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International Greetings plc Annual report and financial statements 2013

Company number 1401155

REPORT

01 - 5/8/13

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.

Contents

Financial highlights

Sales (£m)

+2% on 2012

2013	**225**
2012	221
2011	217
2010	198

Operating profit (£m)

+34% on 2012

2013	**9 1**
2012	6 8
2011	7 2
2010	5 4

Underlying diluted earnings per share* (pence)

+16% on 2012

2013	**7 8**
2012	6 7
2011	4 8
2010	4 0

* Underlying earnings per share is stated before exceptional items and normalised to remove a one-off taxation credit in 2011

Net debt (£m)

+£0.2 million on 2012

2013	**42 1◊**
2012	41 9
2011	44 6
2010	48 9

◊ Net debt stated at constant exchange rates was £0 6 million lower

Operational highlights

- Continued double digit growth in earnings per share
- Strong growth in sales and profits in USA – yet again
- Gift packaging and greetings product sales exceeded £150 million
- Major £6 million capital investment programme commenced in UK to support future growth

Our year at a glance

2013 year end is a wrap

Group

- Record sales levels
- Rich Eckman and Lance Burn appointed as Executive Directors
- Phil Dutton appointed as Non-Executive Director
- Group results 'trigger two interest rate reductions whilst overall facilities secured at lower cost and improved terms
- Head office relocation completed with resultant ongoing cost benefit
- Group trading now extends to over 80 countries with product distributed in more than 100 000 stores worldwide

UK

- Sales of Everyday Single Cards grew by over 25% and new two year supply deal with the UK's largest £1 only retailer secured
- Major project commenced and capital investment secured for high speed high definition printing facilities in Wales
- Record volume of gift wrap produced in our plant in Wales
- A co-ordinated approach with UK sales and marketing and China manufacturing to our Christmas cracker business in 2012/13 has provided the opportunity to secure cracker orders from all four of the UK s leading blue chip grocers for 2013/14
- Full operational integration of our two stationery and creative play trading divisions completed on time and on budget

USA

- Another year of double digit sales and profit growth
- Commencement of business with 750 new customers
- Award of 'Partner of Excellence' from Target Corporation
- Record levels of gift wrap production volumes leads to go ahead' for investment in new fast speed wrap packing facilities
- Trading commences with Canada s leading $1 retail chain

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Mainland Europe

- Completed installation and commenced production with new state-of-the-art high definition printing in Holland leading to a notable increase in orders confirmed for 2013/14
- Collaborative production and marketing approach with the UK and USA to optimise gift wrap capacity planning and efficiency

China

- Completion of first season in newly located factory producing in excess of 65 million crackers
- Factory accreditation achieved and audit approved status confirmed with world's leading retailers

Australia

- Upgraded logistics facilities installed including semi-automated systems to facilitate efficient order picking
- Focus on new market opportunities to replace impact of reduced revenue resulting from voluntary insolvency of a large discount retail chain

Delivering on strategy

Our strategy is core to our success

Our key focus points drive the Company forward and keep us reaching for the high standards and targets we set ourselves

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 service

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

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 brands, thereby improving margins and the profile of our profitability

Revenue

Great design, innovative product solutions along with outstanding value and customer service

That's what we focus on. Then we aim to balance our business

By season

- **Christmas**
  £120 4m, 53%
  2012 £111 7m 51%
  2011 £115 6m 53%

- **Everday**
  £104 8m, 47%
  2012 £109 1m 49%
  2011 £101 3m 47%

By brand

- **Customer own brand**
  £99 2m, 44%
  2012 £101 6m 46%
  2011 £104 0m 48%

- **Trade/generic**
  £126 0m, 56%
  2012 £119 2m 54%
  2011 £112 9m 52%

By product category

- **Gift packaging and greetings**
  £154 9m, 69%
  2012 £148 6m 67%
  2011 £142 5m 66%

- **Stationery and creative play**
  £70 3m, 31%
  2012 £72 2, 33%
  2011 £74 4m 34%

By customer destination

- **UK £87 0m, 40%**
  2012 £84 6m 39%
  2011 £89 9m 41%

- **USA £59 0m, 26%**
  2012 £58 4m 26%
  2011 £53 1m 25%

- **Europe £39 4m, 17%**
  2012 £39 8m 18%
  2011 £43 7m 20%

- **Australia and New Zealand £27 8m, 12%**
  2012 £29 6m 13%
  2011 £25 6m 12%

- **Rest of the world**
  £12 0m, 5%
  2012 £8 4m 4%
  2011 £4 6m 2%

Chairman's statement

A year of continued reorganisation and alignment, as we strengthen our foundations for profitable growth.

John Charlton
Chairman

Key achievements

- Revenue from continued operations increased by 2% to £225.2 million
- Operating profit, after exceptional items increased by 34%
- Profits, after exceptional items and post-tax, increased by 188% to £4 1 million

I am pleased to report that Fiscal 2013 has been a year of continued effective reorganisation of our Group, as we strengthen our foundations and commit to further capital expenditure and investment These measures will assist us in achieving increased manufacturing efficiencies and improved profitability going forward

Revenues for the year ended 31 March 2013 rose by 2% to £225 million from continuing operations Operating profit after exceptional items was up 34% to £9 1 million, whilst profit after exceptional items and tax increased from £1 4 million for the year ended 31 March 2012 to £4 1 million, in the year under review

In my statement last year, I reported that an important part of our strategy was to focus on improving our operating and manufacturing efficiencies, in order to increase our profits going forward To this end, during the year we completed the relocation of our factory in China, which will improve our efficiency and cost effectiveness during 2014 and thereafter

The investment we made to install state-of-the-art printing equipment in our gift wrap manufacturing facility in Holland is delivering the benefits we anticipated and providing confidence going forward As a consequence, in April 2013 we placed the order to install identical printing presses in our UK gift wrap manufacturing plant, which will deliver significant improvements in efficiency for the future The markets in which we operate throughout the world continue to be very competitive and challenging In this respect, we shall continue to look at ways to reduce costs and unnecessary expense, whilst doing all that we can to increase revenues

During the year we strengthened our Board with the appointment of Phil Dutton as a Non-Executive Director in May 2012 Phil is also Chair of our Audit Committee and a member of our Remuneration Committee We also appointed Lance Burn and Rich Eckman to our Main Board Lance is Managing Director of our largest subsidiary in Europe – IGUK and also Managing Director of our recently relocated facility in China Rich is Managing Director of IGUSA – our subsidiary in the USA IGUK and IGUSA have significantly improved profitability under Lance and Rich s management

These appointments, working together with our existing Board members, now give us a better balance and composition of the Board I wish Phil, Lance and Rich every success and fulfilment within their responsibilities and I look forward to working with them I should like to thank all my colleagues on the Board for their hard work, commitment, loyalty and support to our Group, but also to me personally I also wish to place on record our thanks and appreciation to all our employees within the Group It is through their efforts and support that our Group continues to make progress and we are grateful for their loyalty

Finally, I thank our shareholders, bankers, customers, suppliers and advisers for their loyalty and contributions to all our businesses throughout the world We never forget that this group of persons always have a choice and we remain very mindful of their support, which we value greatly

John Charlton
Chairman

Chief Executive Officer's review

Growing today and investing for the future.

Paul Fineman
CEO

Key achievements

- Operating profit up 34% to £9 1 million after exceptional items
- Double digit growth in earnings per share
- Continued double digit profit growth in sales and profits in the USA
- Completion of China factory relocation
- Gift packaging and greetings product sales exceed £150 million
- Order placed in April 2013 for major £6 million gift wrap capital investment project in the UK

I am pleased to report a year of progress on many fronts resulting in the achievement of our key objective of double digit earnings per share growth, with operating profit after exceptional items of £91 million, up 34%

Sales revenue at £225 million was achieved through a continuing focus on offering exceptional value to our customers and consumers across the globe

Our manufacturing businesses continued to produce record volumes of product The year saw the completion of the relocation of our gift bags, greetings cards and Christmas cracker manufacturing plant in China and the first season of production in Holland using our new high speed, high definition printing facility This initial phase of investments into enhanced environmentally friendly gift wrap production has now been followed by a second phase in the UK where our project to install identical technology has now commenced, allowing us to compete whilst providing market leading service and value

Geographical highlights

UK and Asia

The UK and Asia business accounted for 53% (2012 54%) of the Group's revenue for the year The collaborative efforts of our UK businesses and China based manufacturing and sourcing facilities has resulted in securing, for the first time, significant commitments from all of the UK major blue-chip grocers for products designed for the forthcoming 2013 Christmas season

Additionally we are delighted to have continued recent years' growth in the everyday greeting cards category and our credibility in this area is demonstrated by a two year commitment received for everyday cards from the UK's largest £1 only multiple retailer

Whilst we continue to enjoy a major share of the UK's gift wrap market, we have also secured significant incremental business for the supply of everyday gift wrap to one of the world's largest home furnishings retailers

Mainland Europe

Mainland Europe continues to be the most challenging of our key markets with revenue at 13% of Group sales (2012 13%)

Nevertheless, an encouraging initial year of production utilising new state-of-the-art machinery in Holland has resulted in the award of significant incremental business for 2013/14 when volumes are expected to increase despite market conditions

USA

Our ambitious plans for sales and profit growth were achieved in the USA with revenue exceeding 22% of Group sales (2012 20%) Once again, growth was delivered across all market segments, including over 750 new upscale customers as well as further growth with the $1 specialist retail sector

The businesses outstanding innovation and customer service was recognised by the world's third largest retailer, Target Corporation, with a Vendor Partner Award, demonstrating that we continue to grow whilst focusing on delivering customer needs The ongoing growth in demand for gift wrap manufactured within our operations based in Savannah, Georgia, will be further supported by a £0 5m fast pay back capital investment programme during 2013

Australia

Artwrap in Australia accounted for 12% (2012 13%) of the Group's revenue for the year Sales volumes were impacted by the voluntary insolvency of a material customer which gave rise to an exceptional charge in the year However, a speedy response to this setback and a focus on other market opportunities bodes well for the future

Customers and licences

More than 500 million units of our products are now sold in over 100,000 retail outlets and in over 80 countries worldwide

Our generic brands have grown in popularity and now represent 56% of our sales Licenced brands remain an important and successful area in our portfolio with 2013 once again seeing growth in sales of Peppa Pig products and a very strong performance of Hello Kitty and Moshi Monster product categories

Whilst new customers are continually introduced across all markets, we are enjoying the benefits of close relationships with long-term, well established and growing customers

Our team

We embrace the changing dynamics across global markets and benefit from the passion and commitment of our teams across all businesses I thank them, once again, for their ingenuity and enthusiasm as we continue to grow and strive to 'raise the bar' across all aspects of our business

Our strategy

The focal points of our strategy remain as relevant today as ever Our targets are to dominate the gift packaging and value stationery markets in which we operate by

- 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, and
- balancing our business, through sustainable and growing sales across geographic regions, seasons, product categories and brands

The future

We are at an exciting stage of our Group's development and have begun a compelling programme of investment in manufacturing in Europe, the USA and the UK and have completed a major factory relocation in China This has been achieved whilst securing increased funding on improved terms

Our new three year plan is on track to deliver double digit cumulative average growth in earnings per share, whilst remaining committed to debt reduction and leverage below two times debt/EBITDA

We have identified new opportunities for incremental growth and shall continue to deploy our resources and energy in accelerating and enhancing this process

Paul Fineman
CEO

Financial review

Driving growth in earnings

Anthony Lawrinson
CFO

Key achievements

- Sales up 2% to £225.2 million
- Pressure on margins fully mitigated through effective cost control
- Operating profit after exceptional items up 34% to £9 1 million (2012 £6 8 million)
- Fully diluted earnings per share before exceptional items increased 16% to 7 8p (2012 6 7p)
- Cash generated from operations of £7 5 million (2012 £11.5 million) after significant investment in working capital to support new everyday contracts
- Extended banking facilities on improved terms to fund future investment in growth

Group performance

Our constant focus on margins, operating profits and cash management has underpinned and supported steady improvement to the financial position of the business despite the insolvency of a material customer in Australia The Company has demonstrated its ability to withstand such events, execute significant operational change (in China and Europe) and still deliver double digit growth in underlying earnings per share Furthermore, with improved financial leverage and more cost effective funding facilities in the UK, the Company now has the flexibility to take advantage of operationally compelling low season manufacturing and to invest in selected future growth opportunities such as that now under way at our site in Wales

Continuing operations

Revenues from continuing operations for the year to 31 March 2013 were up slightly by 2% to £225 2 million (2012 £220 8 million) Sales from the UK, Europe and Australia all fell slightly, the latter due to the insolvency of a major customer but continued strong double digit growth in North America more than outweighed these

Gross profit margin before exceptional items has fallen back slightly to 18 3% (2012 19 3%) reflecting the mix effect of lower sales in our Australian joint venture (0 7%) where margins have historically been better, but also higher freight costs to Europe/UK during the year (0 4%), a risk that was identified in last year s report However, this margin level is still well ahead of the 2011 level of 17 4% The Company aims to improve margins by increasing the balance of own brand products and non Christmas business Success in the former goal, together with innovative design engineering to price points have helped us to otherwise successfully combat deflationary pressure on selling prices and inflationary pressure on raw materials and goods sourced from the Far East

An important dynamic to margin is also the level of FOB business delivered directly to major customers to ports in China This increased by half during the year This typically attracts lower gross margins but also avoids other costs and risks associated with domestic delivery and tends to slightly enhance net margins and returns on capital

Overheads pre exceptionals have decreased year-on-year by a net of £1 0 million, reflecting tight cost control and substantially mitigating the margin effect identified above Cost savings were greater in the UK while modest investment occurred in our growing US market Cost control remains tight and 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 was flat at £10 7 million due to the net effect of the above items However, after exceptional items, operating profit was up 34% to £9 1 million (2012 £6 8 million)

Exceptional items during the year amounted to £1 6 million before tax (2012 £3 9 million) As previously announced these relate to

- a bad debt of £0 5 million in Australia after a major customer went into voluntary administration,
- costs of £0 9 million associated with disruption to operations in China, and
- management restructuring in our UK businesses (£0 2 million) which is expected to result in a payback of less than one year

The administration process of the major customer in Australia has been resolved, prompt terms of trade and a formal charge over goods supplied provided significant mitigation The customer has now restructured and our business still trades with the successor entity with similar protections, though at a much reduced level of activity

Following the relocation of our factory in China and senior management changes, significant disruption occurred and additional cost was incurred late in the season to ensure that customer service was maintained, underpinning strong 2013 season orders

Finance expenses in the year were lower at £3 5 million (2012 £3 6 million) despite the full year effect of bank charges for longer dated facilities This reflected the effect of strong cash control throughout the year but in particular two reductions in margin during the year as key leverage targets were achieved Notes 8 and 17 to the financial statements provide further information

Profit before exceptional items and tax was up 3% to £7 3 million (2012 £7 1 million)

Profit before tax from continuing operations was up 79% to £5 7 million (2012 £3 2 million) after charging exceptional items of £1 6 million (2012 £3 9 million)

Taxation

The headline taxation charge of £1 6 million (2012 £1 8 million) or 28 2% arises because of the exceptional costs associated with the disruption to operations 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 lower at 26% (2012 27 5%) Actual taxation paid in cash during the year amounted to £0 9 million (2012 £1 1 million) and arose 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 just under 30% However, there are still tax losses in the USA with a current tax value of £2 2 million and in the UK with a current tax value of £0 9 million, not yet recognised in the balance sheet The opportunity to recognise and utilise these as profitability is sustained and improves, will suppress the actual tax rate for some time to come

Financial review continued

Profit for the year

Profit for the year was up 188% to £4 1 million (2012 £1 4 million) This was after charging £1 3 million (2012 £3 7 million) in respect of exceptional items

Earnings per share and dividends

Basic earnings per share were 6 0p (2012 0 3p) After removing the effect of exceptional items, the adjusted earnings per share increased to 8 1p (2012 7 2p) representing an increase of 12 5%

Employee share options of 3 0 million had vested but not yet been exercised as at 31 March 2013 As these are exercised, earnings per share will trend towards the fully diluted level and the Company targets growth in this fully diluted metric as a primary goal Fully diluted earnings per share (stated before exceptional items) were 7 8p, up a pleasing 16% on the prior year (2012 6 7p)

No dividend was paid during the year (2012 £nil) and the Board does not propose a final dividend for the year The other 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

Balance sheet and cash flow

Net debt at 31 March 2013 was steady at £42 1 million (2012 £41 9 million) and leverage steady at 2 8 times despite the effect of exchange rates and investment in working capital towards year end to fund operationally compelling manufacturing opportunities and new contracts Notes 17 and 26 to the financial statements provide further information

Year-end net debt included amounts denominated in US dollars of $22 6 million (2012 $20 7 million) and in euros of €12 4 million (2012 €11 0 million) The year-end exchange rates were $1 52 (2012 $1 60) and €1 19 (2012 €1 20) Allowing for this, debt stated at constant exchange rates would have been £0 8 million lower

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 increased to £18 8 million (2012 £17 1 million) at the year end This increase related partly to a change in payment terms to one major customer in the USA but also to sales made pursuant to a material new contract in the UK (see also below relating to stock)

The charge for bad and doubtful debts in the year was £0 3 million or just 0 1% of turnover, excluding the exceptional bad debt in Australia

Gross stock levels increased by 13 5% from £47 3 million to £53 8 million including £1 million relating to the effect of exchange rates The underlying increase reflected further success in obtaining early firm customer orders, which allowed more factory production to begin for the coming season ahead of the traditional summer peak This allowed more efficient use of resources throughout the year, reducing costs However, of even greater impact was the effect of a material new everyday contract which required that product be manufactured and bought in during Q4 to meet customer demand early in the new financial year

Older stock (measured as over 15 months since last purchase) remained stable at £5 5 million (2012 £5 2 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 £7 5 million (2012 £11 5 million) which as noted above reflects an increase in trading working capital employed by £5 7 million (2012 decrease £0 2 million) as a result of higher stock and debtor balances at year end This related to new everyday contracts, required to meet customer demand in late Q4 and early Q1 of the new financial year, and to manufacturing opportunities during the low season January to March

Net investment in capital expenditure was just £1 7 million (2012 £4 3 million), well below depreciation and the prior year, which reflected the investment in a new state-of-the-art printing press at our gift wrap manufacturing operation in Europe Investments approved for the financial year 2013/14 include £6 million (net of grants) for our manufacturing site in Wales to mirror the technology installed in 2012/13 in Europe and a further £0 5 million investment in our fast growing US business Both investments will provide efficiencies and enhance our ability to provide market leading service and value, with the benefits arising after commissioning in the 2014 calendar season and beyond

The UK investment will also result in a consolidation of our operations, freeing up one site for potential sale The market value of this site is estimated to be in excess of £1 million In addition the Company has granted a five-year option to purchase part of another under utilised site (net book value c £1 million) to a power company at a price of £2 4 million and generating premium income of £0 5 million over the option period

Equity attributable to shareholders has increased to £51 9 million from £47 8 million predominantly reflecting profits generated in the year

Risks and key performance indicators

Our areas of primary focus are

- improved earnings attributable to shareholders, 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 - revenue to "rest of world" destinations has increased materially in recent years (see note 4),
- different products - although stationery and creative play products have dropped to 31% of turnover following particular strength in the gift packaging and greetings segment this year (see note 4),
- more everyday products across the year - everyday product reverted to 47% of sales in the year after an increase last year to 49% but a material new everyday contract will impact in 2013/14, and
- brands - the profile of IG brands and licensed products continues to grow with sales in this category now representing 56% of our revenue up from 54% last year

Treasury operations

In August 2011 the principal bank of the Group provided extended and longer dated facilities, providing a sound capital foundation with a maturity profile to suit the Group's needs In April 2013 the bank agreed to further extend those facilities as follows

- an additional £5 million term loan, repayable over three years, with a final repayment coterminous with the main facility,
- an extension to August 2015 of the asset backed loan facility secured on the stock and debtors of the two largest UK businesses,
- a one year renewal of the revolving multi-currency credit facility of up to £28 9 million and the multi-currency overdraft facility of up to £5 million, and
- credit approval to provide an additional £3 25 million hire purchase facility repayable over seven years to fund new printing equipment in our site in Wales, once delivered to site

These facilities provided the Group with improved terms and operational headroom but more importantly, the capability to fund a material new investment at our manufacturing site in Wales The like-for-like blended interest rate on the existing term facilities improved by 1% during the year as a result of achieving specified leverage targets Margins and fees on other existing and new facilities with the principal bank were also improved to match

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
- 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 various interest rate swaps denominated in US dollars, sterling and euros to improve certainty over interest charges The Group adopts hedge accounting for these instruments No new interest rate contracts were entered into during the year

Note 26 to the financial statements provides further information in respect of treasury matters

Overall a solid year with strong development in net profits and earnings per share, providing a strong platform for new investment and growth

Anthony Lawrinson
CFO

Risk management

Identifying and managing risks and uncertainties.

Any commercial opportunities bring a degree of risk.

Category	Description of risk	Mitigation
Currency exposure	The Group is exposed to currency risk, which impacts in three principal ways 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	The Directors mitigate these risks using a mixture of natural hedges and where appropriate, spot purchases, forward contracts and occasionally other similar instruments Translation risks are only hedged selectively
Availability of liquidity	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	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 (15 years remaining) Significant tranches of funding were refinanced in August 2011 for four and five years respectively and refreshed in April 2013 See note 17 to the financial statements
Inventory obsolescence	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	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

Category	Description of risk	Mitigation
Supply chain	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	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 ensure keen pricing and continuity of supply
Economic climate	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	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 8% 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
Management risk	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	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
Operational disruption	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	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 advisers to manage both operational risks and insurance premiums

Board of directors

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 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

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 1 February 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

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 28 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

Lance Burn

Managing Director

Lance joined the Board in October 2012 and has been Managing Director of International Greetings UK Limited since 2009 and International Greetings China since 2011 Lance's previous roles include directing businesses for Rank Hovis McDougal plc, Saint Gobian Solaglas UK and also international overseas based roles for Pepsico International in Africa and India Lance has been a member of the Institute of Directors since 1998

Richard Eckman

CEO of International Greetings USA

Rich joined the Board in October 2012 He joined International Greetings in 2001 and has served as CEO of International Greetings USA since 2011 His early management career included operational and financial positions with Amer Sports Group, Electrolux USA and General Electric

Advisers

Financial and nominated adviser and broker

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

Auditors

Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

Registered office

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Water End
Eversholt MK17 9EA

Share registrar

Capita Registrars
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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

R Eckman and L Burn were appointed to the Board as Executive Directors with effect from 17 October 2012 P Dutton was also appointed as a Non-Executive Director on 24 May 2012 and replaced C Howell as Chair of the Audit Committee after C Howell stepped down at the end of March 2012

S A Hedlund also holds the position of Non-Executive Director on the Board S A Hedlund 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 up to five further 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 papers 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 comprised the three independent Non-Executive Directors (J Charlton, E Bond and P Dutton) with P Dutton as Chairman

The Committee meets as required during the year and at least twice with the Group's external auditor 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 auditor reports 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

The Directors present their annual report and the audited financial statements for the year ended 31 March 2013

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 pages 6 and 7 and Chief Executive Officer's Review on pages 8 and 9

A summary of the financial impact of major events during the year and the financial position at 31 March 2013 can be found in the Financial Review on pages 10 to 13 Information about the use of financial instruments by the Company and its subsidiaries is given in note 26 to the financial statements

Dividends

No interim dividend was paid (2012 £nil) The Directors do not recommend a final dividend (2012 £nil)

Capital structure

Details of the issued share capital, together with details of movements in the Company's issued share capital during the year are shown in note 22 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 25 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
L Burn (appointed 17 October 2012)
J Charlton
P Dutton (appointed 28 May 2012)
R Eckman (appointed 17 October 2012)
P Fineman
S A Hedlund
A Lawrinson

In accordance with the Company's Articles of Association, L Burn and R Eckman will stand for election and J Charlton and S A Hedlund will stand for re-election at the forthcoming Annual General Meeting

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	10,000	—	—	—
L Burn	—	22,400	—	22,400
J Charlton [(a)]	25,000	—	—	—
P Dutton	—	—	—	—
R Eckman	—	200,000	—	200,000
P Fineman [(b)]	3,400,978	1,052,556	2,188,534	2,265,000
S A Hedlund [(c)]	448	—	448	—
A Lawrinson	35,000	—	—	—

* Or date of appointment if later

In addition to the above holdings

(a) 57 500 (2012 57 500) shares are held by the wife of J Charlton
(b) P Fineman owns a non-beneficial interest in 1 025 708 (2012 1 025 708) ordinary shares of 5p each
(c) 19 097 956 (2012 20 310 400) and 2 819 800 (2012 2 819 800) ordinary shares of 5p each are respectively registered in the names of AC Artistic Limited ("Artistic") and Malios Limited companies incorporated in the British Virgin Islands and under the ultimate control of the Hedlund Family Artistic has a further beneficial interest in 500 000 (2012 500 000) ordinary shares of 5p each In addition to the Hedlund Family s beneficial interest set out above the Hedlund Family is also interested in a further 1 150 790 ordinary shares representing a further 2 03% of the current issued share capital of the Company These ordinary shares are held by West Coast Trust a trust for the benefit of S A Hedlund s adult children which holds 900 790 ordinary shares and Claes Hedlund S A Hedlund s brother who owns 250 000 ordinary shares In total the Hedlund Family is interested in 23 568 994 ordinary shares representing 41 52% of the current issued share capital of Company

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

No shares were purchased by Directors between 31 March 2013 and the date of this annual report

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

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

Directors' report continued

Creditor payment policy

It is the Group's policy to settle terms of payment with suppliers when agreeing the terms of each transaction, to 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 45 (2012 42), 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 14 and 15

Corporate governance

For full details see pages 18 and 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 Chief Executive Officer's 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 Financial Review Details of bank loans and borrowings are given in note 17 to the financial statements and liquidity risks are given in note 26 to the financial statements

The Group relies on its banks for financial support and is confident that the facilities 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 5,676,723 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 2014 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 17 and 26 to the financial statements

Auditor

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 auditor is 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 auditor is 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

By order of the Board

A Lawrinson
Director
26 June 2013

No 7, Water End Barns
Eversholt
Beds MK17 9EA
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)

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 and net debt 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 also includes objectives relating to both profit and net debt

Executive share options

No options were exercised by Directors in their time in office, in the current year or prior year other than those noted below by P Fineman relating to options granted by a third party

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

Directors currently holding share options are

	Options
L Burn (1)	22,400
R Eckman (2)	200,000
P Fineman (2)	1,052,556

(1) The exercise price of these share options is 50p and they may be exercised between 23 September 2012 and 23 September 2019
(2) The exercise price of these share options is 14p and they may be exercised between 17 December 2011 and 17 December 2018

On 11 July 2012 P Fineman exercised options over 1,212,444 ordinary shares of 5p each in the Company The options exercised by P Fineman were granted to him on 17 December 2008 by AC Artistic, a company under the control of the Hedlund family The exercise price per ordinary share was 14p

There have been no grants or lapses during the year

The mid-market price of the Company's shares on 31 March 2013 was 51 0p per share, the highest and lowest mid-market prices of the Company s shares during the year were 67 0p and 44 0p respectively

Directors' remuneration

The summary of Directors' remuneration is as follows

	Aggregate for all Directors		Highest paid Director	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Remuneration	**946**	1,054	**312**	350
Compensation for loss of office	**—**	558	**—**	—
Pension contribution	**59**	173	**—**	—
Total remuneration	**1,005**	1,785	**312**	350

The remuneration of the Directors by individual is as follows

	Salary/fees	Bonus	Benefits*	Subtotal 2013	Pension 2013	**Total 2013**
Executive Directors						
L Burn	81,165	—	964	82,129	10,299	92,428
R Eckman	88,122	—	10,529	98,651	4,342	102,993
P Fineman	299,500	—	12,433	311,933	—	311,933
A Lawrinson	178,763	50,000	5,571	234,334	44,125	278,459
Total Executive	**647,550**	**50,000**	**29,497**	**727,047**	**58,766**	**785,813**
Non-Executive Directors						
E Bond	30,000	—	1,240	31,240	—	31,240
J Charlton	70,000	—	3,057	73,057	—	73,057
P Dutton	26,824	—	—	26,824	—	26,824
A Hedlund	85,000	—	2,827	87,827	—	87,827
Total Non-Executive	**211,824**	**—**	**7,124**	**218,948**	**—**	**218,948**
Total Directors	**859,374**	**50,000**	**36,621**	**945,995**	**58,766**	**1,004,761**

* The benefits relate primarily to private health benefits

Directors' remuneration report continued

Directors' remuneration continued

The following Directors were appointed during the year

P Dutton (appointed 24 May 2012)
L Burn (appointed 16 October 2012)
R Eckman (appointed 16 October 2012)

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

	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

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

The highest paid Director is P Fineman (2012 P Fineman)

The Group operated a Group personal pension plan to which the Group contributed for three Directors (2012 four) The Group also provides death in service life assurance to the value of between two and six times pensionable salary

John Charlton
Chairman of the Remuneration Committee

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 IFRS 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 IFRS as adopted by the EU, 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 auditor's 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 2013 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 29 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company s members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditor
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 Report and Financial Statements 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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS 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 2013

Ernst & Young LLP

Andy Clewer (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

27 June 2013

Consolidated income statement
year ended 31 March 2013

	Notes	2013 Before exceptional items £000	2013 Exceptional items (note 10) £000	2013 Total £000	2012 Before exceptional items £000	2012 Exceptional items (note 10) £000	2012 Total £000
Continuing operations							
Revenue	4	**225,211**	**—**	**225,211**	220,755	—	220,755
Cost of sales		**(183,941)**	**(953)**	**(184,894)**	(178,190)	—	(178,190)
Gross profit		**41,270**	**(953)**	**40,317**	42,565	—	42,565
		18 3%		**17 9%**	19 3%		19 3%
Selling expenses		**(12,790)**	**(455)**	**(13,245)**	(13,003)	—	(13,003)
Administration expenses		**(18,789)**	**(195)**	**(18,984)**	(19,580)	(3,635)	(23,215)
Other operating income	7	**803**	**—**	**803**	678	—	678
Profit/(loss) on disposal of property, plant and equipment		**252**	**—**	**252**	63	(283)	(220)
Operating profit/(loss)	5	**10,746**	**(1,603)**	**9,143**	10,723	(3,918)	6,805
Finance expenses	8	**(3,466)**	**—**	**(3,466)**	(3,635)	—	(3,635)
Profit/(loss) before tax		**7,280**	**(1,603)**	**5,677**	7,088	(3,918)	3,170
Income tax (charge)/credit	9	**(1,890)**	**289**	**(1,601)**	(1,948)	195	(1,753)
Profit/(loss) from continuing operations for the period		**5,390**	**(1,314)**	**4,076**	5,140	(3,723)	1,417
Attributable to							
Owners of the Parent Company				**3,401**			177
Non-controlling interests				**675**			1,240

Earnings per ordinary share

	Notes	2013 Diluted	2013 Basic	2012 Diluted	2012 Basic
Adjusted earnings per share excluding exceptional items	23	**7 8p**	**8 1p**	6 7p	7 2p
Loss per share on exceptional items	23	**(2 0p)**	**(2 1p)**	(6 4p)	(6 9p)
Earnings per share from continuing operations	23	**5 8p**	**6 0p**	0 3p	0 3p
Earnings per share	23	**5 8p**	**6 0p**	0 3p	0 3p

Consolidated statement of comprehensive income
year ended 31 March 2013

	2013 £000	2012 £000
Profit for the year	**4,076**	1,417
Other comprehensive income		
Exchange difference on translation of foreign operations	**633**	(88)
Net loss on cash flow hedges (net of tax)	**(5)**	(322)
Other comprehensive income for period, net of tax	**628**	(410)
Total comprehensive income for the period, net of tax	**4,704**	1,007
Attributable to		
Owners of the Parent Company	**3,796**	(475)
Non-controlling interests	**908**	1,482
	4,704	1,007

Consolidated statement of changes in equity

year ended 31 March 2013

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 1 April 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 (note 25)	—	—	—	—	—	43	43	—	43
Options exercised (note 22)	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
Profit for the year	**—**	**—**	**—**	**—**	**—**	**3,401**	**3,401**	**675**	**4,076**
Other comprehensive income	**—**	**—**	**—**	**(5)**	**400**	**—**	**395**	**233**	**628**
Total comprehensive income for the year	**—**	**—**	**—**	**(5)**	**400**	**3,401**	**3,796**	**908**	**4,704**
Equity-settled share-based payment (note 25)	**—**	**—**	**—**	**—**	**—**	**22**	**22**	**—**	**22**
Options exercised (note 22)	**88**	**178**	**—**	**—**	**—**	**—**	**266**	**—**	**266**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(968)**	**(968)**
At 31 March 2013	**2,838**	**4,658**	**17,164**	**(451)**	**846**	**26,833**	**51,888**	**4,684**	**56,572**

Merger reserve

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

Capital redemption reserve

The capital redemption reserve comprises amounts transferred from retained earnings in relation to the redemption of preference shares For ease of presentation, the amount of £1 34 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 2013

	Notes	**As at 31 March 2013 £000**	As at 31 March 2012 £000
Non-current assets			
Property, plant and equipment	11	**29,993**	31,533
Intangible assets	12	**32,795**	32,916
Deferred tax assets	13	**4,250**	4,640
Total non-current assets		**67,038**	69,089
Current assets			
Inventory	14	**50,114**	42,628
Trade and other receivables	15	**23,285**	20,942
Cash and cash equivalents	16	**2,301**	3,168
Total current assets		**75,700**	66 738
Total assets		**142,738**	135,827
Equity			
Share capital	22	**2,838**	2,750
Share premium		**3,318**	3,140
Reserves		**18,899**	18,504
Retained earnings		**26,833**	23,410
Equity attributable to owners of the Parent Company		**51,888**	47,804
Non-controlling interests		**4,684**	4 744
Total equity		**56,572**	52,548
Non-current liabilities			
Loans and borrowings	17	**29,479**	33 622
Deferred income	18	**1,329**	1,879
Provisions	19	**862**	1,003
Other financial liabilities	20	**1,803**	447
Total non-current liabilities		**33,473**	36,951
Current liabilities			
Bank overdraft	16	**336**	1,945
Loans and borrowings	17	**12,847**	9,329
Deferred income	18	**550**	550
Provisions	19	**107**	317
Income tax payable		**904**	855
Trade and other payables	21	**28,995**	23,133
Other financial liabilities	20	**8,954**	10,199
Total current liabilities		**52,693**	46,328
Total liabilities		**86,166**	83,279
Total equity and liabilities		**142,738**	135,827

These financial statements were approved by the Board of Directors on 26 June 2013 and were signed on its behalf by

P Fineman
Director

A Lawrinson
Director

Company number
1401155

The notes on pages 34 to 71 form part of the financial statements

Consolidated cash flow statement

year ended 31 March 2013

	Notes	2013 £000	2012 £000
Cash flows from operating activities			
Profit for the year		**4,076**	1,417
Adjustments for			
Depreciation	11	**3,807**	3,753
Amortisation of intangible assets	12	**494**	534
Finance expenses – continuing operations	8	**3,466**	3,635
Income tax charge – continuing operations	9	**1,601**	1,753
(Profit)/loss on sales of property, plant and equipment	5	**(252)**	220
Loss on external sale of intangible fixed assets		**—**	4
Profit on disposal of assets held for resale		**—**	(8)
Equity-settled share-based payment	25	**22**	43
Operating profit after adjustments for non-cash items		**13,214**	11,351
Change in trade and other receivables		**(1,965)**	224
Change in inventory		**(7,171)**	2,840
Change in trade and other payables		**4,356**	(1,799)
Change in provisions and deferred income		**(901)**	(1,102)
Cash generated from operations		**7,533**	11,514
Tax paid		**(937)**	(1,131)
Interest and similar charges paid		**(3,285)**	(3,491)
Receipts from sales of property for resale		**—**	528
Net cash inflow from operating activities		**3,311**	7,420
Cash flow from investing activities			
Proceeds from sale of property plant and equipment		**421**	122
Acquisition of intangible assets	12	**(242)**	(399)
Acquisition of property, plant and equipment		**(1,884)**	(4,015)
Net cash outflow from investing activities		**(1,705)**	(4,292)
Cash flows from financing activities			
Proceeds from issue of share capital		**266**	146
Repayment of secured borrowings		**(4,060)**	(1,473)
Net movement in credit facilities		**2,748**	(27,785)
Payment of finance lease liabilities		**(115)**	(49)
New bank loans raised		**—**	30,170
New finance leases [a]		**1,764**	—
Loan arrangement fees		**(444)**	(370)
Payment of deferred consideration		**—**	(111)
Dividends paid to non-controlling interests		**(968)**	(918)
Net cash outflow from financing activities		**(809)**	(390)
Net increase in cash and cash equivalents		**797**	2,738
Cash and cash equivalents at beginning of period		**1,223**	(1,735)
Effect of exchange rate fluctuations on cash held		**(55)**	220
Cash and cash equivalents at 31 March	16	**1,965**	1,223

(a) In the prior year fixed assets of £1 764 000 shown as acquisition of property plant and equipment were purchased cash inflow from new finance leases represents proceeds received in respect of these assets which are now held by the Group under finance leases

Notes to the financial statements
year ended 31 March 2013

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 72 to 80

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

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 2012, except for the adoption of new standards and interpretations as of 1 April 2012

Basis of consolidation
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

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

Notes to the financial statements continued
year ended 31 March 2013

1 Accounting policies continued

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

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

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

Notes to the financial statements continued
year ended 31 March 2013

1 Accounting policies continued

Impairment continued

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

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 and deferred consideration 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

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

Notes to the financial statements continued
year ended 31 March 2013

1 Accounting policies continued

Employee benefits continued

Share-based payment transactions continued

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

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 12 Disclosure of Interests in Other Entities

IFRS 12 includes all the disclosure requirements for subsidiaries, joint ventures, associates and "structured entities"

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) 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

International Financial Reporting Standards (IFRS)		Effective date	To be adopted by the Group during years commencing
IFRS 9	Financial Instruments – Classification and Measurement*	01 01 2015	01 04 2015
IFRS 10	Consolidated Financial Statements	01 01 2014	01 04 2014
IFRS 11	Joint Arrangements*	01 01 2014	01 04 2014
IFRS 12	Disclosure of Interests in Other Entities	01 01 2017	01 04 2017
IFRS 13	Fair Value Measurements	01 01 2014	01 04 2014
IAS 1	Presentation of Items of Other Comprehensive Income	01 07 2012	01 04 2013
IAS 16	Property, Plant and Equipment*	01 01 2013	01 04 2014
IAS 19	Employee Benefits	01 01 2013	01 04 2013
IAS 27	Separate Financial Statements	01 01 2014	01 04 2014
IAS 28	Investments in Associates and Joint Ventures	01 01 2014	01 04 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01 01 2013	01 04 2013
IFRS 1	Government Loans*	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
IAS 34	Interim Financial Reporting*	01 01 2013	01 04 2013
Improvements to IFRS 2012*		01 01 2013	01 04 2013

*Not yet endorsed by the EU

None of the above standards are anticipated to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure

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

Notes to the financial statements continued
year ended 31 March 2013

2 Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed in the Directors' Report 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 5 million (2012 £31 4 million) No impairment (2012 £nil) was required The carrying amount of property plant and equipment was £30 0 million (2012 £31 5 million) No impairment loss (2012 £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 14 At the year end, stock purchased more than 15 months previously had increased from £5 3 million to £5 5 million (at March 2013 exchange rates) and the Group has provisions of £3 7 million (2012 £4 8 million) over the total inventory value

Share-based payments

The Directors are required to estimate the fair value 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 25

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 13 for more details

3 Financial risk management

Risk management is discussed in the Directors Report and a discussion of risks and uncertainties can be found on pages 14 and 15, along with the Group's key risks See note 26 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, and
- credit risk is managed by constant review of key debtors and banking with reputable banks

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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 during 2011 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 2013						
Continuing operations						
Revenue – external	118,765	28,499	50,104	27,843	—	225,211
– inter segment	1,433	143	—	—	(1,576)	—
Total segment revenue	120,198	28,642	50,104	27,843	(1,576)	225,211
Segment result before exceptional items	3,974	1,151	3,796	2,431	—	11,352
Exceptional items	(1,084)	—	(64)	(455)	—	(1,603)
Segment result	2,890	1,151	3,732	1,976	—	9,749
Central administration costs						(606)
Net finance expenses						(3,466)
Income tax						(1,601)
Profit from continuing operations for the year ended 31 March 2013						4,076
Balances at 31 March 2013						
Continuing operations						
Segment assets	100,336	17,605	11,170	9,852	3,775	142,738
Segment liabilities	(41,297)	(14,025)	(27,286)	(3,129)	(429)	(86,166)
Capital expenditure						
– property, plant and equipment	795	153	230	706	—	1,884
– intangible	159	11	40	32	—	242
Depreciation	2,237	716	644	210	—	3,807
Amortisation	310	57	39	88	—	494

Notes to the financial statements continued

year ended 31 March 2013

4 Segmental information continued

	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	4,089	1,712	3,248	3,613	—	12,662
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 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

(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 £4 250 000 (2012 £4 640 000) and income tax payable of £904 000 (2012 £855 000) In addition the assets and liabilities have been grossed up for VAT of £475 000 (2012 £399 000) 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

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	
	2013 £000	2012 £000
UK and Asia	**39,276**	40,889
USA	**6,492**	6,589
Europe	**14,483**	15,008
Australia and New Zealand	**2,537**	1,963
	62,788	64,449

Turnover by customer destination

	Turnover 2013 £000	2012 £000	2013 %	2012 %
UK	**87,050**	84,648	**39**	39
USA	**58,976**	58,389	**27**	26
Europe	**39,362**	39,797	**17**	18
Australia and New Zealand	**27,843**	29,557	**12**	13
Rest of the world	**11,980**	8,364	**5**	4
	225,211	220,755	**100**	100

Turnover by product

	2013 £000	2012 £000	2013 %	2012 %
Gift packaging and greetings	**154,947**	148,531	**69**	67
Stationery and creative play products	**70,264**	72,224	**31**	33
Total	**225,211**	220,755	**100**	100

5 Expenses and auditor's remuneration

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

	Notes	2013 £000	2012 £000
Depreciation	11	**3,807**	3 753
(Profit)/loss on sales of property, plant and equipment		**(252)**	220
Release of deferred grant income	7	**(550)**	(550)
Amortisation of intangible assets	12	**494**	534
Operating lease payment – minimum lease payment	27	**3,887**	4,057
Sub-lease rental income	7	**(191)**	(70)
Write down of inventories to net realisable value	14	**2,931**	2,326
Reversal of previous write downs on inventory	14	**(1,116)**	(619)
Loss/(gain) on foreign exchange		**34**	(1)

Auditor's remuneration

	2013 £000	2012 £000
Amounts receivable by the auditor and its associates in respect of		
Audit of these financial statements	**44**	57
Audit of financial statements of subsidiaries pursuant to legislation		
- overseas subsidiaries	**135**	154
- UK subsidiaries	**66**	77
Other services relating to taxation	**2**	174

Notes to the financial statements continued

year ended 31 March 2013

6 Staff numbers and costs

This note includes staff numbers and costs from continuing operations

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

	Number of employees	
	2013	2012
Selling and administration	**397**	441
Production and distribution	**1,411**	1,619
	1,808	2,060

The aggregate payroll costs of these persons were as follows

	Note	**£000**	£000
Wages and salaries		**36,512**	37,331
Share-based payments	25	**22**	43
Social security costs		**2,911**	3,165
Other pension costs		**2,057**	2,055
		41,502	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

	2013 £000	2012 £000
Grant income received	**550**	550
Sub-lease rentals credited to the income statement	**191**	70
Other	**62**	58
	803	678

8 Finance expenses

	2013 £000	2012 £000
Interest payable on bank loans and overdrafts	**2,676**	2,756
Other similar charges	**719**	699
Finance charges in respect of finance leases	**57**	3
Unwinding of fair value discounts	**57**	—
Interest payable under the effective interest method	**3,509**	3,458
Derivative financial instruments at fair value through income statement	**(43)**	177
	3,466	3,635

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9 Taxation

Recognised in the income statement

	2013 £000	2012 £000
Current tax expenses		
Current year – UK corporation tax	—	—
Current year – foreign tax	**516**	991
Adjustments for prior years	**482**	798
	998	1,789
Deferred tax expense		
Original and reversal of temporary differences	**887**	(473)
Adjustments in respect of previous periods	**(284)**	437
	603	(36)
Total tax in income statement	**1,601**	1,753

Reconciliation of effective tax rate

	2013 £000	2012 £000
Profit before tax	**5,677**	3,170
Profit before tax multiplied by the standard rate of corporation tax rate of 24% in the UK (2012 26%)	**1,362**	824
Effects of		
Expenses not deductible for tax purposes	**38**	27
Unrecognised tax losses	**684**	1,016
Benefit of unrecognised deferred tax on losses and temporary differences	**(1,220)**	(1,826)
Deferred tax effect on tax rate changes	**35**	92
Differences between UK and overseas tax rates	**396**	349
Other items	**108**	36
Adjustments in respect of prior years	**198**	1,235
Total tax in income statement	**1,601**	1,753

Notes to the financial statements continued
year ended 31 March 2013

10 Exceptional items

2013 continuing operations	Cost of sales £'000	Selling expenses £'000	Admin expenses £'000	Total £'000
Restructuring of operational activities				
- bad debt [a]	—	455	—	455
- China factory disruptions [b]	953	—	—	953
- management restructuring [c]	—	—	195	195
Total restructuring costs	953	455	195	1,603
Income tax credit				(289)
				1,314

2012 continuing operations	Cost of sales £ 000	Selling expenses £ 000	Admin expenses £ 000	Total £ 000
Restructuring of operational activities				
- redundancies [d]	—	—	1,201	1,201
- loss on disposal of leasehold land and buildings in China [e]	—	—	283	283
- China factory move [f]	—	—	2,434	2,434
Total restructuring costs	—	—	3,918	3,918
Income tax credit				(195)
				3,723

(a) Bad debt arising from major customer entering administration
(b) Costs associated with disruption caused by a strike in the China factory
(c) Redundancy costs arising from restructuring of management at a UK subsidiary
(d) Redundancies relating 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
(e) Loss on disposal of leasehold land and buildings in China as a result of the decision to relocate the China factory
(f) Costs associated with moving the China factory

11 Property, plant and equipment

	Land and buildings		Plant and	Fixtures and	Motor	
	Freehold £000	Leasehold £000	equipment £000	fittings £000	vehicles £000	Total £000
Cost						
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 1 April 2012	21,973	7,199	48,346	1,322	722	79,562
Additions	47	220	1,288	257	72	1,884
Disposals	(302)	(66)	(559)	(437)	(134)	(1,498)
Transfers between categories	—	—	(103)	103	—	—
Effect of movements in foreign exchange	85	396	831	94	23	1,429
Balance at 31 March 2013	**21,803**	**7,749**	**49,803**	**1,339**	**683**	**81,377**
Depreciation and impairment						
Balance as 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 1 April 2012	(8,964)	(1,824)	(36,221)	(546)	(474)	(48,029)
Depreciation charge for the year	(921)	(415)	(1,893)	(499)	(79)	(3,807)
Disposals	149	66	546	435	133	1,329
Transfers between categories	—	—	91	(91)	—	—
Effect of movements in foreign exchange	(34)	(128)	(617)	(86)	(12)	(877)
Balance at 31 March 2013	**(9,770)**	**(2,301)**	**(38,094)**	**(787)**	**(432)**	**(51,384)**
Net book value						
At 31 March 2013	**12,033**	**5,448**	**11,709**	**552**	**251**	**29,993**
At 31 March 2012	13,009	5,375	12,125	776	248	31 533

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 £1,850,000 (2012 £160,000) in respect of assets held under finance leases

Security

All freehold properties are subject to a fixed charge

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year ended 31 March 2013

12 Intangible assets

	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
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 1 April 2012	40,295	2,963	495	43,753
Additions	—	242	—	242
Disposals	—	(48)	—	(48)
Effect of movements in foreign exchange	405	68	3	476
Balance at 31 March 2013	**40,700**	**3,225**	**498**	**44,423**
Amortisation and impairment				
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 1 April 2012	(8 861)	(1,735)	(241)	(10,837)
Amortisation for the year	—	(447)	(47)	(494)
Disposals	—	48	—	48
Effect of movements in foreign exchange	(296)	(48)	(1)	(345)
Balance at 31 March 2013	**(9,157)**	**(2,182)**	**(289)**	**(11,628)**
Net book value				
At 31 March 2013	**31,543**	**1,043**	**209**	**32,795**
At 31 March 2012	31,434	1,228	254	32,916

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

	2013 £000	2012 £000
UK and Asia	**25,600**	25,600
Europe	**4,541**	4,505
USA	**—**	—
Australia	**1,402**	1,329
Total	**31,543**	31,434

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 on page 50), 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 which are approved by the Board The key assumptions in those budgets are sales, margins achievable and overhead costs The Group then extrapolates cash flows for the following seven years based on a conservative estimate of market growth of 2% (2012 2%)

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

	2013 £000	2012 £000
UK and Asia	**12 7%**	13 2%
Europe	**15 3%**	15 4%
USA	**16 7%**	16 7%
Australia	**14 3%**	14 3%

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 budget growth rate assumption in their assessment

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Property, plant and equipment	**1,204**	409	**(884)**	(1,875)	**320**	(1,466)
Capital gains deferred	**—**	—	**(472)**	(494)	**(472)**	(494)
Tax loss carried forward	**3,278**	3,817	**(1)**	—	**3,277**	3,817
Other timing differences	**1,125**	2,783	**—**	—	**1,125**	2,783
Net tax assets/(liabilities)	**5,607**	7,009	**(1,357)**	(2,369)	**4,250**	4,640

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year ended 31 March 2013

13 Deferred tax assets and liabilities continued

Recognised deferred tax assets and liabilities continued

The deferred tax asset in respect of tax losses carried forward at 31 March 2013 of £2,819,000 (2012 £3,817,000) is comprised of UK tax losses of £29,000 (2012 £1,943,000) and US losses of £2,790,000 (2012 £1,874,000) US 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 £858,000 (2012 £444,000) and £2,153,000 (2012 £4,421,000) in respect of brought forward US tax losses

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 (2012 £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 rate is 23% from 1 April 2013 and the government has also proposed reducing the UK corporation tax rate by a further 3% per annum to 20% by 1 April 2015 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 The enactment of these changes would reduce the deferred tax balance of the Group by £0 1 million

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

Movement in deferred tax during the year

	1 April 2012 £000	Recognised in income £000	Recognised in equity £000	**31 March 2013 £000**
Property, plant and equipment	(1,466)	1,778	8	**320**
Capital gains deferred	(494)	22	—	**(472)**
Tax loss carried forward	3,817	(671)	131	**3,277**
Other timing differences	2,783	(1,732)	74	**1,125**
Net tax assets	4,640	(603)	213	**4,250**

Movement in deferred tax during the prior year

	1 April 2011 £000	Recognised in income £000	Recognised in equity £000	31 March 2012 £000
Property, plant and equipment	(564)	(925)	23	(1,466)
Capital gains deferred	(563)	69	—	(494)
Tax loss carried forward	2,406	1,436	(25)	3,817
Other timing differences	3,337	(544)	(10)	2,783
Net tax assets	4,616	36	(12)	4,640

14 Inventory

	2013 £000	2012 £000
Raw materials and consumables	**5,488**	5,696
Work in progress	**9,100**	9,375
Finished goods	**35,526**	27,557
	50,114	42,628

Of the £50,114,000 (2012 £42,628,000) stock value £44,074,000 (2012 £34,234,000) is held at cost and £6,040,000 (2012 £8,394,000) is held at net realisable value The write down of inventories to net realisable value amounted to £2,931,000 (2012 £2,326,000) The reversal of previous write downs amounted to £1,116,000 (2012 £619,000) The reversal is due to the inventory being either used or sold

Materials, consumables, changes in finished goods and work in progress recognised as a cost of sale amounted to £159,525,000 (2012 £150,991,000)

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 £31,544,000 (2012 £25,462,000) In addition bank loans to Hoomark and IGUSA are secured on a freehold property and contents, including inventory, therein

Refer to note 17 for outstanding balance on asset backed loans and details of the secured bank loans

15 Trade and other receivables

	2013 £000	2012 £000
Trade receivables	**18,799**	17,066
Prepayments and accrued income	**1,486**	1,584
Other receivables	**2,012**	2,060
VAT receivable	**988**	232
	23,285	20,942

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 £9,684,000 (2012 £7,629,000)

Refer to note 17 for outstanding balance on asset backed loans

There are no trade receivables in the current year (2012 £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 26

Notes to the financial statements continued
year ended 31 March 2013

16 Cash and cash equivalents/bank overdrafts

	2013 £000	2012 £000
Cash and cash equivalents	**2,301**	3,168
Bank overdrafts	**(336)**	(1,945)
Cash and cash equivalents per cash flow statement	**1,965**	1,223

Net debt

	Note	2013 £000	2012 £000
Cash and cash equivalents		**2,301**	3,168
Bank loans and overdrafts	17	**(43,215)**	(45,266)
Loan arrangement fees		**553**	370
Finance leases		**(1,777)**	(126)
Net debt as used in the Financial Review		**(42,138)**	(41,854)

The Group s exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 26

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

17 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 26

	2013 £000	2012 £000
Non-current liabilities		
Secured bank loans (see page 55)	**29,775**	33,880
Loan arrangement fees	**(296)**	(258)
	29,479	33,622
Current liabilities		
Asset backed loan	**7,683**	5,467
Revolving credit facilities	**658**	—
Current portion of secured bank loans (see page 55)	**4,763**	3,974
Bank loans and borrowings (see page 55)	**13,104**	9,441
Loan arrangement fees	**(257)**	(112)
	12,847	9,329

The asset backed loans are secured on the inventory and receivables of the larger business units within the UK, USA 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 3 2% 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

Repayment analysis of bank loans and overdrafts	Note	2013 £000	2012 £000
Due within one year			
Bank loans and borrowings (see below)		**13,104**	9,441
Bank overdrafts	16	**336**	1 945
Due between one and two years			
Secured bank loans (see below)		**4,725**	4,666
Due between two and five years			
Secured bank loans (see below)		**20,984**	24,807
Due after more than five years			
Secured bank loans (see below)		**4,066**	4,407
		43,215	45,266

Secured bank loans

Loan 1

The principal of £487,000 (2012 £588,000) 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 dollars

Loan 2

The principal of £470,000 (2012 £582,000) 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 dollars

Loan 3

The principal of £5,956,000 (2012 £6,281,000) 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 B V 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 £5,882,000 (2012 £5,833,000) over a period of three years ending in January 2017 The currency of denomination of the loan is euros

Loan 4

The principal of £218,000 (2012 £510,000) 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

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17 Loans and borrowings continued

Secured bank loans continued

Loan 5

The principal of £15,208,000 (2012 £14,904,000) is repayable over a five year period with a bullet repayment in May 2016 £9,100,000 is denominated in sterling and £6,108,000 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 2013 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

Loan 6

The principal of £12,199,000 (2012 £14,988,000) is repayable and amortised over a four year period to May 2015 £7,000,000 is denominated in sterling and £5,199,000 is denominated in US dollars They are subject to a variable interest rate linked to LIBOR except for the elements that have been swapped At 31 March 2013, the Group had an interest rate swap in place with a notional amount of £5 1 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 2013, the Group had an interest rate swap in place with a notional amount of $7 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 terms of the hedge have been negotiated to match the terms of commitment

18 Deferred income

	2013 £000	2012 £000
Included within non-current liabilities		
Deferred grant income	**1,329**	1,879
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

19 Provisions

	Property £000
Balance at 1 April 2012	1,320
Provisions released during the year	(165)
Unwinding of fair value discounts	57
Provisions utilised during the year	(243)
Balance at 31 March 2013	**969**

	2013 £000	2012 £000
Non-current	**862**	1,003
Current	**107**	317
	969	1,320

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 was performed during the prior year for one of the leasehold properties and the provision was reassessed and is stated after discounting

20 Other financial liabilities

	2013 £000	2012 £000
Included within non-current liabilities		
Finance lease	**1,540**	57
Other creditors and accruals	**263**	390
	1,803	447
Included within current liabilities		
Finance lease	**237**	69
Other creditors and accruals	**8,212**	9,587
Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	**54**	97
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	**451**	446
	8,954	10,199

Finance lease liabilities

Finance lease liabilities are payable as follows

	Minimum lease payments 2013 £000	**Interest 2013 £000**	**Principal 2013 £000**	Minimum lease payments 2012 £000	Interest 2012 £000	Principal 2012 £000
Less than one year	**314**	**(77)**	**237**	78	(9)	69
Between one and five years	**1,717**	**(177)**	**1,540**	61	(4)	57
	2,031	**(254)**	**1,777**	139	(13)	126

21 Trade and other payables

	2013 £000	2012 £000
Trade payables	**28,291**	22,396
Other payables including income taxes and social security	**704**	737
	28,995	23,133

22 Share capital

Authorised share capital at 31 March 2013 and 2012 was £6,047,443 divided into 120,948,860 ordinary shares of 5p each

	Ordinary shares	
In thousands of shares	**2013**	2012
In issue at 1 April	**55,007**	53,967
Options exercised during the year	**1,761**	1,040
In issue at 31 March – fully paid	**56,768**	55,007

	2013 £000	2012 £000
Allotted, called up and fully paid		
Ordinary shares of £0 05 each	**2,838**	2,750

Share options exercised during the year amounted to 1,760,600 (2012 1,040,000) which generated cash proceeds of £266,000 (2012 £146,000)

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

23 Earnings per share

	2013		2012	
	Diluted	**Basic**	Diluted	Basic
Adjusted earnings per share excluding exceptional items and discontinued operations	**7 8p**	**8 1p**	6 7p	7 2p
Loss per share on exceptional items	**(2 0p)**	**(2 1p)**	(6 4p)	(6 9p)
Earnings per share from continuing operations	**5 8p**	**6 0p**	0 3p	0 3p
Earnings per share	**5 8p**	**6 0p**	0 3p	0 3p

The basic earnings per share is based on the profit attributable to equity holders of the Company of £3,401,000 (2012 £177,000) and the weighted average number of ordinary shares in issue of 56,245,000 (2012 54,206,000) calculated as follows

Weighted average number of shares in thousands of shares	**2013**	2012
Issued ordinary shares at 1 April	**55,007**	53,967
Shares issued in respect of exercising of share options	**1,238**	239
Weighted average number of shares at 31 March	**56,245**	54,206

Adjusted basic earnings per share excludes exceptional items charged of £1,376,000 (2012 £3,918,000) and the tax relief attributable to those items of £221,000 (2012 £195,000), to give adjusted profit of £4,556,000 (2012 £3,900,000)

Diluted earnings per share

The average number of share options outstanding in the year is 3,664,232 (2012 5,787,000), at an average exercise price of 19 6p (2012 16 9p) The diluted earnings per share is calculated assuming all these options were exercised At 31 March the diluted number of shares was 58,794,617 (2012 58,486,612)

24 Dividends

No dividends were paid in the year (2012 £nil) The Directors do not propose a final dividend for 2013

25 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 2013, outstanding options were as follows

	Number of ordinary shares	Exercise price (p)	Exercise dates
Approved	1,952,140	14	December 2011 - December 2018
	10,000	23 5	April 2012 - April 2019
	38,000	31 25	July 2012 - July 2019
	35,500	50	September 2012 - September 2019
	96,774	62	January 2014 - January 2021
Unapproved	945,416	14	December 2011 - December 2018
	10,900	50	September 2012 - September 2019
	53,226	62	January 2014 - January 2021
	3,141,956		

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 US 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 2013, the weighted average remaining contract life was 5 8 years (2012 6 8 years)

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

	2013		2012	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**18p**	**5,002,556**	16p	6,047,556
Approved options granted during the period	**0p**	**—**	0p	—
Unapproved options granted in the period	**0p**	**—**	0p	—
Lapsed during the year	**0p**	**(100,000)**	0p	(5,000)
Exercised during the period	**15p**	**(1,760,600)**	14p	(1,040,000)
Outstanding at the end of the period	**17p**	**3,141,956**	18p	5,002,556
Exercisable at the end of the period	**14p**	**2,991,956**	14p	4,542,566

The weighted average share price at the date of exercise of share options exercised during the period was 54 9p (2012 56 6p)

No share options were granted during the year or the previous year

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

	2013 £000	2012 £000
Equity-settled share-based payments	**22**	43

Notes to the financial statements continued
year ended 31 March 2013

26 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 2013, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a liability of £505,000 (2012 liability of £543,000)

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

	Notes	Carrying amount 2013 £000	Fair value 2013 £000	Carrying amount 2012 £000	Fair value 2012 £000
Cash and cash equivalents	16	**2,301**	**2,301**	3,168	3,168
Trade receivables	15	**18,799**	**18,799**	17,066	17,066
Other receivables	15	**2,012**	**2,012**	2,060	2,060
Total financial assets		**23,112**	**23,112**	22,294	22,294
Bank loans and overdrafts	16	**43,215**	**43,215**	45,266	45,266
Finance lease liability	20	**1,777**	**1,777**	126	126
Other financial liabilities	20	**8,475**	**8,475**	9,977	9,977
Trade payables	21	**28,291**	**28,291**	22,396	22,396
Other payables	21	**704**	**704**	737	737
Total financial liabilities measured at amortised cost		**82,462**	**82,462**	78,502	78,502
Financial liabilities at fair value through profit or loss	20	**54**	**54**	97	97
Financial liabilities at fair value through hedging reserve	20	**451**	**451**	446	446
Total financial liabilities at fair value		**505**	**505**	543	543
Total financial liabilities		**82,967**	**82,967**	79,045	79,045
Net financial liabilities		**59,855**	**59,855**	56,751	56,751

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 £23,122,000 (2012 £22,294,000) 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 2013

26 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

	2013 £000	2012 £000
UK and Asia	**7,357**	7,558
USA	**4,796**	2,856
Europe	**2,709**	2,419
Australia	**3,937**	4,233
	18,799	17,066

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was

	Gross 2013 £000	Impairment 2013 £000	Gross 2012 £000	Impairment 2012 £000
Not past due	**12,616**	**(43)**	13,132	(16)
Past due 0-90 days	**5,790**	**(94)**	3,679	(59)
More than 90 days	**857**	**(327)**	820	(490)
	19,263	**(464)**	17,631	(565)

There were no unimpaired balances outstanding at 31 March 2013 (2012 £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

	2013 £000	2012 £000
Balance at 1 April	**565**	876
Charge for year	**964**	361
Unused amounts reversed	**(262)**	(324)
Amounts written off	**(813)**	(342)
Effects of movement in foreign exchange	**10**	(6)
Balance at 31 March	**464**	565

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 The Group has facilities with its principal bank, split between US dollars and sterling comprising a five year loan of £15 2 million with a bullet repayment in May 2016, a four year amortising loan to May 2015 of £14 8 million, a one year revolving multi-currency credit facility of up to £28 9 million and a one year rolling multi-currency overdraft facility of up to £5 million, plus an asset back loan facility secured on the UK business inventory and debtors

We also have an asset backed loan facility of up to £25 million with a US bank to assist in the funding of the US 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 2013 is set out in note 17

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

31 March 2013	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		3 5-3 9	16,318	(17,709)	(2,448)	(2,396)	(12,865)	—
Secured bank loans – US dollar		3 2-3 6	12,264	(13,203)	(2,001)	(2,133)	(9,069)	—
Secured bank loans – euros		3 8	5,956	(7,739)	(597)	(583)	(1,662)	(4,897)
Total secured bank loans	17		34,538	(38,651)	(5,046)	(5,112)	(23,596)	(4,897)
Finance leases	20							
– sterling leases		5 5	34	(35)	(33)	(2)	—	—
– euro leases		4 8	1,719	(1,969)	(262)	(262)	(1,445)	—
– other leases		6 0	24	(27)	(19)	(7)	(1)	—
Other financial liabilities			8,475	(8,475)	(8,212)	(263)	—	—
Trade payables	21		28,291	(28,291)	(28,291)	—	—	—
Other payables	21		704	(704)	(704)	—	—	—
Asset backed loans		2 3-3 5	7,683	(7,683)	(7,683)	—	—	—
Revolving credit facilities		3 5-3 7	658	(658)	(658)	—	—	—
Bank overdraft		1 5-4 5	336	(336)	(336)	—	—	—
Derivative financial liabilities								
Financial liabilities at fair value through the income statement – interest rate swaps (a)			54	—	—	—	—	—
Financial liabilities carried at fair value through the hedging reserve – interest rate swaps (a)			546	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve			(95)	(12,925)	(12,925)	—	—	—
			82,967	(99,754)	(64,169)	(5,646)	(25,042)	(4,897)

(a) The interest rate swaps with fair values of £54 000 and £546 000 mature over a period ending January 2017

Notes to the financial statements continued
year ended 31 March 2013

26 Financial instruments continued

c) Liquidity risk continued

Financial risk management continued

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	17		37,854	(52,032)	(4,620)	(7,449)	(33,513)	(6,450)
Finance leases	20							
– sterling leases		5 5	87	(95)	(60)	(33)	(2)	—
– other leases		6 0	39	(44)	(18)	(19)	(7)	—
Other financial liabilities			9977	(9,977)	(9,587)	(390)	—	—
Trade payables	21		22,396	(22,396)	(22,396)	—	—	—
Other payables	21		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 [b]			97	—	—	—	—	—
Financial liabilities carried at fair value through the hedging reserve – interest rate swaps [b]			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)

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

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

	31 March 2013				31 March 2012			
	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)	**34,538**	**(38,651)**	**—**	**(38,651)**	37,854	(52,032)	—	(52,032)
Asset backed loans	**7,683**	**(7,683)**	**(4,900)**	**(12,583)**	5,467	(5,467)	(7,200)	(12,667)
Revolving credit facilities	**658**	**(658)**	**(2,242)**	**(2,900)**	—	—	—	—
Bank overdraft	**336**	**(336)**	**(4,137)**	**(4,473)**	1,945	(1,945)	(5,221)	(7,166)
	43,215	**(47,328)**	**(11,279)**	**(58,607)**	45,266	(59,444)	(12,421)	(71,865)

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

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 (2012 £75 million) At 31 March 2013 the facility amounted to £35 8 million (2012 £38 8 million)

Additional facilities were available at other banks of £18 7 million (2012 £19 5 million), including asset backed loans according to the level of receivables and inventory

The short term overdraft, RCF and the asset backed loan elements of those facilities was renewed on improved terms in May 2013, which will slightly lower the blended rate in the forthcoming year and provide significant additional headroom

The asset backed loan facilities are to be renewed on

- UK – August 2015,
- USA – July 2014, and
- 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 2013	**Carrying amount £000**	**Contractual cash flows £000**	**One year or less £000**
Interest rate swaps			
Liabilities	**546**	**—**	**—**
Forward exchange contracts			
Liabilities	**(95)**	**(12,925)**	**(12,925)**

31 March 2012	Carrying amount £000	Contractual cash flows £000	One year or less £000
Interest rate swaps			
Liabilities	354	—	—
Forward exchange contracts			
Liabilities	92	(14,008)	(14,008)

At 31 March 2013, the Group had an interest rate swap in place with a notional amount of £5 1 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 £31,000

Notes to the financial statements continued
year ended 31 March 2013

26 Financial instruments continued

d) Cash flow hedges continued

At 31 March 2013, the Group had an interest rate swap in place with a notional amount of $7.9 million (£5.2 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 £20,000.

At 31 March 2013 the Group had an interest rate swap in place with a notional amount of €7 million (£5.9 million), whereby it receives a floating rate of interest based on EURIBOR and pays a fixed rate of interest at 2.29% on the 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 £319,000.

At 31 March 2013, the Group had an interest rate cap on a notional amount of £8 million, and a notional amount of $8 million (£5.3 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 date were liabilities of £176,000.

The Group has forward currency hedging contracts outstanding at 31 March 2013 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 2013/14 were assessed to be highly effective and as at 31 March 2013 a net unrealised gain of £95,000 with related deferred tax credit of £nil was included in other comprehensive income in respect of these hedging contracts.

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 2013	Notes	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	16	(158)	423	1,604	432	2,301
Trade receivables	15	5,989	2,736	6,068	4,006	18,799
Other receivables		1,484	35	174	202	1,895
Secured bank loans	17	(16,318)	(5,956)	(12,264)	—	(34,538)
Loan arrangement fees	17	403	—	150	—	553
Finance leases	20	(34)	(1,719)	(24)	—	(1,777)
Asset backed loans	17	(3,125)	(3,219)	(1,339)	—	(7,683)
Revolving credit facilities	17	—	—	(658)	—	(658)
Bank overdrafts	16	1,416	18	(2,193)	423	(336)
Trade payables	21	(10,809)	(3,352)	(10,578)	(3,552)	(28,291)
Other payables	21	(584)	(120)	—	—	(704)
Financial liabilities at fair value through hedging reserve	20	(451)	—	—	—	(451)
Balance sheet exposure		**(22,187)**	**(11,154)**	**(19,060)**	**1,511**	**(50,890)**

31 March 2012	Notes	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	16	2	1	176	2,989	3,168
Trade receivables	15	5,528	2,463	4,716	4,359	17,066
Other receivables		1,031	90	275	301	1,697
Secured bank loans	17	(18,410)	(6,282)	(13,162)	—	(37,854)
Loan arrangement fees	17	122	—	248	—	370
Finance leases	20	(87)	—	(39)	—	(126)
Asset backed loans	17	(3,853)	(1,585)	(29)	—	(5,467)
Bank overdrafts	16	(659)	(1,319)	(177)	210	(1,945)
Trade payables	21	(8,739)	(2,017)	(6,739)	(4,881)	(22,376)
Other payables	21	(537)	(200)	—	—	(737)
Financial liabilities at fair value through hedging reserve	20	(446)	—	—	—	(446)
Balance sheet exposure		(26,048)	(8,849)	(14,731)	2,978	(46,650)

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rate	
	2013	2012	**2013**	2012
Euro	**1 23**	1 16	**1 19**	1 20
US dollar	**1 58**	1 60	**1 52**	1 60

Notes to the financial statements continued
year ended 31 March 2013

26 Financial instruments continued

e) Market risk continued

Sensitivity analysis

A 10% weakening of the following currencies against sterling at 31 March 2013 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 2012

	Equity		Profit/(loss)	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Euro	**180**	89	**29**	17
US dollar	**1,733**	1,339	**(238)**	(560)

On the basis of the same assumptions, a 10% strengthening of the above currencies against sterling at 31 March 2013 would have decreased equity and profit or loss by the following amounts

	Equity		Profit/(loss)	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Euro	**(220)**	(109)	**(35)**	(20)
US dollar	**(2,118)**	(1,637)	**291**	684

Interest rate risk

Profile

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

	Note	**2013 £000**	2012 £000
Fixed rate instruments			
Financial liabilities		**(29,442)**	(31,921)
Variable rate instruments			
Financial assets		**2,301**	3,168
Financial liabilities		**(13,773)**	(13,345)
Loan arrangement fees		**553**	370
Finance leases		**(1,777)**	(126)
Net debt	16	**(42,138)**	(41,854)

The fixed rate borrowings above are shown after taking account of an interest rate swap (see note 17 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 instruments at fair value through profit or loss The analysis is performed on the same basis for 31 March 2012

Sensitivity analysis	**2013 £000**	2012 £000
Equity		
Increase	**—**	—
Decrease	**38**	51
Profit or loss		
Increase	**—**	—
Decrease	**38**	51

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 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

		Equity	
	Note	**2013 £000**	2012 £000
Net assets attributable to owners of the parent company		**51,888**	47,804
Net debt	16	**42,138**	41,854
Trading capital		**94,026**	89,658

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 Officer 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 2013

27 Operating leases
Non-cancellable operating lease rentals are payable as follows

	2013 £000	2012 £000
Less than one year	**4,340**	3,596
Between one and five years	**9,844**	11,749
More than five years	**10,163**	12,942
	24,347	28,287

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 more than five years Sub-lease payments of £303,000 (2012 £70,000) are expected to be received during the financial year

During the year, £3,887,000 was recognised as an expense in the income statement in respect of operating leases (2012 £4,057,000)

28 Capital commitments
At 31 March 2013, the Group had outstanding authorised capital commitments to purchase plant and equipment for £94,000 (2012 £655,000)

29 Related parties

	2013 £000	2012 £000
Sale of goods		
AB Alrick – Hedlund	**394**	404
Hedlunds Pappers Industri AB	**35**	81
Festive Productions Ltd	**56**	72
Hedlund Import AB	**7,915**	4,645
	8,400	5,202
Purchase of goods		
AB Alrick – Hedlund	**—**	7
Festive Productions Ltd	**31**	—
Hedlund Import AB	**2,455**	—
	2,486	7
Receivables		
AB Alrick – Hedlund	**—**	57
Hedlunds Pappers Industri AB	**17**	7
Festive Productions Ltd	**36**	—
Balance as at 31 March 2013	**53**	64
Payables		
Hedlund Import AB	**(475)**	—
Balance as at 31 March 2013	**(475)**	—

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

P Dutton, Non-Executive Director, is married to Judith McKenna who was Chief Operating Officer of Asda UK and is now Executive Vice President of Strategy and International Development at Walmart Asda and Walmart are significant customers of the Group

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

Other related party transactions

Directors of the Company and their immediate relatives have an interest in 50% (2012 49%) of the voting shares of the Company The shareholdings of Directors are shown in the Directors' Report on pages 20 to 23 No other shares were issued to Directors during the year (2012 nil)

Directors' remuneration

	2013 £000	2012 £000
Remuneration	**946**	1,054
Compensation for loss of office	**—**	558
Pension contributions	**59**	173
Employer national insurance contributions on the above remuneration	**130**	137
	1,135	1,922

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 auditor's 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 2013 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 auditor s report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditor

As explained more fully in the Directors Responsibilities Statement set out on page 72, 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 Report and Financial Statements 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 2013,
- 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

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 2013

Ernst & Young LLP

Andy Clewer (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

27 June 2013

Company balance sheet
as at 31 March 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	3	**79**	11
Investments	4	**20,770**	61,109
Total non-current assets		**20,849**	61 120
Current assets			
Debtors	5	**48,376**	3,528
Cash at bank and in hand		**5,722**	8,544
		54,098	12,072
Creditors amounts falling due within one year	7	**(6,762)**	(6,641)
Net current assets		**47,336**	5,431
Creditors amounts falling due after more than one year	8	**(23,304)**	(26,842)
Net assets		**44,881**	39,709
Capital and reserves			
Called up share capital	9	**2,838**	2,750
Share premium account	10	**3,318**	3,140
Capital redemption reserve	10	**1,340**	1,340
Merger reserve	10	**17,164**	17,164
Profit and loss account	10	**20,221**	15,315
Equity shareholders' funds		**44,811**	39,709

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

These financial statements were approved by the Board of Directors on 26 June 2013 and were signed on its behalf by

P Fineman
Director

A Lawrinson
Director

The notes on pages 75 to 80 form part of these financial statements

Notes to the Company financial statements
year ended 31 March 2013

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 FRS 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 by 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

Notes to the Company financial statements continued
year ended 31 March 2013

1 Accounting policies - Company continued

Share-based payments continued

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

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 been 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 (2012 £nil)

3 Tangible assets

	Fixtures and fittings £000	Software £000	Total £000
Cost			
Balance at 1 April 2012	202	10	212
Additions	88	—	88
Disposals	(165)	—	(165)
Balance at 31 March 2013	**125**	**10**	**135**
Depreciation and impairment			
Balance as at 1 April 2012	(195)	(6)	(201)
Depreciation charge for the year	(17)	(3)	(20)
Disposals	165	—	165
Balance at 31 March 2013	**(47)**	**(9)**	**(56)**
Net book value			
At 31 March 2013	**78**	**1**	**79**
At 31 March 2012	7	4	11

4 Investments

Shares in subsidiary undertakings	Cost £000	Impairment £000	Net book value £000
At 1 April 2012	63,769	(2,660)	61,109
Disposal to other group undertakings	(41,559)	1,211	(40,348)
Share options charge relating to subsidiary employees	9	—	9
Balance at 31 March 2013	**22,219**	**(1,449)**	**20,770**

Notes to the Company financial statements continued
year ended 31 March 2013

4 Investments continued

As part of a Group re-organisation on 31 March 2013 the Company sold its investments in Anker International PLC, Alligator Books Ltd and Scoop Designs Ltd for their net book values to International Greetings (UK) Ltd

The main trading subsidiaries 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 distribution of photo albums, frames, and ribbons, stationery and Christmas related products, children's book publisher and packaged gifts	100
International Greetings USA, Inc	US	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 gift wrap and greetings products	50

Artwrap Pty Ltd has been accounted for as a subsidiary from 1 August 2009 The Group exercises significant influence over the strategic decision making within Artwrap by way of a shareholder agreement At the current time the Group also holds an option to purchase the remaining 50% share

5 Debtors

	Note	2013 £000	2012 £000
Trade debtors		**2**	2
Amounts owed by Group undertakings		**47,661**	1,802
Other debtors		**203**	545
Prepayments		**303**	384
Deferred tax assets	6	**207**	795
		48,376	3,528

Included within debtors is £34,849,000 (2012 £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

	2013 £000	2012 £000
Difference between accumulated depreciation and capital allowance	**86**	67
Tax loss carried forward	**—**	495
Other timing differences	**121**	233
	207	795

7 Creditors amounts falling due within one year

	2013 £000	2012 £000
Bank loans, overdrafts and revolving credit facility	**3,845**	3,050
Loan arrangement fees	**(145)**	(122)
Trade creditors	**330**	495
Amounts owed to undertakings	**1,326**	1,463
Other taxes and social security	**111**	—
Other creditors	**361**	840
Accruals	**934**	915
	6,762	6,641

Refer to note 17 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

	2013 £000	2012 £000
Bank loans	**23,562**	26,842
Loan arrangement fees	**(258)**	—
Bank loans	**23,304**	26,842

9 Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
56,767,225 (2012 55,006,625) ordinary shares of 5p each	**2,838**	2,750

Refer to note 22 of the Group's financial statements for details of movements and note 25 for details of share options

Notes to the Company financial statements continued
year ended 31 March 2013

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 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 1 April 2012	2,750	3,140	1,340	17,164	15,315	39,709
Profit for the year	—	—	—	—	4,884	4,884
Options exercised	88	178	—	—	—	266
Share-based payments	—	—	—	—	13	13
Share options charge relating to subsidiary employees	—	—	—	—	9	9
At 31 March 2013	**2,838**	**3,318**	**1,340**	**17,164**	**20,221**	**44,881**

Within the profit and loss account is a cumulative amount of £161,000 (2012 £152,000) which is unrealised in respect of share options granted to subsidiary employees

11 Share-based payments

Please see note 25 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 £11,926,000 (2012 £13,827,000) in excess of the amount dealt with in the Company's financial statements

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