procedures to efficiently and safely manage its operations and to maintain continuity of supply. The factories operate to quality standards and are subject to regular customer, internal health, safety and environmental audits. The Group insures against a range of known operational risks and maintains an actively managed programme with its insurers and advisors to manage both operational risks and insurance premiums.</p>

Board of Directors

From left to right: Elaine Bond, Anders Hedlund, John Charlton, Anthony Lawrinson, Paul Fineman

John Charlton

Non-Executive Chairman
John joined the Board in April 2010 and was appointed Chairman of the Board on 7 September 2011. John chairs the Remuneration Committee and is a member of the Audit Committee. John is also Chairman of Amscan UK and Chairman of South Africa Greetings Corporation (PTY) Ltd. He was previously Senior Vice President International of American Greetings Corporation and Chief Executive of UK Greetings Ltd.

Anders Hedlund

Founder and Non-Executive Deputy Chairman
Anders founded the Group in 1979 and was joint Chief Executive Officer of International Greetings until December 2007, when he was appointed Non-Executive Deputy Chairman.

Advisers

Financial and nominated adviser and joint broker

Cenkos Securities Plc
6, 7, 8, Tokenhouse Yard
London EC2R 7AS

Joint broker

Arden Partners Plc
125 Old Broad Street
London EC2N 1AR

Auditors

Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

Paul Fineman

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

Elaine Bond

Non-Executive Director
Elaine joined the Board as a Non-Executive Director on 31 January 2012. Elaine is a member of the Remuneration Committee and the Audit Committee. She is a Non-Executive Director of Yorkshire Ambulance Service and was previously Group Operations Director of UK Greetings Ltd, the UK subsidiary of American Greetings.

Registered office

Belgrave House
Hatfield Business Park
Frobisher Way
Hatfield
Herts AL10 9TQ

Share registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Anthony Lawrinson

Chief Financial Officer and Company Secretary
Anthony joined the Board in October 2011 as Chief Financial Officer and Company Secretary. Anthony's former roles include Group Finance Director of Reliance Security Group, Chief Financial Officer at O2 Airwave and Group Treasurer at O2 PLC & Hickson International PLC. Anthony is a member of the ICAEW and the Association of Corporate Treasurers.

Phil Dutton

Non-Executive Director
Phil Dutton joined the Board on 24 May 2012. Phil's former roles include Group Finance Director of Punch Taverns and Finance Director of Matalan. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Tel UK 0871 664 0300

(Calls cost 10p per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday.)
Tel Overseas +44 (0)20 8639 3399

Email shareholderservices@capitaregistrars.com

Corporate governance statement

Corporate governance

The UK Corporate Governance Code (formerly the Combined Code) sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders. It 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. 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.

Board of Directors

The principal duty of the Board is to represent and protect the interests of the Company's shareholders by ensuring that the Company is well-managed and operated in a way that is in the interests of all shareholders. The Board is responsible for oversight of the formulation and implementation of the strategy of the Company and also for oversight of the Company's operations.

Division of responsibilities

There is a distinct and defined division of responsibilities between the Chairman and the Chief Executive Officer (CEO). The Chairman is primarily responsible for the effective working of the Board and the CEO for the operational management of the business and for the implementation of the agreed strategy.

Composition of the Board

During the accounting period, there were a number of changes to the Board. Charles Uwakememe and Keith James both retired at the AGM on 7 September 2011 and John Charlton was elected Chairman as successor to Keith.

Martin Hornung and Sheryl Tye both resigned from the Board subsequent to the AGM and Anthony Lawrinson was appointed to the Board as Chief Financial Officer (CFO) on 3 October 2011.

Dr Elaine Bond was appointed to the Board as a Non-Executive Director with effect from 31 January 2012. Phil Dutton was also appointed as a Non-Executive Director on 24 May 2012 subsequent to the year end and replaces Chris Howell as Chair of the Audit Committee after Chris stepped down at the end of March 2012.

Anders Hedlund also holds the position of Non-Executive Director on the Board. Anders is presumed not independent because, as founder, he has served on the Board since the Company's inception, he holds significant interests in the shareholding of the Company and also fulfils a consultancy role within one of the Group's businesses.

As at the date of this report, all of the other Non-Executive Directors are considered independent under the UK Corporate Governance Code.

Role of Non-Executive Directors

The Company's Non-Executive Directors provide input to the business by contributing to the oversight function of the Board and to the development of the Company's strategy. Non-Executive Directors are required to be satisfied that the financial information is accurate and that internal control procedures governing risk management are effective and appropriate.

Board process and information

The Board met nine times during the year, including an extended review of 2012/13 budgets with senior management over three days. The Board aims to meet at least six times a year for formal Board meetings and a further five times in between for informal business reviews, to review budgets and to focus on strategy. Dialogue occurs regularly between Directors outside of scheduled meetings.

Meeting agendas include review and approval of minutes recorded, matters arising, a review of material operational matters relating to our businesses and other special items for discussion or consideration. Board materials are usually circulated at least three business days in advance to allow Directors adequate time to prepare.

The Board receives operational and financial information and reports from the CEO/CFO to assist in monitoring and assessing the ongoing performance of the business on a monthly basis.

Accountability and audit

All Directors have accepted a duty of care and accountability to act in the interests of the Company

The Group Audit Committee oversees how the Board monitors risk and reviews the adequacy of the risk management framework. During the year the Audit Committee was chaired by C Howell. K James, J Charlton and E Bond (Non-Executive Directors) were members during their periods of tenure.

The Committee meets as required during the year and 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.

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 by the Audit Committee 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.

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.

Directors' report

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2012

Principal activities

The principal activity of the Group is the design, manufacture and distribution of gift packaging and greetings, stationery and creative play products

The subsidiaries and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 4 to the Company financial statements

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 Officer's Review on page 8

A summary of the financial impact of major events during the year and the financial position at 31 March 2012 can be found in the Financial Review on pages 11 to 14. Information about the use of financial instruments by the Company and its subsidiaries is given in note 29 to the financial statements

Dividends

No interim dividend was paid (2011 £Nil). The Directors do not recommend a final dividend (2011 £Nil)

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 25. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation.

Details on share-based payments are set out in note 28 to the financial statements and the Directors' Remuneration Report. No person has any special rights or control over the Company's share capital and all issued shares are fully paid.

Directors and Directors' interests

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

E Bond (appointed 31 January 2012)

J Charlton

P Fineman

S A Hedlund

M Hornung (resigned 14 December 2011)

C Howell (resigned 31 March 2012)

K James (resigned 7 September 2011)

A Lawrinson (appointed 3 October 2011)

S Tye (resigned 30 September 2011)

C Uwakaneme (resigned 7 September 2011)

Subsequent to the year end, Phil Dutton was appointed on 24 May 2012 as a Non-Executive Director and Chairman of the Audit Committee.

In accordance with the Company's Articles of Association, P Fineman, A Lawrinson, E Bond and P Dutton will stand for election at the forthcoming Annual General Meeting.

Directors and Directors' interests continued

The Directors who held office during the year had the following direct interests in the ordinary shares of the Company

	Interest at end of year*		Interest at beginning of year*	
	Ordinary shares	Options	Ordinary shares	Options
E Bond	-	-	-	-
J Charlton ^(a)	-	-	-	-
P Fineman ^(b)	2,188,534	2,265,000	2,188,534	2,265,000
S A Hedlund ^(c)	448	-	448	-
M Hornung ^(d)	315,019	650,000	315,019	650,000
C Howell	105,000	-	105,000	-
K James	50,562	-	50,562	-
A Lawrinson	-	-	-	-
S Tye	42,000	300,000	42,000	300,000
C Uwakaneme	40,000	250,000	40,000	250,000

* Or date of resignation

** Or date of appointment if later

In addition to the above holdings

(a) 57,500 (2011 57,500) shares are held by the wife of J Charlton

(b) P Fineman owns a non-beneficial interest in 1,025,708 (2011 1,025,708) ordinary shares of 5p each

(c) 20,310,400 (2011 20,310,400) and 2,819,800 (2011 2,819,800) ordinary shares of 5p each are respectively registered in the names of AC Artistic Limited and Malios Limited, companies incorporated in the British Virgin Islands and 500,000 (2011 500,000) ordinary shares of 5p each are registered in the name of Artistic AG a company incorporated in Switzerland and all are under the ultimate control of S A Hedlund

(d) 184,557 (2011 184,557) ordinary shares of 5p each were held by M Hornung's pension fund

Details of Directors' share options are provided in the Directors' Remuneration Report on pages 24 to 26

As noted in the Remuneration Report on page 24, following their resignation, S Tye and M Hornung exercised their options

The following Directors have purchased shares between 31 March 2012 and the date of this annual report.

	Shares	Date of purchase	Price
A Lawrinson	35,000	3 April 2012	49.0p
E Bond	5,000	10 April 2012	51.5p
E Bond	5,000	11 April 2012	53.0p
J Charlton	5,000	13 April 2011	53.0p

Employees

The Group recognises the benefits of keeping employees informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through employee briefings that are held in most businesses at least twice a year and regular team briefings.

The Group conforms to current employment laws on the employment of disabled persons and where we are informed of any employee disability, management makes all reasonable efforts to accommodate that employee's requirements.

In order to recognise the efforts of UK employees the Group operates an All Employee Share Option Plan (AESOP) but due to the need to drive down debt, no shares have been purchased in either this or the previous year. Due to the restriction on the number of shares available for employee option schemes, given the number of employee options in issue and exercised over the previous ten years, no further allotments are available. Due to UK tax legislation it is not possible to offer this scheme to employees working outside the UK.

Directors' report (continued)

Health and safety

The Group is 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 we have established a Group Board level health and safety co-ordinator to ensure continuous improvement of health and safety across the Group

Creditor payment policy

It is the Group's policy to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and 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 were equivalent to 42 (2011: 60), based on the average daily amount invoiced by suppliers during the year

Political and charitable contributions

The Group made no charitable or political contributions in either year

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 by the Audit Committee 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. For full details see pages 15 to 16

Corporate governance

For full details see pages 18 to 19

Going concern

The Group's business activities, together with the factors likely to affect its future development, its performance and position, are set out in the Operational Review. The financial position of the Group, its cash flows, liquidity position, and its management of both working capital and capital expenditure are set out in the Finance Review. Details of the bank loans and borrowings are given in note 20 to the financial statements and liquidity risks are given in note 29 to the financial statements.

The Group relies on its banks for financial support and is confident that the facilities that are in place are sufficient to meet its needs for the foreseeable future (see note 1 to the financial statements). Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

Purchase of own shares

The Directors are authorised to make market purchases of the Company's own shares under an authority granted at the last Annual General Meeting. The Directors will seek renewal of this authority at the forthcoming Annual General Meeting. During the year the Company did not buy back any of its shares. If passed, the resolution would give the Company authority to purchase in the market up to 5,540,663 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 transferred to an employees' share scheme.

This general authority, if approved, would expire on the date of the Company's 2013 Annual General Meeting or, if earlier, 15 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 Annual General Meeting and at each succeeding Annual General Meeting.

Treasury policy

Details of our loans and borrowings and capital management can be found in notes 20 and 29 to the financial statements.

Auditors

The Directors who held office at the date of approval of this annual 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 ought to have been 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. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Ernst and Young LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

A Lawrinson
Director
27 June 2012

Belgrave House
Frobisher Way
Hatfield
Herts AL10 9TQ
Company number 1401155

Directors' remuneration report

Remuneration Committee

The Remuneration Committee was established by the Board and operates under terms of reference agreed by the Board on 29 September 2008

The Remuneration Committee consists of J Charlton (Chairman), P Dutton (Non-Executive Director) and E Bond (Non-Executive Director) Those who served on the Committee during the year were C Howell and K James

The Committee meets as required The Committee determines the service contract terms, the remuneration and benefits, including bonuses, of the Executive Directors and senior management It is also responsible for granting long-term incentive arrangements

Remuneration policy

The Group's remuneration policy is to ensure that the remuneration of Executive Directors is sufficiently competitive to enable the Group to retain and motivate existing Directors and attract high quality performers in the future The Group aims to incentivise and reward its Executive Directors in a way that is consistent with the Group's commercial objectives and to align the interests of the Directors with those of the shareholders To achieve this, the Executive Directors' total remuneration comprises both fixed remuneration and variable reward, the latter reflecting Company performance The main elements of remuneration for Executive Directors are set out below Only the basic salary is pensionable

The Group's remuneration policy in respect of Non-Executive Directors is to pay annual fees which reflect the responsibilities and duties placed upon them, whilst also having regard to market practice

The remuneration of the Non-Executive Directors is set by the Board

Service contracts

The Executive Directors have service contracts which can be terminated by either side on no greater than one year's notice Non-Executive Directors do not have service contracts and their appointments may be terminated without compensation at any time All Non-Executive Directors have letters of appointment and their appointment and subsequent re-appointment is subject to approval by shareholders

Bonuses

Bonus objectives for Executive Directors and senior management during the last year were based on Group profit achievement, as long as personal performance is at the level required The level of the bonuses is approved by the Remuneration Committee who retain discretion over the level of payout depending on the quality of the financial performance in achieving the result The bonus scheme for the coming year for Executive Directors and other senior management includes objectives relating to both profit and net debt

Executive share options

No options were exercised by Directors in their time in office during the year or prior year

In September 2008, the Board approved an 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"

Executive share awards were awarded at the prevailing market rate on the date of the grant Options are normally exercisable between three and ten years after grant and upon the achievement of stated performance criteria

The first options issued in December 2008 were not subject to performance criteria (other than continued employment), except for unapproved options issued to Executive Directors Holders of options of the previous share option scheme had already met their performance criteria, but had waived their options These options may be exercised between 17 December 2011 and 17 December 2018

The only Director currently holding share options is P Fineman who holds 1,052,556 Company share options The exercise price of these options is 14p and they may be exercised between 17 December 2011 and 17 December 2018

Executive share options continued

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 held by AC Artistic Ltd, a company under the control of the Hedlund family. The exercise price of these options is 14p and may be exercised between 17 December 2011 and 17 December 2018. Performance conditions relating to these options have been met.

There have been no grants or lapses during the year.

Following her resignation, S Tye exercised all 300,000 options on 30 March 2012. M Hornung exercised all his share options into two tranches: 200,000 on 4 April 2012 and 450,000 on 11 June 2012.

At his resignation, C Uwakaname held 250,000 options to be exercised before 31 August 2012.

The mid-market price of the Company's shares on 31 March 2012 was 48.25p per share, the highest and lowest mid-market prices of the Company's shares during the year were 82.0p and 47.5p respectively.

Directors' remuneration

The summary of Directors' remuneration is as follows:

	Aggregate for all Directors		Highest paid Director	
	2012 £000	2011 £000	2012 £000	2011 £000
Remuneration	1,054	1,181	350	316
Compensation for loss of office	558	-	-	-
Pension contribution	173	90	-	9
Total remuneration	1,785	1,271	350	325

The remuneration of the Directors by individual is as follows:

	Salary/fees	Bonus	Benefits	Compensation for loss of office	Subtotal 2012	Pension 2012	Total 2012
Executive Directors							
P Fineman	299,500	37,500	12,854	-	349,854	-	349,854
M Hornung	88,739	-	108,819	204,459	402,017	26,404	428,421
A Lawrinson	86,428	-	935	-	87,363	19,500	106,863
S Tye	83,125	22,500	802	170,700	277,127	67,768	344,895
C Uwakaname	70,833	26,250	3,569	182,500	283,152	59,417	342,569
Total Executive	628,625	86,250	126,979	557,659	1,399,513	173,089	1,572,602
Non-Executive Directors							
E Bond	5,000	-	-	-	5,000	-	5,000
J Charlton	52,654	-	1,781	-	54,435	-	54,435
A Hedlund	85,000	-	2,717	-	87,717	-	87,715
C Howell	30,000	-	2,085	-	32,085	-	32,085
K James	30,513	-	2,672	-	33,185	-	33,185
Total Non-Executive	203,167	-	9,255	-	212,422	-	212,422
Total Directors	831,792	86,250	136,234	557,659	1,611,935	173,089	1,785,024

Included in the pension contributions of the following Directors are amounts relating to compensation for loss of office for S Tye of £52,531, M Hornung of £21,941 and C Uwakaname of £46,165.

Directors' remuneration report (continued)

Directors' remuneration continued

The following Directors were appointed/resigned during the year:

E Bond (appointed 31 January 2012)

M Hornung (resigned on 14 December 2011)

C Howell (resigned on 31 March 2012)

K James (resigned on 7 September 2011)

A Lawrinson (appointed on 3rd October 2011)

S Tye (resigned on 30 September 2011)

C Uwakaname (resigned on 7 September 2011)

There were no gains on share options by Directors during their term of office

	Salary/fees	Bonus	Benefits	Subtotal 2011	Pension 2011	Total 2011
Executive Directors						
P Fineman	286,534	–	15,701	302,235	–	302,235
M Hornung	189,198	–	126,495	315,693	8,925	324,618
S Tye	150,500	22,500	625	173,625	27,768	201,393
C Uwakaname	163,942	–	7,822	171,764	53,620	225,384
Total Executive	790,174	22,500	150,643	963,317	90,313	1,053,630
Non-Executive Directors						
J Charlton	27,500	–	–	27,500	–	27,500
K James	70,000	–	2,084	72,084	–	72,084
A Hedlund	85,000	–	1,501	86,501	–	86,501
C Howell	30,000	–	1,314	31,314	–	31,314
Total Non-Executive	212,500	–	4,899	217,399	–	217,399
Total Directors	1,002,674	22,500	155,542	1,180,716	90,313	1,271,029

The benefits relate primarily to private health benefits and for M Hornung to overseas housing benefits

The highest paid Director is P Fineman (2011 M Hornung)

The Group operated a Group personal pension plan to which the Group contributed for four Directors (2011 three)

The Group also provides death in service life assurance to the value of between two and four times pensionable salary

John Charlton

Chairman of the Remuneration Committee

27 June 2012

Directors' responsibilities

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

Under Company law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the Directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance,
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements, and
- make judgements and estimates that are reasonable and prudent

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of 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.

Independent auditors' report to the members of International Greetings plc

We have audited the Group financial statements of International Greetings plc for the year ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet and the Consolidated Cash Flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement as set out on page 27 the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Annual Report and financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, the Chief Executive's Operational Review and the Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of International Greetings plc for the year ended 31 March 2012.



Andy Clewer (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

29 June 2012

Consolidated income statement

year ended 31 March 2012

	Notes	2012 Before exceptional items £000	2012 Exceptional items (note 10) £000	2012 Total £000	2011 Before exceptional items £000	2011 Exceptional items (note 10) £000	2011 Total £000
Continuing operations							
Revenue	4	220,755	–	220,755	216,857	–	216,857
Cost of sales		(178,190)	–	(178,190)	(179,108)	(27)	(179,135)
Gross profit		42,565	–	42,565	37,749	(27)	37,722
		19.3%	–	19.3%	17.4%	–	17.4%
Selling expenses		(13,003)	–	(13,003)	(12,698)	(401)	(13,099)
Administration expenses		(19,580)	(3,635)	(23,215)	(18,021)	(472)	(18,493)
Other operating income	7	678	–	678	1,019	–	1,019
Profit on disposal of plant and equipment		63	–	63	–	–	–
(Loss)/profit on sales of property plant and equipment		–	(283)	(283)	33	–	33
Operating profit/(loss)	5	10,723	(3,918)	6,805	8,082	(900)	7,182
Finance expenses	8	(3,635)	–	(3,635)	(2,917)	–	(2,917)
Profit/(loss) before tax		7,088	(3,918)	3,170	5,165	(900)	4,265
Income tax (charge)/credit	9	(1,948)	195	(1,753)	426	267	693
Profit/(loss) from continuing operations		5,140	(3,723)	1,417	5,591	(633)	4,958
Loss from discontinued operations (net of tax)	11	–	–	–	(100)	–	(100)
Profit/(loss) for the period		5,140	(3,723)	1,417	5,491	(633)	4,858
Attributable to							
Owners of the Parent Company				177			4,010
Non-controlling interests				1,240			848

Earnings per ordinary share

		Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items and discontinued operations	26	6.7p	7.2p	8.2p	8.9p
Loss per share on exceptional items	26	(6.4p)	(6.9p)	(1.1p)	(1.2p)
Earnings per share from continuing operations	26	0.3p	0.3p	7.1p	7.7p
Loss per share on discontinued operations	26	–	–	(0.2p)	(0.2p)
Earnings per share	26	0.3p	0.3p	6.9p	7.5p

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Consolidated statement of comprehensive income

year ended 31 March 2012

	2012 £000	2011 £000
Profit for the year	1,417	4,858
Other comprehensive income		
Recycling translation reserves on closure of subsidiary	-	(97)
Exchange difference on translation of foreign operations	(88)	529
Net loss on cash flow hedges	(322)	(124)
Other comprehensive income for period, net of tax	(410)	308
Total comprehensive income for the period, net of tax	1,007	5,166
Attributable to		
Owners of the Parent Company	(475)	4,300
Non-controlling interests	1,482	866
	1,007	5,166

Consolidated statement of changes in equity year ended 31 March 2012

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non- controlling interest £000	Total £000
At 1 April 2010	2,608	4,346	16,216	-	362	19,071	42,603	3,354	45,957
Profit for the year	-	-	-	-	-	4,010	4,010	848	4,858
Other comprehensive income	-	-	-	(124)	414	-	290	18	308
Total comprehensive income for the year	-	-	-	(124)	414	4,010	4,300	866	5,166
Equity-settled share-based payment	-	-	-	-	-	109	109	-	109
Shares issued	74	-	948	-	-	-	1,022	-	1,022
Options exercised	16	40	-	-	-	-	56	-	56
At 31 March 2011	2,698	4,386	17,164	(124)	776	23,190	48,090	4,220	52,310
Profit for the year	-	-	-	-	-	177	177	1,240	1,417
Other comprehensive income	-	-	-	(322)	(330)	-	(652)	242	(410)
Total comprehensive income for the year	-	-	-	(322)	(330)	177	(475)	1,482	1,007
Equity-settled share-based payment	-	-	-	-	-	43	43	-	43
Shares issued	-	-	-	-	-	-	-	-	-
Options exercised	52	94	-	-	-	-	146	-	146
Equity dividends paid	-	-	-	-	-	-	-	(958)	(958)
At 31 March 2012	2,750	4,480	17,164	(446)	446	23,410	47,804	4,744	52,548

Merger reserve

The merger reserve comprises premium on shares issued in relation to business combinations. In the prior year the additions are in relation to the final deferred consideration for the Glitterwrap business.

Capital redemption reserve

The capital redemption reserve comprises amounts transferred from retained earnings in relation to the redemption of preference shares. For ease of presentation, the amount of £134 million relating to the capital redemption reserve has been included within the column of share premium and capital redemption reserve in the balances at both the beginning and end of each year, with no movements.

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.

Shareholders' equity

Shareholders' equity represents total equity attributable to owners of the Parent Company.

Consolidated balance sheet as at 31 March 2012

	Notes	As at 31 March 2012 £000	As at 31 March 2011 £000
Non-current assets			
Property, plant and equipment	12	31,533	31,518
Intangible assets	13	32,916	33,385
Deferred tax assets	15	4,640	4,616
Total non-current assets		69,089	69,519
Current assets			
Inventory	16	42,628	45,582
Assets classified as held for sale	17	-	497
Trade and other receivables	18	20,942	21,494
Cash and cash equivalents	19	3,168	1,885
Total current assets		66,738	69,458
Total assets		135,827	138,977
Equity			
Share capital	25	2,750	2,698
Share premium		3,140	3,046
Reserves		18,504	19,156
Retained earnings		23,410	23,190
Equity attributable to owners of the Parent Company		47,804	48,090
Non-controlling interests		4,744	4,220
Total equity		52,548	52,310
Non-current liabilities			
Loans and borrowings	20	33,622	8,377
Deferred income	21	1,879	2,429
Provisions	22	1,003	1,847
Other financial liabilities	23	447	375
Total non-current liabilities		36,951	13,028
Current liabilities			
Bank overdraft	19	1,945	3,620
Loans and borrowings	20	9,329	34,312
Deferred income	21	550	550
Provisions	22	317	-
Income tax payable		855	162
Trade and other payables	24	23,133	25,353
Other financial liabilities	23	10,199	9,642
Total current liabilities		46,328	73,639
Total liabilities		83,279	86,667
Total equity and liabilities		135,827	138,977

These financial statements were approved by the Board of Directors on 27 June 2012 and were signed on its behalf by

P Fineman
Director

A Lawrinson
Director

Company number
1401155

27 JUNE 2012

27 JUNE 2012

The notes on pages 34 to 67 form part of the financial statements

Consolidated cash flow statement

year ended 31 March 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities			
Profit for the year		1,417	4,858
Adjustments for			
Depreciation	12	3,753	4,108
Amortisation of intangible assets	13	534	331
Finance expenses – continuing operations	8	3,635	2,917
Finance expenses – discontinued operations	11	–	26
Recycling of translation reserves on closure of subsidiary		–	(97)
Income tax charge/(credit) – continuing operations	9	1,753	(693)
Loss/(profit) on sales of property, plant and equipment		220	(33)
Loss on external sale of intangible fixed assets		4	–
Profit on disposal of assets held for resale		(8)	–
Impairments of assets held for resale	17	–	238
Equity-settled share-based payment	28	43	109
Operating profit after adjustments for non-cash items		11,351	11,764
Change in trade and other receivables		224	173
Change in inventory		2,840	(303)
Change in trade and other payables		(1,799)	(381)
Change in provisions and deferred income		(1,102)	(518)
Cash generated from operations		11,514	10,735
Tax paid		(1,131)	(420)
Interest and similar charges paid		(3,491)	(3,226)
Receipts from sales of property for resale		528	–
Acquisition of property for resale	17	–	(780)
Net cash inflow from operating activities		7,420	6,309
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		122	73
Acquisition of intangible assets	13	(399)	(521)
Acquisition of property plant and equipment	12	(4,015)	(1,900)
Net cash outflow from investing activities		(4,292)	(2,348)
Cash flows from financing activities			
Proceeds from issue of share capital		146	56
Repayment of secured borrowings		(1,473)	(947)
Net repayment of credit facilities		(27,785)	(3,222)
Payment of finance lease liabilities		(49)	(113)
New bank loans raised		30,170	–
Loan arrangement fees		(370)	–
Payment of deferred consideration		(111)	–
Dividends paid to non-controlling interests		(918)	–
Net cash outflow from financing activities		(390)	(4,226)
Net increase in cash and cash equivalents		2,738	(265)
Cash and cash equivalents at beginning of period		(1,735)	(993)
Effect of exchange rate fluctuations on cash held		220	(477)
Cash and cash equivalents at 31 March	19	1,223	(1,735)

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Notes to the financial statements

year ended 31 March 2012

1 Accounting policies

International Greetings plc is a public limited company, incorporated and domiciled in England and Wales. The Company's ordinary shares are listed on AIM.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The 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 EU adopted International Financial Reporting Standards. The Company has elected to prepare its Company financial statements in accordance with UK GAAP, these are presented on pages 68 to 76.

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. Following the restructure of its principal banking facilities in July 2011 the Group now shows net current assets of £20.4 million (2011 net current liabilities of £4.2 million).

The borrowing requirement of the Group increases steadily over the period from July and peaks in September and October, due to the seasonality of the business, as the sales of wrap and crackers are mainly for the Christmas market, before then reducing.

As with any company placing reliance on external entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of this report, they have no reason to believe that it will not do so.

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. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011, except for the adoption of new standards and interpretations as of 1 April 2011.

The Group maintains facilities with a range of maturities, counter-parties and currencies to suit its needs.

These include long-dated facilities against specialised capital assets, medium-term facilities (four to five years) forming the majority and shorter-dated working capital of one to three years. This provides the Group with a sound basis for trading.

The short-term element (overdraft and RCF) of these facilities was renewed on improved terms in May 2012, which will slightly lower the blended rate in the forthcoming year and provide significant additional headroom.

IAS 24 Related Party Disclosures (Amendment)

The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. This amendment did not have any impact on the financial position or performance of the Group.

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.

1 Accounting policies continued

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 in other comprehensive income in the translation reserve. The cumulative translation differences previously recognised in other comprehensive income (or where the foreign operation is part of a subsidiary the parent's interest in the cumulative translation differences) are released into the income statement upon disposal of the foreign operation or on loss of control of the subsidiary that includes the foreign operation.

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 exclude amounts in relation to those shares.

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.

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 overleaf).

Notes to the financial statements (continued)

year ended 31 March 2012

1 Accounting policies continued

Derivative financial instruments and hedging continued

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 as other comprehensive income in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income 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 or losses previously recognised in other comprehensive income are transferred from other comprehensive income 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 other comprehensive income 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 other comprehensive income 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 a 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.

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 25–30 years
- leasehold land and buildings life of lease
- plant and equipment four–25 years
- fixtures and fittings three–five years
- motor vehicles four years

No depreciation is provided on freehold land.

Included within plant and machinery are assets with a range of depreciation rates. These rates are tailored to the nature of the assets to reflect their estimated useful lives.

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.

1 Accounting policies continued

Intangible assets and goodwill continued

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 three and five years. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are three to five years.

Amortisation charges are included under "administrative expenses" in the income statement.

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.

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.

The recoverable amount of the Group's assets is the greater of their fair value less costs to sell 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.

An impairment in respect of goodwill is not reversed. In respect of other assets, an impairment is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment 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 had been recognised.

Notes to the financial statements (continued)

year ended 31 March 2012

1 Accounting policies continued

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.

Exceptional items

Exceptional 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 and unwinding of the discount on provisions. Finance income comprises interest receivable on funds invested and dividend income.

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 in other comprehensive income or directly in equity in which case it is recognised in other comprehensive income or equity respectively.

1 Accounting policies continued

Taxation continued

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.

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, based on average wages, that has an agreed maximum contribution. The pension fund is a multi-employer fund and there is no contractual or constructive obligation for charging the net defined benefit cost of the plan to participating entities other than an agreed maximum contribution for the period, that is shared between employer (4/7) and employees (3/7). The Dutch Government is not planning to make employers fund any deficits in industrial pension funds, 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 cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the financial statements (continued)

year ended 31 March 2012

1 Accounting policies continued

New standards and interpretations not applied

The following standards and interpretations issued by the IASB have an effective date after the date of these financial statements

IFRS 9 Financial Instruments Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the IASB will address impairments, hedge accounting and de-recognition. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures.

IFRS 11 Joint Arrangements describes the accounting for joint arrangements with joint control, proportionate consolidation is not permitted for joint ventures (as newly defined).

IFRS 12 Disclosures of Interests in Other Entities includes all of the disclosure requirements for subsidiaries, joint ventures, associates and "structured entities".

IFRS 13 Fair Value Measurement provides guidance on how to measure fair value but does not change when fair value is required or permitted under IFRS.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Other new standards

Management continually reviews the impact of newly published standards and amendments and considers, where applicable, disclosure of their impact on the Group.

The following standards, interpretations and amendments have been issued by the IASB and IFRIC (but in some cases have not yet been adopted by the EU), none of which are anticipated to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure. They become effective after the current year (subject to having been endorsed for use in the EU via the EU endorsement mechanism) and have not been early adopted by the Group and Company.

International Financial Reporting Standards (IFRS)	Effective date	To be adopted by the Group and Company during years commencing
IFRS 7 Disclosures – Transfers of Financial Assets (Amendment)	01 07 2011	01 04 2012
IFRS 9 Financial Instruments Classification and Measurement*	01 01 2015	01 04 2015
IFRS 10 Consolidated Financial Statements*	01 01 2013	01 04 2013
IFRS 11 Joint Arrangements*	01 01 2013	01 04 2013
IFRS 12 Disclosures of Interests in Other Entities*	01 01 2013	01 04 2013
IFRS 13 Fair Value Measurements*	01 07 2012	01 04 2013
IAS 1 Presentation of Items of Other Comprehensive Income	01 01 2013	01 04 2013
IAS 19 Employee Benefits	01 01 2013	01 04 2013
IAS 27 Separate Financial Statements	01 01 2013	01 04 2013
IAS 28 Investments in Associates and Joint Ventures*	01 01 2013	01 04 2013
IAS 12 Deferred tax Recovery of Underlying Assets*	01 01 2012	01 04 2012
IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*	01 07 2011	01 04 2012
IFRS 1 Government Loans*	01 01 2013	01 04 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*	01 01 2013	01 04 2013
IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities*	01 01 2013	01 04 2013
IAS 32 Offsetting Financial Assets and Financial Liabilities*	01 01 2014	01 04 2014
Improvements to IFRSs 2012*	01 01 2013	01 04 2013

Not yet endorsed by the EU

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.

Exceptional 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 10.

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 and below.

Impairment of goodwill and property, plant and equipment

Determining whether goodwill and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated or to which property, plant and equipment 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 £31.4 million (2011: £31.8 million). No impairment (2011: Nil) was required. The carrying amount of property, plant and equipment was £31.5 million (2011: £31.5 million). No impairment loss (2011: £Nil) was required.

Provision for slow moving inventory

The Group has guidelines for providing for inventory which may be sold below cost due to its age or condition. Directors assess the inventory at each location and in some cases decide that there are specific reasons to provide more than the guideline levels or less if there are specific action plans in place which mean the guideline provision level is not required. Determining the level of inventory provision requires an estimation of likely future realisable value of the inventory in various time frames and comparing with the cost of holding stock for those time frames. Regular monitoring of stock levels, the ageing of stock and the level of the provision is carried out by the Directors. Details of inventory carrying values are provided in note 16. At the year end, stock purchased more than 15 months previously has reduced from £7.9 million to £5.2 million (at March 2012 exchange rates) and the Group has provisions of £4.8 million (2011: £6.0 million) over the total inventory value.

Share-based payments

The Directors are required to estimate the fair values of services received in return for share options granted to employees that 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 recover tax assets and has adequate provision to cover all risks across all business operations. See note 15 for more details.

Notes to the financial statements (continued)

year ended 31 March 2012

3 Financial risk management

Risk management is discussed in the Directors' Report and a discussion of risks and uncertainties can be found on pages 15 and 16, along with the Group's key risks. See note 29 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 banks
- Credit risk is managed by constant review of key debtors and banking with reputable banks

4 Segmental information

The Group has one material business activity being the design, manufacture and distribution of gift packaging and greetings, stationery and creative play products.

For management purposes the Group is organised into four geographic business units.

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 decision was made last year to focus Asia as a service provider of manufacturing and procurement operations, whose main customers are our UK businesses. Both the China factory and the majority of the Hong Kong procurement operations are now overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise an operating segment. The Chief Operating Decision Maker is the Board.

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.

Financial performance of each segment is measured on operating profit. Interest expense or revenue and tax are managed on a Group basis and not split between reportable segments.

Segment assets are all non-current and current assets, excluding deferred tax and income tax receivable. Where cash is shown in one segment which nets under the Group's banking facilities, against overdrafts in other segments, the elimination is shown in the eliminations column. Similarly inter-segment receivables and payables are eliminated.

	UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2012						
Continuing operations						
Revenue - external	117,007	29,147	45,044	29,557	-	220,755
- inter-segment	4,746	1,009	-	-	(5,755)	-
Total segment revenue	121,753	30,156	45,044	29,557	(5,755)	220,755
Segment result before exceptional items and discontinued operations						
Exceptional items	(3,068)	-	-	-	-	(3,068)
Segment result	1,021	1,712	3,248	3,613	-	9,594
Central administration costs						(1,939)
Central administration exceptional items						(850)
Net finance expenses						(3,635)
Income tax						(1,753)
Profit from continuing operations for the year ended 31 March 2012						1,417
Balances at 31 March 2012						
Continuing operations						
Segment assets	97,100	16,885	6,224	11,317	4,301	135,827
Segment liabilities	(40,562)	(13,950)	(25,029)	(3,222)	(516)	(83,279)
Capital expenditure						
- property, plant and equipment	1,185	2,437	331	62	-	4,015
- intangible	263	30	87	19	-	399
Depreciation	2,135	742	696	180	-	3,753
Amortisation	368	57	24	85	-	534

4 Segmental information continued

	UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2011						
Continuing operations						
Revenue – external	117,806	33,493	39,980	25,578	–	216,857
– inter-segment	2,599	–	–	–	(2,599)	–
Total segment revenue	120,405	33,493	39,980	25,578	(2,599)	216,857
Segment result before exceptional items and discontinued operations	2,673	2,107	2,096	2,455	–	9,331
Exceptional items	(510)	–	(238)	–	–	(748)
Segment result from continuing operations	2,163	2,107	1,858	2,455	–	8,583
Pre-tax loss from discontinued operations	–	(100)	–	–	–	(100)
Segment result	2,163	2,007	1,858	2,455	–	8,483
Pre-tax loss from discontinued operations						100
Central administration costs						(1,249)
Central administration exceptional items						(152)
Net finance expenses						(2,917)
Income tax						693
Profit from continuing operations year ended 31 March 2011						4,958
Balances at 31 March 2011 continuing operations						
Segment assets	100,853	18,112	6,272	9,438	4,302	138,977
Segment liabilities	(41,243)	(15,721)	(27,245)	(2,611)	153	(86,667)
Capital expenditure						
– property, plant and equipment	1,334	297	231	279	–	2,141
– intangible	307	17	16	181	–	521
Depreciation	2,346	821	780	161	–	4,108
Amortisation	161	44	64	62	–	331
Impairment of fixed property, plant and equipment	–	–	238	–	–	238

(a) Capital expenditure consists of additions of property plant and equipment, intangible assets and goodwill

(b) No single customer accounts for over 10% of total sales

(c) The assets and liabilities that have not been allocated to segments consist of deferred tax assets of £4,640,000 (2011 £4,617,000) and income tax payable of £855,000 (2011 £162,000). In addition the assets and liabilities have been grossed up for VAT of £399,000 (2011 £315,000) to reflect the net position of the Group

(d) No operating segment has been aggregated in determining reportable segments

(e) Central recharges are included within the result of the segment that takes the recharge. The balance of the central costs are not allocated to segments

(f) The 2011 comparatives have been amended to reflect revision to the inter-segmental reporting and eliminations between the segments

Geographical information

The Group's information about its segmental assets (non-current assets excluding deferred tax assets and other financial assets) and turnover by customer destination and product are detailed below

	Non-current assets	
	2012 £000	2011 £000
UK	39,284	39,705
Asia	1,605	1,929
USA	6,589	6,850
Europe	15,008	14,285
Australia	1,963	2,134
	64,449	64,903

Notes to the financial statements (continued)

year ended 31 March 2012

4 Segmental information continued

Turnover by customer destination

	Turnover		2012 %	2011 %
	2012 £000	2011 £000		
UK	84,648	89,916	39	41
USA	58,389	53,076	26	25
Europe	39,797	43,711	18	20
Australia and New Zealand	29,557	25,578	13	12
Rest of the world	8,364	4,576	4	2
Total	220,755	216,857	100	100

Turnover by product

Turnover analysis by product

	2012 £000	2011 £000	2012 %	2011 %
Gift packaging and greetings	148,531	142,409	67	66
Stationery and creative play products	72,224	74,448	33	34
Total	220,755	216,857	100	100

5 Expenses and auditors' remuneration

Included in profit are the following charges/(credits)

	Notes	2012 £000	2011 £000
Depreciation	12	3,470	4,108
Impairment	12	283	–
Profit on sales of property, plant and equipment		(59)	(33)
Release of deferred grant income	7	(550)	(550)
Amortisation of intangible assets	13	534	331
Operating lease payment – minimum lease payment	30	4,057	4,422
Sublease rental income	7	(70)	(73)
Write-down of inventories to net realisable value	16	2,326	2,552
Reversal of previous write-downs on inventory	16	(619)	(603)
Gain on foreign exchange		(1)	(616)

Auditors' remuneration

	2012 £000	2011 £000
Amounts receivable by auditors and their associates in respect of		
Audit of these financial statements	57	54
Audit of financial statements of subsidiaries pursuant to legislation		
– overseas subsidiaries	154	193
– UK subsidiaries	77	62
Other services relating to taxation	174	100

6 Staff numbers and costs

This note includes staff numbers and costs from both continuing and discontinued operations

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

	Number of employees	
	2012	2011
Selling and administration	441	434
Production and distribution	1,619	1,996
	2,060	2,430

The aggregate payroll costs of these persons were as follows

	Note	2012 £000	2011 £000
Wages and salaries		37,331	37,578
Share-based payments	28	43	109
Social security costs		3,165	2,945
Other pension costs		2,055	1,962
		42,594	42,594

For information on Directors' remuneration please refer to the sections titled "Executive share options" and "Directors' remuneration" within the Directors' Remuneration Report

7 Other operating income

	2012 £000	2011 £000
Lease premium	–	271
Grant income received	550	550
Sublease rentals credited to the income statement	70	73
Other	58	125
	678	1,019

8 Finance expenses

	2012 £000	2011 £000
Interest payable on bank loans and overdrafts	2,756	2,295
Other similar charges	699	751
Finance charges in respect of finance leases	3	4
Interest payable under the effective interest method	3,458	3,050
Derivative financial instruments at fair value through income statement	177	(133)
	3,635	2,917

Notes to the financial statements (continued)

year ended 31 March 2012

9 Taxation

Recognised in the income statement

	2012 £000	2011 £000
Current tax expenses		
Current year – UK corporation tax	–	–
Current year – foreign tax	991	1,144
Adjustments for prior years (see below)	798	(605)
	1,789	539
Deferred tax expense		
Original and reversal of temporary differences	(473)	(765)
Adjustments in respect of previous periods	437	(467)
	(36)	(1,232)
Total tax in income statement	1,753	(693)

Reconciliation of effective tax rate

	2012 £000	2011 £000
Profit before tax	3,170	4,265
Profit before tax multiplied by the standard rate of corporation tax of 26% in the UK (2011 28%)	824	1,194
Effects of		
Expenses not deductible for tax purposes	27	21
Recycle of translation gain on closure of subsidiary	–	(3)
Unrecognised tax losses	1,016	633
Benefit of unrecognised deferred tax on losses and temporary difference	(1,826)	(1,291)
Non-taxable income	–	(32)
Deferred tax effect on tax rate charges	92	159
Refund carryback due to change in tax law	–	(427)
Differences between UK and overseas tax rates	349	125
Other items	36	–
Adjustments in respect of prior year	1,235	(1,072)
Total tax in income statement	1,753	(693)

10 Exceptional items

	Cost of sales £000	Selling expenses £000	Admin expenses £000	Total £000
2012 continuing operations				
Restructuring of operational activities				
– redundancies (note a)	–	–	1,201	1,201
– loss on disposal of leasehold land and buildings in China (note b)	–	–	283	283
– China factory move (note c)	–	–	2,434	2,434
Total restructuring costs	–	–	3,918	3,918
Income tax credit				(195)
				3,723

10 Exceptional items continued

2011 continuing operations	Cost of sales £000	Selling expenses £000	Admin expenses £000	Total £000
Restructuring of operational activities				
- redundancies (note d)	27	401	234	662
- impairment of asset for resale (note e)	-	-	238	238
Total restructuring costs	27	401	472	900
Income tax credit				(267)
				633

(a) Redundancies relate to the termination costs of key executives who left the business following a review of Board responsibilities and as a result of business re-organisation in the UK subsidiaries

(b) Loss on disposal of leasehold land and buildings in China as a result of the decision to move the China factory

(c) Costs associated with moving the China factory

(d) The UK design studio moved down to Wales senior management were made redundant from our UK operations due to restructuring within those businesses and the decision was made to bring the China factory under the control of the UK management team resulting in a senior manager in Asia being made redundant. These redundancies cost £662,000

(e) During the prior year the Group was called upon to repay the mortgage of a former senior employee of the USA business upon his repatriation to the UK, according to a guarantee given by the Group about five years ago. The Group purchased the property and has disposed of it for £528,000

11 Discontinued operations

	2011 £000
Revenue	390
Cost of sales	(358)
Gross profit	32
Selling expenses	(17)
Administration expenses	(89)
Operating loss	(74)
Finance expenses	(26)
Loss before tax and exceptional items	(100)
Income tax	-
Loss from discontinued operation before exceptional items	(100)

The net cash flows attributable to Eick Pack are as follows

	2011 £000
Operating cash flows	(13)
Investing cash flows	-
Net cash flows	(13)
Loss per share from discontinued operation	
Basic	(0.2p)
Diluted	(0.2p)

Notes to the financial statements (continued)

year ended 31 March 2012

12 Property, plant and equipment

	Land and buildings		Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
	Freehold £000	Leasehold £000				
Cost						
Balance at 1 April 2010	22,137	8,065	48,644	4,320	988	84,154
Additions	246	6	991	782	116	2,141
Disposals	–	(605)	(2,643)	(2,883)	(262)	(6,393)
Effect of movements in foreign exchange	(68)	(495)	(1,097)	(196)	11	(1,845)
Balance at 1 April 2011	22,315	6,971	45,895	2,023	853	78,057
Additions	141	723	2,832	194	125	4,015
Disposals	–	(721)	(658)	(947)	(263)	(2,589)
Effect of movements in foreign exchange	(483)	226	277	52	7	79
Balance at 31 March 2012	21,973	7,199	48,346	1,322	722	79,562
Depreciation and impairment						
Balance as at 1 April 2010	(7,202)	(2,351)	(36,331)	(3,349)	(722)	(49,955)
Depreciation charge for the year	(920)	(349)	(2,179)	(552)	(108)	(4,108)
Disposals	–	605	2,634	2,876	238	6,353
Effect of movements in foreign exchange	(1)	127	866	182	(3)	1,171
Balance at 1 April 2011	(8,123)	(1,968)	(35,010)	(843)	(595)	(46,539)
Depreciation charge for the year	(930)	(333)	(1,848)	(546)	(96)	(3,753)
Disposals	–	528	653	859	207	2,247
Effect of movements in foreign exchange	89	(51)	(16)	(16)	10	16
Balance at 31 March 2012	(8,964)	(1,824)	(36,221)	(546)	(474)	(48,029)
Net book value						
At 31 March 2012	13,009	5,375	12,125	776	248	31,533
At 31 March 2011	14,192	5,003	10,885	1,180	258	31,518

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 £160,000 (2011 £193,000) in respect of assets held under finance leases

Impairment

The impairments are explained in note 10

Apart from these specific items, all other property, plant and equipment have been compared with the value in use and no further impairments are required. The basis for these conclusions are explained in note 13

Security

All freehold properties are subject to a fixed charge

13 Intangible assets

	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
Balance at 1 April 2010	40,958	2,818	494	44,270
Additions	–	521	–	521
Disposals	(26)	(379)	–	(405)
Effect of movements in foreign exchange	(347)	(44)	1	(390)
Balance at 1 April 2011	40,585	2,916	495	43,996
Additions	–	399	–	399
Disposals	–	(356)	–	(356)
Effect of movements in foreign exchange	(290)	4	–	(286)
Balance at 31 March 2012	40,295	2,963	495	43,753
Amortisation and impairment				
Balance at 1 April 2010	(9,238)	(1,749)	(144)	(11,131)
Amortisation for the year	–	(283)	(48)	(331)
Disposals	26	379	–	405
Effect of movements in foreign exchange	390	57	(1)	446
Balance at 1 April 2011	(8,822)	(1,596)	(193)	(10,611)
Amortisation for the year	–	(486)	(48)	(534)
Disposals	–	352	–	352
Effect of movements in foreign exchange	(39)	(5)	–	(44)
Balance at 31 March 2012	(8,861)	(1,735)	(241)	(10,837)
Net book value				
At 31 March 2012	31,434	1,228	254	32,916
At 31 March 2011	31,763	1,320	302	33,385

The aggregate carrying amounts of goodwill allocated to each geographical segment are as follows

	2012 £000	2011 £000
UK and Asia	25,600	25,600
Europe	4,505	4,842
USA	–	–
Australia	1,329	1,321
Total	31,434	31,763

Impairment

The Group tests goodwill each half year 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. During the last few years 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 three 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 ten years based on a conservative estimate of market growth of 2% (2011: 2%).

Notes to the financial statements (continued)

year ended 31 March 2012

13 Intangible assets continued

Impairment continued

The cash-generating units used the following pre-tax discount rate which are derived from an estimate of the Group's future average weighted cost of capital adjusted to reflect the market assessment of the risks specific to the current estimated cash flows over the same period

Pre-tax discount rates used were

	2012	2011
UK and Asia	13.2%	13.0%
Europe	15.4%	13.0%
USA	16.7%	13.0%
Australia	14.3%	13.0%

All of the cash-generating units' values in use were determined to be higher than fair value less costs to sell, thus this was used as the recoverable amount. In all businesses the carrying value of the goodwill was supported by the recoverable amount and there are currently no reasonably foreseeable changes to assumptions that would give rise to an impairment of the carrying value.

The Directors do not believe a reasonably possible change to the assumptions would give rise to an impairment. The Directors have considered a 3% movement in the discount rate and a flat in budget growth rate assumption in their assessment.

14 Acquisition of subsidiaries

	2011 £000	Settled in cash £000	Translation difference £000	2012 £000
Deferred consideration payable				
Eick Pack (note a)	111	(111)	—	—

a) On 23 January 2007 the Group acquired 100% of the issued share capital of Eick Pack Werner GmbH & 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 made by the previous shareholders to Eick Pack, dependent on Eick Pack's profits for the years ended 31 March 2008 to 2010, including a guaranteed minimum amount of €111,000 payable at the end of this period. This has now been paid. In July 2010 Eick Pack was put into administration.

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Property, plant and equipment	409	591	(1,875)	(1,155)	(1,466)	(564)
Inventory provisions	421	809	—	—	421	809
Capital gains deferred	—	—	(494)	(563)	(494)	(563)
Deferred lease premium	83	79	—	—	83	79
Provisions	722	894	—	—	722	894
Tax loss carried forward	3,817	2,406	—	—	3,817	2,406
Other timing differences	1,557	1,555	—	—	1,557	1,555
Net tax assets/(liabilities)	7,009	6,334	(2,369)	(1,718)	4,640	4,616

The deferred tax asset in respect of tax losses carried forward at 31 March 2012 of £3,817,000 (2011 £2,406,000) is comprised of UK tax losses of £1,943,000 (2011 £1,982,000) and USA losses of £1,874,000 (2011 £424,000). USA tax losses carried forward will become irrecoverable in March 2027. UK tax losses may be carried forward indefinitely. 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 expects that the tax losses will be recoverable against future profits but given the level of tax losses brought forward recoverability has 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 not been recognised. This includes unrecognised deferred tax assets in respect of brought forward UK losses of £444,000 (2011 £480,000) and £4,421,000 (2011 £5,336,000) in respect of brought forward USA tax losses.

15 Deferred tax assets and liabilities continued

No deferred tax asset is recognised in respect of losses for Hong Kong totalling £195,000 (2011 £103,000) and China £661,000 (2011 £530,000). No deferred tax is recognised on unremitted earnings of overseas subsidiaries. Overseas reserves can now be repatriated to the UK with no tax cost. If all overseas earnings were repatriated with immediate effect, no tax charge (2011 £Nil) would be payable.

At the balance sheet date the UK government enacted a 2% reduction in the main rate of UK corporation tax from 26% to 24% effective from 1 April 2012. The government has also proposed reducing the UK corporation tax rate by a further 1% per annum to 22% by 1 April 2014. However, these further rate changes had not been substantively enacted at the balance sheet date and their effects are not, therefore, included in these financial statements. We do not expect that the enactment of these changes will have a material impact on the deferred tax balance of the Group.

There are no deferred tax balances with respect to cash flow hedges.

Movement in deferred tax during the year

	1 April 2011 £000	Disposal of subsidiary £000	Recognised in income £000	Recognised in equity £000	31 March 2012 £000
Property, plant and equipment	(564)	–	(925)	23	(1,466)
Inventory provisions	809	–	(398)	10	421
Capital gains deferred	(563)	–	69	–	(494)
Deferred lease premium	79	–	3	1	83
Provisions	894	–	(150)	(22)	722
Tax loss carried forward	2,406	–	1,436	(25)	3,817
Other timing differences	1,555	–	1	1	1,557
Net tax assets	4,616	–	36	(12)	4,640

Movement in deferred tax during the prior year

	1 April 2010 £000	Restated disposal of subsidiary £000	Restated recognised in income £000	Recognised in equity £000	31 March 2011 £000
Property, plant and equipment	(1,005)	–	430	11	(564)
Inventories	858	(135)	101	(15)	809
Capital gains deferred	(606)	–	43	–	(563)
Deferred lease premium	150	–	(76)	5	79
Provisions	482	–	376	36	894
Tax loss carried forward	2,250	–	155	1	2,406
Other timing differences	1,372	–	203	(20)	1,555
Net tax assets	3,501	(135)	1,232	18	4,616

16 Inventory

	2012 £000	2011 £000
Raw materials and consumables	5,696	7,149
Work in progress	9,375	6,323
Finished goods	27,557	32,110
	42,628	45,582

Of the £42,628,000 (2011 £45,582,000) stock value £38,813,000 (2011 £39,958,000) is held at cost and £4,528,000 (2011 £5,624,000) is held at net realisable value. The write-down of inventories to net realisable value amounted to £2,326,000 (2011 £2,552,000). The reversal of previous write-downs amounted to £619,000 (2011 £603,000). The reversal is due to the inventory being either used or sold.

Materials and consumables and changes in finished goods and work in progress recognised as a cost of sales amounted to £150,991,000 (2011 £149,097,000).

Notes to the financial statements (continued)

year ended 31 March 2012

16 Inventory continued

Part of the Group's funding is via asset backed loans from our bankers. These loans are secured on the inventory and trade receivables of the larger UK and European businesses. The amount of the inventory that is used to secure an asset backed loan is £25,462,000 (2011 £26,651,000). In addition bank loans to Hoomark and IG USA are secured on a freehold property and contents, including inventory, therein.

Refer to note 20 for outstanding balance on asset backed loans and details of the secured bank loans.

17 Assets held for sale

	2012 £000	2011 £000
Asset acquired	-	780
Impairment	-	(238)
Effect of exchange	-	(45)
	-	497

In the previous year the Group was called upon to repay the mortgage of a former senior employee of the USA business upon his repatriation to the UK, according to a guarantee given by the Group about five years ago. The Group purchased the property and disposed of it during the current year for £528,000.

18 Trade and other receivables

	2012 £000	2011 £000
Trade receivables	17,066	17,366
Prepayments and accrued income	1,584	1,742
Other receivables	2,060	1,853
VAT receivable	232	453
Forward foreign currency contracts carried at fair value through the income statement	-	80
	20,942	21,494

Part of the Group's funding is via asset backed loans from our bankers. These loans are secured on the inventory and trade receivables of the larger UK and European businesses. The amount of the trade receivables that is used to secure an asset backed loan is £7,629,000 (2011 £9,928,000).

Refer to note 20 for outstanding balance on asset backed loans.

There are no trade receivables in the current year (2011 £Nil) expected to be recovered in more than twelve months.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 29.

19 Cash and cash equivalents/bank overdrafts

	2012 £000	2011 £000
Cash and cash equivalents	3,168	1,885
Bank overdrafts	(1,945)	(3,620)
Cash and cash equivalents per cash flow statement	1,223	(1,735)

Net debt

	Note	2012 £000	2011 £000
Cash and cash equivalents		3,168	1,885
Bank loans and overdrafts	20	(45,266)	(46,309)
Loan arrangement fees		370	-
Net debt as used in the Financial Review		(41,728)	(44,424)

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 29.

19 Cash and cash equivalents/bank overdrafts continued

Net debt continued

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

20 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 29

	2012 £000	2011 £000
Non-current liabilities		
Secured bank loans (see below)	33,880	8,377
Loan arrangement fees	(258)	-
	33,622	8,377
Current liabilities		
Asset backed loan	5,467	4,449
Revolving credit facilities	-	28,901
Current portion of secured bank loans (see below)	3,974	962
Bank loans and borrowings (see below)	9,441	34,312
Loan arrangement fees	(112)	-
	9,329	34,312

The asset backed loans are secured on the inventory and receivables of the larger business units within the UK and European business segments

The revolving credit facilities are secured on the assets of the Group, in the same way as the bank overdraft above. The interest rate is 2.5% over LIBOR. The facilities are drawn for periods from one day up to six months.

Following the negotiations of new banking facilities in July 2011, the Group accrued arrangement fees which are being spread over the life of the facility.

Terms and debt repayment schedule

	2012 £000	2011 £000
Repayment analysis of bank loans and overdrafts		
Due within one year		
Bank loans and borrowings (see above)	9,441	34,312
Bank overdrafts (note 19)	1,945	3,620
Due between one and two years		
Secured bank loans (see below)	4,666	975
Due between two and five years		
Secured bank loans (see below)	24,807	2,324
Due after more than five years		
Secured bank loans (see below)	4,407	5,078
	45,266	46,309

In July 2011 the Group negotiated new facilities with its principal bank, split between US dollars and sterling comprising a five year loan of £15.2 million with a bullet repayment on the fifth anniversary, a four year amortising loan of £14.8 million, a one year revolving multi-currency credit facility of up to £33 million and a one year rolling multi-currency overdraft facility of up to £5 million, plus a two year asset back loan facility secured on the UK business inventory and debtors.

We have also secured a three year asset backed loan facility of up to £25 million with a USA bank to assist in the funding of the USA business and to mitigate the currency effect on our facility headroom.

Secured bank loans

Loan 1

The principal of £588,000 (2011: £730,000) 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 Greetings USA Inc and is subject to a variable rate of interest linked to the US Federal Funds Rate (US FFR). The currency of denomination of the loan is US dollar.

Notes to the financial statements (continued)

year ended 31 March 2012

20 Loans and borrowings continued

Secured bank loans continued

Loan 2

The principal of £582,000 (2011 £739,000) 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 Greetings USA, Inc. and is subject to a variable rate of interest linked to the US FFR. The currency of denomination of the loan is US dollar.

Loan 3

The principal of £6,281,000 (2011 £7,069,000) is repayable quarterly over a 20 year period ending in July 2028. The loan is secured over the freehold land and buildings and the content therein of Hoomark BV and is subject to a variable rate of interest linked to EURIBOR, that has been swapped to a fixed rate for a notional amount of £5,833,000 (2011 £6,195,000) and a period of three years ending in January 2017. The currency of denomination of the loan is euro.

Loan 4

The principal of £510,000 (2011 £801,000) is repayable monthly over a five 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. The currency of denomination of the loan is sterling.

Loan 5

The principal of £14,904,000 (2011 Nil) is repayable over a five year period with a bullet repayment on the fifth anniversary. £9,100,000 is denominated in sterling and £5,804,000 is denominated in US dollars. They are subject to a variable interest rate linked to LIBOR except for the element that has been swapped. At 31 March 2012 the Group had an interest rate cap on a notional amount of £8 million, and a notional amount of \$8 million, whereby interest payable has been capped at 15% on both notional amounts. The terms of the hedge have been negotiated to match the terms of the commitments.

Loan 6

The principal of £14,988,000 (2011 Nil) is repayable and amortised over a four year period. £8,800,000 is denominated in sterling and £6,188,000 is denominated in US dollars. They are subject to variable interest rate linked to LIBOR except for the elements that have been swapped. At 31 March 2012, the Group had an interest rate swap in place with a notional amount of £6.9 million whereby it receives a floating rate of interest based on LIBOR and pays a fixed rate of interest at 0.92% on the notional amount. The terms of the hedge have been negotiated to match the terms of the commitments.

At 31 March 2012, the Group had an interest rate swap in place with a notional amount of \$9.9 million whereby it receives a floating rate of interest based on LIBOR and pays a fixed rate of interest at 0.77% on notional amount. The terms of the hedge have been negotiated to match the terms of commitment.

21 Deferred income

	2012 £000	2011 £000
Included within non-current liabilities		
Deferred grant income	1,879	2,429
Included within current liabilities		
Deferred grant income	550	550

The deferred grant income is in respect of a government grant relating to a print plant. All conditions have now been met and there is no requirement to repay. It is being amortised in line with the depreciation on the print plant.

22 Provisions

	Property £000
Balance at 1 April 2011	1,847
Provisions released during the year	(507)
Provisions utilised during the year	(20)
Balance at 31 March 2012	1,320

22 Provisions continued

	2012 £000	2011 £000
Non-current	1,003	1,847
Current	317	-
	1,320	1,847

The provision represents the estimated reinstatement cost of two of the Group's leasehold properties under fully repairing leases and provision for an onerous lease for one of those properties. A professional valuation has been performed during the year for one of the leasehold properties and the provision was reassessed and is stated after discounting.

23 Other financial liabilities

	Note	2012 £000	2011 £000
Included within non-current liabilities			
Finance lease		57	99
Other creditors and accruals		390	276
		447	375
Included within current liabilities			
Deferred acquisition payments	14	-	111
Finance lease		69	76
Other creditors and accruals		9,587	9,331
Forward foreign currency contracts carried at fair value through the income statement		97	-
Forward foreign exchange contracts carried at fair value through the hedging reserve		446	124
		10,199	9,642

Finance lease liabilities

Finance lease liabilities are payable as follows

	Minimum lease payments 2012 £000	Interest 2012 £000	Principal 2012 £000	Minimum lease payments 2011 £000	Interest 2011	Principal 2011 £000
Less than one year	78	(9)	69	98	(22)	76
Between one and five years	61	(4)	57	107	(8)	99
	139	(13)	126	205	(30)	175

24 Trade and other payables

	2012 £000	2011 £000
Trade payables	22,396	24,050
Other payables including income taxes and social security	737	1,303
	23,133	25,353

25 Share capital

In thousands of shares	Ordinary shares	
	2012	2011
In issue at 1 April	53,967	52,150
Issued as consideration for acquiring subsidiaries and associates	-	1,492
Options exercised during the year	1,040	325
In issue at 31 March - fully paid	55,007	53,967

Notes to the financial statements (continued)

year ended 31 March 2012

25 Share capital continued

	2012 £000	2011 £000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each	2,750	2,698

Share options exercised during the year amounted to 1,040,000 (2011: 325,000) which generated cash proceeds of £146,000 (2011: £56,000)

During the previous year the Company issued 1,816,613 ordinary shares of 5p each for £1,078,000, £1,491,613 in respect of consideration for the cost of acquiring subsidiaries and £325,000 due to the exercise of share options which generated cash proceeds of £56,000

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

26 Earnings per share

	2012		2011	
	Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items and discontinued operations	6.7p	7.2p	8.2p	8.9p
Loss per share on exceptional items	(6.4p)	(6.9p)	(1.1p)	(1.2p)
Earnings per share from continuing operations	0.3p	0.3p	7.1p	7.7p
Loss per share on discontinued operations	0.0p	0.0p	(0.2p)	(0.2p)
Earnings per share	0.3p	0.3p	6.9p	7.5p

The basic earnings per share is based on the profit attributable to equity holders of the Company of £177,000 (2011: £4,010,000) and the weighted average number of ordinary shares in issue of 54,206,000 (2011: 53,127,000) calculated as follows

	2012	2011
Weighted average number of shares in thousands of shares		
issued ordinary shares at 1 April	53,967	52,150
Shares issued in respect of acquisitions	-	854
Shares issued in respect of exercising of share options	239	123
Weighted average number of shares at 31 March	54,206	53,127

Adjusted basic earnings per share excludes exceptional items charged of £3,918,000 (2011: £900,000), the tax relief attributable to those items of £195,000 (2011: £267,000) and the loss on discontinued operations (net of tax) of £Nil (2011: £100,000), to give adjusted profit of £3,900,000 (2011: £4,743,000)

Diluted earnings per share

The average number of share options outstanding in the year is 5,787,000 (2011: 6,157,000), at an average exercise price of 16.9p (2011: 16.4p). The diluted earnings per share is calculated assuming all these options were exercised. At 31 March the diluted number of shares was 58,486,612 (2011: 57,805,000)

A significant number of shares became exercisable during the year (see note 28)

27 Dividends

No dividends were paid in year (2011: Nil). The Directors do not propose a final dividend for 2012

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 January 2021. At 31 March 2012, outstanding options were as follows:

	Number of ordinary shares	Exercise price (p)	Exercise dates
Approved	3,125,710	14	Dec 2011 – Dec 2018
	10,000	23.5	Apr 2012 – Apr 2019
	191,600	31.25	Jul 2012 – Jul 2019
	97,500	50	Sept 2012 – Sept 2019
	96,774	62	Jan 2014 – Jan 2021
Unapproved	1,416,846	14	Dec 2011 – Dec 2018
	10,900	50	Sept 2012 – Sept 2019
	53,226	62	Jan 2014 – Jan 2021
	5,002,556		

All share-based payments are equity-settled.

There were no performance or profitability conditions attached to the approved options (other than continued employment), except for 48,387 shares issued at 62p, which relate to specific performance targets related to sales of new product areas in the USA. Conditions related to profitability for the two years to March 2011 are attached to the unapproved options awarded to Executive Directors and these conditions have now been fully met.

For the share options outstanding at 31 March 2012 the weighted average remaining contract life was 6.8 years (2011: 7.8 years).

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

	2012		2011	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	16p	6,047,556	15p	6,222,556
Approved options granted during the period	0p	-	62p	96,774
Unapproved options granted in the period	0p	-	62p	53,226
Lapsed during the year	0p	5,000	0p	-
Exercised during the period	14p	(1,040,000)	17p	(325,000)
Outstanding at the end of the period	18p	5,002,556	16p	6,047,556
Exercisable at the end of the period	14p	4,542,566	-	-

The weighted average share price at the date of exercise of share options exercised during the period was 56.6p (2011: 64.4p).

No share options were granted during the year. The principal assumptions used in assessing the fair value of share options granted in the previous period was as follows:

	2011
Fair value at measurement date	£0.20
Weighted average share price	£0.62
Exercise price	£0.62
Expected volatility	50%
Expected option life	Three years
Expected dividends	0%
Risk-free interest rate (based on national government bonds)	2.5%

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

Notes to the financial statements (continued)

year ended 31 March 2012

28 Share-based payments continued

Options continued

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

	2012 £000	2011 £000
Equity-settled share-based payments	43	109

29 Financial instruments

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

As at 31 March 2012, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a liability of £543,000 (2011 net liability of £124,000) and an asset of £Nil (2011 £80,000)

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 market price

Fair value hierarchy

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows

Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

29 Financial instruments continued

a) Fair values of financial instruments continued

Fair value hierarchy continued

	Notes	Carrying amount 2012 £000	Fair value 2012 £000	Carrying amount 2011 £000	Fair value 2011 £000
Cash and cash equivalents	19	3,168	3,168	1,885	1,885
Trade receivables	18	17,066	17,066	17,366	17,366
Other receivables	18	2,060	2,060	1,853	1,853
Financial assets at fair value through profit or loss	18	–	–	80	80
Total financial assets		22,294	22,294	21,184	21,184
Bank loans and overdrafts	19	45,266	45,266	46,309	46,309
Finance lease liability	23	126	126	175	175
Other financial liabilities	23	9,977	9,977	9,718	9,718
Trade payables	24	22,396	22,396	24,050	24,050
Other payables	24	737	737	1,303	1,303
Total financial liabilities measured at amortised cost		78,502	78,502	81,555	81,555
Financial liabilities at fair value through profit or loss	23	97	97	–	–
Financial liabilities at fair value through hedging reserve	23	446	446	124	124
Total financial liabilities at fair value		543	543	124	124
Total financial liabilities		79,045	79,045	81,679	81,679
Net financial liabilities		56,751	56,751	60,495	60,495

b) Credit risk

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 Group has no significant concentration of credit risk exposure as revenues are split across a large number of customers in different geographical areas. The main customers of the Group are large and mid-sized retailers, other manufacturers and wholesalers of greetings products, service merchandisers and trading companies. The Group has established procedures to minimise the risk of default of trade receivables including detailed credit checks undertaken before new customers are accepted and rigorous credit control procedures after sale. These processes have proved effective in minimising the level of impairments required.

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 £22,294,000 (2011: £21,184,000) being the total of the carrying amount of financial assets, excluding equity investments, shown in the table above.

Notes to the financial statements (continued)

year ended 31 March 2012

29 Financial instruments continued

b) Credit risk continued

Exposure to credit risk continued

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

	2012 £000	2011 £000
UK and Asia	7,558	8,842
USA	2,856	2,463
Europe	2,419	2,883
Australia	4,233	3,178
	17,066	17,366

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was

	Gross 2012 £000	Impairment 2012 £000	Gross 2011 £000	Impairment 2011 £000
Not past due	13,132	(16)	12,309	(74)
Past due 0-90 days	3,679	(59)	4,763	(97)
More than 90 days	820	(490)	1,170	(705)
	17,631	(565)	18,242	(876)

There were no unimpaired balances outstanding at 31 March 2012 (2011 Nil) where the Group had renegotiated the terms of the trade receivable

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

	2012 £000	2011 £000
Balance at 1 April	876	1,569
Impairment loss recognised	19	566
Impairment loss reversed	(324)	(1,248)
Effects of movement in foreign exchange	(6)	(11)
Balance at 31 March	565	876

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

c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. In July 2011 the Group negotiated new facilities with its principal bank, split between US dollars and sterling comprising a five year loan of £15.2 million with a bullet repayment on the fifth anniversary, a four year amortising loan of £14.8 million, a one year revolving multi-currency credit facility of up to £33 million and a one year rolling multi-currency overdraft facility of up to £5 million, plus a two year asset back loan facility secured on the UK business inventory and debtors.

We have also secured a three year asset backed loan facility of up to £25 million with a USA bank to assist in the funding of the USA business and to mitigate the currency effect on our facility headroom. See "Treasury operations" in the Financial Review for further details.

The Group's policy with regard to liquidity ensures adequate access to funds by maintaining an appropriate mix of short-term and longer-term facilities, which are reviewed on a regular basis. The maturity profile of debt outstanding at 31 March 2012 is set out in note 20.

29 Financial instruments continued

c) Liquidity risk continued

Financial risk management continued

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

31 March 2012	Notes	Nominal interest rate %	Carrying amount £000	Contractual cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Non-derivative financial liabilities								
Secured bank loans - sterling		4 3	18,410	(21,405)	(2,204)	(2,973)	(16,228)	-
Secured bank loans - US dollar		2 8	13,162	(22,104)	(2,028)	(4,074)	(16,002)	-
Secured bank loans - euros		3 5	6,282	(8,523)	(388)	(402)	(1,283)	(6,450)
Total secured bank loans	20		37,854	(52,032)	(4,620)	(7,449)	(33,513)	(6,450)
Finance leases	23							
- sterling leases		5 5	87	(95)	(60)	(33)	(2)	-
- other leases		6 0	39	(44)	(18)	(19)	(7)	-
Other financial liabilities			9,977	(9,977)	(9,587)	(390)	-	-
Trade payables	24		22,396	(22,396)	(22,396)	-	-	-
Other payables	24		737	(737)	(737)	-	-	-
Asset backed loans		2 3-3 5	5,467	(5,467)	(5,467)	-	-	-
Bank overdraft		1 5-4 5	1,945	(1,945)	(1,945)	-	-	-
Derivative financial liabilities								
Financial liabilities at fair value through the income statement - interest rate swaps ^(a)			97	-	-	-	-	-
Financial liabilities carried at fair value through the hedging reserve - interest rate swaps ^(a)			354	-	-	-	-	-
Forward foreign exchange contracts carried at fair value through the hedging reserve			92	(14,008)	(14,008)	-	-	-
			79,045	(106,701)	(58,838)	(7,891)	(33,522)	(6,450)

(a) The interest swaps with fair values of 97 000 and 354 000 mature over a period of three years ending January 2017

31 March 2011	Notes	Nominal interest rate %	Carrying amount £000	Contractual cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Non-derivative financial liabilities								
Secured bank loans - sterling		4 1	801	(884)	(318)	(318)	(248)	-
Secured bank loans - US dollar		1 7	1,469	(1,529)	(313)	(309)	(907)	-
Secured bank loans - euros		3 4	7,069	(9,191)	(411)	(423)	(1,320)	(7,037)
Total secured bank loans	20		9,339	(11,604)	(1,042)	(1,050)	(2,475)	(7,037)
Finance leases	23							
- sterling leases		5 5	113	(131)	(67)	(47)	(17)	-
- other leases		6 5	62	(74)	(31)	(19)	(24)	-
Other financial liabilities			9,718	(9,718)	(9,442)	(77)	(108)	(91)
Trade payables	24		24,050	(24,050)	(24,050)	-	-	-
Other payables	24		1,303	(1,303)	(1,303)	-	-	-
Asset backed loans		2 8-4 5	4,449	(4,449)	(4,449)	-	-	-
Revolving credit facilities		2 8-3 1	28,901	(28,901)	(28,901)	-	-	-
Bank overdraft		1 4-5 1	3 620	(3 620)	(3,620)	-	-	-
Derivative financial liabilities								
Forward foreign exchange contracts carried at fair value through the hedging reserve			124	(6,666)	(6,666)	-	-	-
			81,679	(90 516)	(79,571)	(1,193)	(2,624)	(7,128)

Notes to the financial statements (continued)

year ended 31 March 2012

29 Financial instruments continued

c) Liquidity risk continued

Financial risk management continued

The following shows the facilities for bank loans, overdrafts, asset backed loans and revolving credit facilities

	31 March 2012				31 March 2011			
	Carrying amount £000	Facility used contractual cash flows £000	Facility unused £000	Total facility £000	Carrying amount £000	Facility used contractual cash flows £000	Facility unused £000	Total facility £000
Secured bank loans (see above)	37,854	(52,032)	-	(52,032)	9,339	(11,604)	-	(11,604)
Asset backed loans (see note (a) below)	5,467	(5,467)	(7,200)	(12,667)	4,449	(4,449)	(5,654)	(10,103)
Revolving credit facilities	-	-	-	-	28,901	(28,901)	(7,899)	(36,800)
Bank overdraft	1,945	(1,945)	(5,221)	(7,166)	3,620	(3,620)	(6,341)	(9,961)
	45,266	(59,444)	(12,421)	(71,865)	46,309	(48,574)	(19,894)	(68,468)

(a) The asset backed loan facilities are dependent upon the levels of the relevant inventory and receivables

(b) The major bank facilities vary in the year depending on forecast debt requirements. The maximum limit across all facilities with the major bank was £75 million. At 31 March 2012 the facility amounted to £38.8 million (2011: £48.0 million)

(c) Additional facilities were available at other banks of £19.5 million (2011: £8.9 million), including asset backed loans according to the level of the receivables and inventory

(d) The short term element (overdraft and RCF) of these facilities was renewed on improved terms in May 2012 which will slightly lower the blended rate in the forthcoming year and provides significant additional headroom

(e) The assets backed loan facilities are to be renewed on

UK - August 2013
USA - July 2014
Europe - July 2014

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

31 March 2012	Carrying amount £000	Contractual cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Interest rate swaps						
Liabilities	354	-	-	-	-	-
Forward exchange contracts						
Liabilities	92	(14,008)	(14,008)	-	-	-

At 31 March 2012, the Group had an interest rate swap in place with notional amount of £6.9 million whereby it receives a floating rate of interest based on LIBOR and pays a fixed rate of interest at 0.92% on the notional amount. The swap is to hedge the exposure to changes in the interest rate. The terms of the hedge have been negotiated to match the terms and commitments. The fair value of the swap at the balance sheet date was a liability of £17,000.

At 31 March 2012, the Group had an interest rate swap in place with a notional amount of \$9.9 million whereby it receives a floating rate of interest based on LIBOR and pays a fixed rate of interest at 0.77% on the notional amount. The swap is to hedge the exposure to changes in the interest rate. The terms of the hedge have been negotiated to match the terms of the commitments. The fair value of the swap at the balance sheet date was a liability of £30,000.

At 31 March 2012 the Group had an interest rate swap in place with notional amount of €7 million whereby it receives a floating rate of interest based on EURIBOR and pays a fixed rate of interest at 2.285% on notional amount. This swap is to hedge the exposure to changes in the interest rate. The terms of the hedge have been negotiated to match the terms of the commitments. The fair value of the swap at the balance sheet date was a liability of £202,000.

29 Financial instruments continued**d) Cash flow hedges continued**

At 31 March 2012, the Group had an interest rate cap on a notional amount of £8 million, and a notional amount of \$8 million whereby interest payable has been capped at 1.5% on both notional amounts. The terms of the hedge have been negotiated to match the terms of the commitments. The fair value of the caps at the balance sheet were liabilities of £105,000.

The Group has forward currency hedging contracts outstanding at 31 March 2012 designated as hedges of expected future purchases in US dollars and Chinese renminbi for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments.

The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments.

The cash flow hedges of the expected future purchases in 2012/2013 were assessed to be highly effective and as at 31 March 2012 a net unrealised loss of £92,000 with related deferred tax credit of £Nil was included in other comprehensive income in respect of these hedging contracts.

31 March 2011	Carrying amount £000	Contractual cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Forward exchange contracts						
Liabilities	124	(6,666)	(6,666)	-	-	-

e) Market risk*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 rarely hedges 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.

However the Group holds loans that are denominated in the functional currency of certain overseas entities.

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 2012	Notes	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	19	2	1	176	2,989	3,168
Trade receivables	18	5,528	2,463	4,716	4,359	17,066
Other receivables	18	1,031	90	275	301	1,697
Secured bank loans	19	(18,410)	(6,282)	(13,162)	-	(37,854)
Loan arrangement fees	19	122	-	248	-	370
Finance leases	23	(87)	-	(39)	-	(126)
Asset backed loans	20	(3,853)	(1,585)	(29)	-	(5,467)
Bank overdrafts	19	(659)	(1,319)	(177)	210	(1,945)
Trade payables	24	(8,739)	(2,017)	(6,739)	(4,881)	(22,376)
Other payables	24	(537)	(200)	-	-	(737)
Financial liabilities at fair value through hedging reserve	23	(446)	-	-	-	(446)
Balance sheet exposure		(26,048)	(8,849)	(14,731)	2,978	(46,650)

Notes to the financial statements (continued)

year ended 31 March 2012

29 Financial instruments continued

e) Market risk continued

Foreign currency risk

31 March 2011	Notes	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	19	2	80	743	1,060	1,885
Trade receivables	18	7,208	3,006	3,613	3,539	17,366
Other receivables	18	984	144	531	194	1,853
Financial assets at fair value through income statement	18	-	80	-	-	80
Secured bank loans	19	(801)	(7,069)	(1,469)	-	(9,339)
Finance leases	23	(113)	-	(55)	(7)	(175)
Asset backed loans	23	(970)	(3,479)	-	-	(4,449)
Revolving credit facilities	23	(17,100)	-	(11,801)	-	(28,901)
Bank overdrafts	19	(219)	(2,761)	(767)	127	(3,620)
Other financial liabilities held at amortised cost	23	(7,004)	(1,432)	(1,282)	-	(9,718)
Trade payables	24	(11,991)	(2,577)	(6,575)	(2,907)	(24,050)
Other payables	24	(1,115)	(184)	-	(4)	(1,303)
Financial liabilities at fair value through hedging reserve	23	(124)	-	-	-	(124)
Balance sheet exposure		(31,243)	(14,192)	(17,062)	2,002	(60,495)

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

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
Euro	0.862	0.850	0.834	0.885
US dollar	0.625	0.642	0.625	0.621

Sensitivity analysis

A 10% weakening of the following currencies against sterling at 31 March 2012 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 is translational exposure.

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 2011.

	Equity		Profit/(loss)	
	2012 £000	2011 £000	2012 £000	2011 £000
Euro	89	1,290	17	86
US dollar	1,339	1,551	(560)	(672)

On the basis of the same assumptions, a 10% strengthening of the above currencies against sterling at 31 March 2012 would have decreased equity and profit or loss by the following amounts:

	Equity		(Loss)/profit	
	2012 £000	2011 £000	2012 £000	2011 £000
Euro	(109)	(1,577)	(20)	(105)
US dollar	(1,637)	(1,896)	684	882

29 Financial instruments continued**e) Market risk continued***Interest rate risk**Profile*

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

	Note	2012 £000	2011 £000
Fixed rate instruments			
Financial liabilities		(31,921)	(6,195)
Variable rate instruments			
Financial assets		3,168	1,885
Financial liabilities		(13,345)	(40,114)
Loan arrangement fees		370	-
Net debt	20	(41,728)	(44,424)

The fixed rate borrowings above are shown after taking account of an interest rate swap (see note 20 loan 3 for details)

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 2011.

	2012 £000	2011 £000
Equity		
Increase	-	-
Decrease	51	191
Profit or loss		
Increase	-	-
Decrease	51	191

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. The new banking facilities with our principal bank have covenants relating to interest cover, cash flow cover and leverage and our articles currently permit borrowings (including letter of credit facilities) to a maximum of four times equity.

	Note	2012 £000	2011 £000
Net assets attributable to owners of the Parent Company		47,804	48,090
Net debt	19	(41,728)	(44,424)
Trading capital		6,076	3,848

The main areas of capital management revolve around the management of the components of working capital including monitoring inventory turn, and months production or cost of sales outstanding, age of inventory, age of trade receivables, balance sheet reforecasting, monthly profit and 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. A particular focus of the Group is leverage measured as the ratio of net debt to pre-exceptional EBITDA which is measured on a monthly basis.

Notes to the financial statements (continued)

year ended 31 March 2012

30 Operating leases

Non-cancellable operating lease rentals are payable as follows

	2012 £000	2011 £000
Less than one year	3,596	5,346
Between one and five years	11,749	12,950
More than five years	12,942	12,976
	28,287	31,272

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 five-yearly rent reviews.

One of the leased properties has been sublet by the Group. The Sub lease 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. Sub lease payments of £70,000 (2011: £73,000) are expected to be received during the financial year.

During the year £4,057,000 was recognised as an expense in the income statement in respect of operating leases (2011: £4,422,000).

31 Capital commitments

At 31 March 2012, the Group had outstanding authorised capital commitments to purchase plant and equipment for £655,000 (2011: £43,000).

32 Related parties

	2012 £000	2011 £000
Sales of goods		
AB Alrick - Hedlund	404	261
Hedlunds Pappers Industri AB	81	22
Festive Productions Ltd	72	18
Mrs L Hedlund	-	3
Hedlund Import AB	4,645	3,844
	5,202	4,148
Purchase of goods		
AB Alrick - Hedlund	7	-
Hedlunds Pappers Industri AB	-	15
Hedlund Import AB	-	4
	7	19
Receivables		
AB Alrick - Hedlund	57	6
Hedlunds Pappers Industri AB	7	2
Festive Productions Ltd	-	11
Hedlund Import AB	-	345
Balance as at 31 March 2012	64	364

Identity of related parties and trading

Hedlund Import AB and AB Alrick Hedlund are under the ultimate control of the Hedlund family. S A Hedlund is a Director of Hedlunds Pappers Industri AB which is under the ultimate control of the Hedlund family. Festive Productions Ltd is a subsidiary undertaking of Malios AG, a company under the ultimate control of the Hedlund family. Mrs L Hedlund is the wife of Mr S A Hedlund.

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

32 Related parties continued

Other related party transactions

Directors of the Company and their immediate relatives have an interest in 49% (2011 52%) of the voting shares of the Company. The shareholdings of Directors are shown in the Directors' Report on pages 20 to 23. Following her resignation, S Tye exercised 300,000 options on 30 March 2012. No other shares were issued to Directors during the year (2011 Nil).

During the previous year the Group was called upon to repay the mortgage of a former senior employee of the USA business upon his repatriation to the UK, according to a guarantee given by the Group about five years ago. The Group has purchased the property, which was sold during the current year.

Directors' remuneration

	2012 £000	2011 £000
Remuneration	1,054	1,181
Compensation for loss of office	558	–
Pension contributions	173	90
Employer national insurance contributions on the above remuneration	137	96
	1,922	1,367

Statement of Directors' responsibilities for the parent company financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of International Greetings plc

We have audited the Parent Company financial statements of International Greetings plc for the year ended 31 March 2012 which comprise the Company Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 68, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the annual report and financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, Chief Executive's Operational Review and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Independent auditors' report (continued) to the members of International Greetings plc

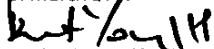
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the Group financial statements of International Greetings plc for the year ended 31 March 2012



Andy Clewer (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Luton

29 June 2012

Company balance sheet as at 31 March 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	3	11	17
Investments	4	61,109	61,084
Total non-current assets		61,120	61,101
Current assets			
Debtors	5	3,528	2,517
Cash at bank and in hand		8,544	-
		12,072	2,517
Creditors amounts falling due within one year	7	(6,641)	(21,551)
Net current assets/(liabilities)		5,431	(19,034)
Creditors amounts falling due after more than one year	8	(26,842)	-
Net assets		39,709	42,067
Capital and reserves			
Called up share capital	8	2,750	2,698
Share premium account	9	3,140	3,046
Capital redemption reserve	9	1,340	1,340
Merger reserve	9	17,164	17,164
Profit and loss account	9	15,315	17,819
Equity shareholders' funds		39,709	42,067

International Greetings plc is registered in England and Wales, number 1401155

These financial statements were approved by the Board of Directors on 27 June 2012 and were signed on its behalf by

P Fineman

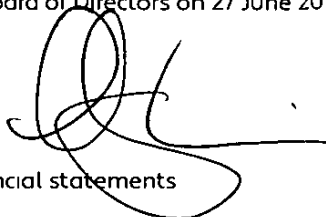
Director

27 JUNE 2012

A Lawrinson

Director

27 JUNE 2012



The notes on pages 72 to 76 form part of these financial statements

Notes to the Company financial statements year ended 31 March 2012

1 Accounting policies - Company

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards (UK Generally Accepted Accounting Practice) 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 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account and 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.

The Company has taken advantage of the exemption in FRS 8 not to disclose transactions with its wholly owned subsidiaries.

The Company has taken advantage of the exemption in paragraph 2d of FRS 29 Financial Instruments: Disclosures and has not disclosed information required to that standard as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosures.

Investment in subsidiary undertakings

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

Property, plant and equipment and depreciation

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

- leasehold land and buildings life of lease
- office equipment three to five years
- motor vehicles four 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.

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.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity.

1 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 subsidiaries' 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.

Deferred tax

The Company takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Full provision without discounting is made for all timing differences which have arisen, but not reversed 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.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee benefits

Pensions

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

2 Dividends

There were no dividends paid in the year (2011 Nil).

3 Tangible assets

	Fixtures and fittings £000	Motor vehicles £000	Software £000	Total £000
Cost				
Balance at 1 April 2011	338	20	9	367
Additions	2	–	1	3
Disposals	(138)	(20)	–	(158)
Balance at 31 March 2012	202	–	10	212
Depreciation and impairment				
Balance as at 1 April 2011	(327)	(20)	(3)	(350)
Depreciation charge for the year	(5)	–	(3)	(8)
Disposals	137	20	–	157
Balance at 31 March 2012	(195)	–	(6)	(201)
Net book value				
At 31 March 2012	7	–	4	11
At 31 March 2011	11	–	6	17

Notes to the Company financial statements (continued)

year ended 31 March 2012

4 Investments

	Cost £000	Impairment £000	Net book value £000
Shares in subsidiary undertakings			
At 1 April 2011	63,744	(2,660)	61,084
Share options charge relating to subsidiary employees	25	-	25
Balance at 31 March 2012	63,769	(2,660)	61,109

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	Great Britain	Manufacture of gift wrapping paper, bows and ribbons	100
Anker International PLC	Great Britain	Distribution of photo albums, frames, stationery and Christmas related products	100
Alligator Books Ltd	Great Britain	Children's book publisher and stationery	100
Scoop Designs Limited	Great Britain	Packaged gifts	100
International Greetings USA, 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)
The Huizhou Gift International Greetings Company Limited	China	Manufacture of Christmas crackers	100 (indirect holding)
Hoomark B V	Netherlands	Manufacture of gift wrapping paper	100 (indirect holding)
Anchor International BV	Netherlands	Distribution of photo albums, frames stationery and Christmas related products	100 (indirect holding)
Artwrap Pty Ltd	Australia	Design and distribution of giftwrap and greetings products	50

Artwrap Pty Ltd has been accounted for as a subsidiary from 1 August 2009 as a result of the Group having the option to purchase the remaining 50% share

5 Debtors

	2012 £000	2011 £000
Trade debtors	2	3
Amounts owed by Group undertakings	1,802	1,301
Other debtors	545	502
Prepayments	384	210
Corporation tax	-	5
Deferred tax assets (see note 6)	795	496
	3,528	2,517

Included within debtors is £Nil (2011 £Nil) expected to be recovered in more than twelve months

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

6 Deferred tax asset

	2012 £000	2011 £000
Difference between accumulated depreciation and capital allowance	67	84
Tax loss carried forward	495	126
Other timing differences	233	286
	795	496

7 Creditors amounts falling due within one year

	2012 £000	2011 £000
Bank loans, overdrafts and revolving credit facility	3,050	17,393
Loan arrangement fees	(122)	–
Trade creditors	495	1,292
Amounts owed to undertakings	1,463	1,104
Other taxes and social security	–	65
Other creditors	840	797
Accruals	915	900
	6,641	21,551

Refer to note 20 of the Group's financial statements for more details of the terms of the bank borrowings

8 Creditors amounts falling due after more than one year

	2012 £000	2011 £000
Bank loans	26,842	–

9 Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
55 006,625 (2011 53,966 625) ordinary shares of 5p each	2,750	2,698

Refer to note 25 of the Group's financial statements for details of movements and note 28 for details of share options

10 Reconciliation of movements in shareholders' funds

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000	Equity shareholders funds £000
At 1 April 2010	2 608	3,006	1,340	16,216	18,543	41,713
Loss for the year	–	–	–	–	(833)	(833)
Options exercised	16	40	–	–	–	56
New shares issued on acquisition of subsidiaries	74	–	–	948	–	1,022
Share-based payments	–	–	–	–	42	42
Share options charge relating to subsidiary employees	–	–	–	–	67	67
At 1 April 2011	2,698	3,046	1,340	17,164	17,819	42,067
Loss for the year	–	–	–	–	(2,547)	(2,547)
Options exercised	52	94	–	–	–	146
Share-based payments	–	–	–	–	18	18
Share options charge relating to subsidiary employees	–	–	–	–	25	25
At 31 March 2012	2,750	3,140	1,340	17,164	15,315	39,709

Within the profit and loss account is a cumulative amount of £152,000 (2011 £127,000) which is unrealised in respect of share options granted to subsidiary employees

Notes to the Company financial statements (continued) year ended 31 March 2012

11 Share-based payments

Please see note 28 of the Group's financial statements for details of share-based payments

12 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 £13,827,000 (2011: £14,810,000) in excess of the amount dealt with in the Company's financial statements.