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International Greetings plc

Annual report and
financial statements 2014

Company number 1401155

Welcome to International Greetings

We are one of the world's leading designers, manufacturers, importers and distributors of gift packaging and greetings, social expression giftware, 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

Overview

- 1 Financial highlights
- 1 Operational highlights
- 2 Our year at a glance
- 4 Delivering on strategy
- 5 Revenue

Strategic report

- 6 Chief Executive Officer's review
- 10 Financial review
- 16 Risk management

Governance

- 18 Board of Directors
- 19 Advisers
- 20 Chairman's corporate governance review
- 23 Directors' report
- 25 Directors' remuneration report

Financials – Group

- 30 Directors' responsibilities
- 31 Independent auditor's report
- 32 Consolidated income statement
- 33 Consolidated statement of comprehensive income
- 34 Consolidated statement of changes in equity
- 35 Consolidated balance sheet
- 36 Consolidated cash flow statement
- 37 Notes to the financial statements

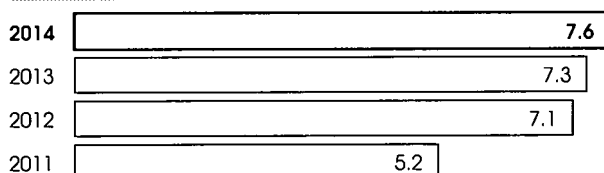
Financials – Company

- 76 Statement of Directors' responsibilities
 - 77 Independent auditor's report
 - 78 Company balance sheet
 - 79 Notes to the Company financial statements
-

Financial highlights

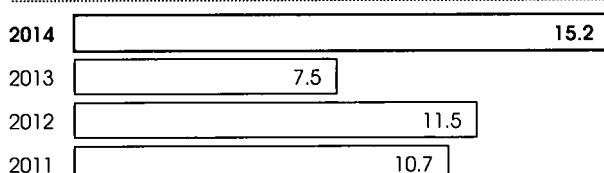
Profit before tax, exceptional items and LTIP charges

+4% on 2013



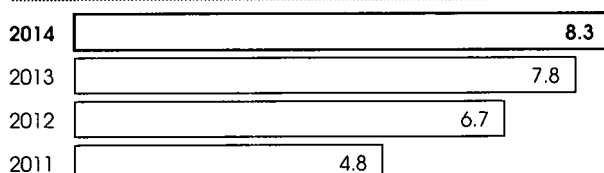
Cash generated from operations

+101% on 2013



Underlying diluted earnings per share* (pence)

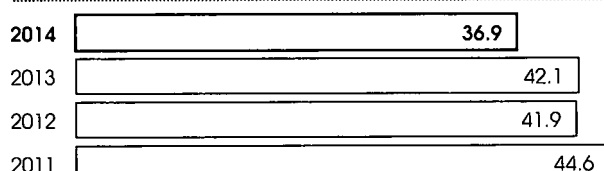
+6% on 2013



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

Net debt (\$million)

Improved by **+12%** on 2013



Operational highlights

Profits in Continental Europe up over 100%

Major capital upgrade in UK on time and on budget

Fully diluted earnings per share before exceptional items increased by 6.4% to 8.3 pence. On track to meet our three year plan of overall double digit EPS growth

Debt reduction ahead of plan: down £5.2 million (12.3%) to £36.9 million despite major capital investment

Announced acquisition of trade and certain assets of Enper Giftwrap BV for €1.9 million on 5 June 2014

Our year at a glance

2014 year end is a wrap

Group

- Overseas revenues exceed those from UK operations for the first time in the Group's history
- Margin growth despite challenging markets
- Profits increased by 4%
- Healthy cash generation, debt and leverage reduction
- Second phase of upgrading global manufacturing platform completed
- IG generic brands drive 55% of revenues
- Everyday products represent 44% of sales
- Sales through over 100,000 retail outlets in over 80 countries worldwide
- Further improvements on funding terms concluded with our banks
- Long term incentive plan established

UK

- On time, on budget with major capital investment in production facilities in Wales
- Official opening of new facilities by Her Majesty the Queen and HRH Duke of Edinburgh
- Royal Warrant extended to the Tom Smith brand of gift wrapping products
- Divestment of non-core generic book activities
- Full integration of licensed activity within UK now completed
- Awarded Sainsbury's 'Gold Standard' Award for Customer Service
- Increased revenues through Internet based retailers

USA

- Continued double digit growth in expanding Dollar Store channel
- Relocation to new state of the art design, sales and marketing facilities within Atlanta
- Increased automation in wrap conversion facilities in Midway, Georgia
- Unprecedented adverse weather conditions impact on last quarter sales
- Renegotiation of banking facilities with SunTrust on improved terms

Mainland Europe

- First full year of operation of new high speed, high definition printing facilities in Holland
- Record year of sales with resultant profits increased over 100%
- Acquisition of trade and certain assets of Enper Gift Wrap in June 2014 providing market and operational opportunities
- Expansion of sales to Eastern European markets through locally based sales and conversion operations
- Trading with Europe's ten largest retail groups

China

- Excellent order fulfilment and service levels
- Significant acceleration of automated and semi-automated processes
- Introduction of new gift bag manufacturing facilities
- Ongoing improvements result in additional accreditations and recognition from world's major retailers
- Opportunities to leverage overall Group buying power facilitated through Hong Kong based operations
- Increasing 'on the ground' Quality Control and Quality Assurance resources based in China
- Sustained 12% of Group sales revenue
- Increasingly complex customer distribution requirements met through improved logistical capability
- Increased focus in developing new but related product categories, reflecting strong demand from broad customer base
- Establishment of Ningbo, China, commercial and product development facilities

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 customer destination

UK: £75.6m, 33%
2013: £87.0m, 39%
2012: £84.6m, 39%

Rest of the world
£5.7m, 3%
2013: £12.0m, 5%
2012: £8.4m, 4%

Australia and
New Zealand
£26.4m, 12%
2013: £27.8m, 12%
2012: £29.6m, 13%

USA: £69.8m, 31%
2013: £59.0m, 27%
2012: £58.4m, 26%

Europe: £47.0m,
21%
2013: £39.4m, 17%
2012: £39.8m, 18%

By brand

Trade/generic
£123.4m, 55%
2013: £126.0m, 56%
2012: £119.2m, 54%

Customer
own brand
£101.1m, 45%
2013: £99.2m, 44%
2012: £101.6m, 46%

By product category

Stationery and
creative play
£67.0m, 30%
2013: £70.3, 31%
2012: £72.2m, 33%

By season

Everyday
£98.3m, 44%
2013: £104.8m, 47%
2012: £109.1m, 49%

Gift packaging
and greetings
£157.5m, 70%
2013: £154.9m, 69%
2012: £148.6m, 67%

Christmas
£126.2m, 56%
2013: £120.4m, 53%
2012: £111.7m, 51%

Chief Executive Officer's review

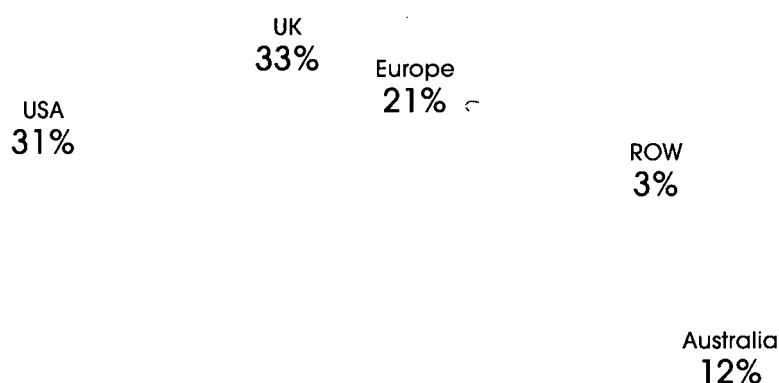
Growing today
and investing for
the future.

Paul Fineman
CEO

Key achievements

- Focus on cash generation improves leverage by 14% from 2.8 to 2.4 times
- Net debt improved by £5.2 million (12.3%) to £36.9 million despite record capital investment (£8.3 million) in manufacturing efficiency
- On track to meet our three year plan of overall double digit EPS growth
- Profits in Continental Europe up over 100%
- Major capital expenditure project in UK on time and on budget
- Excellent year of production and service levels from recently relocated China factory
- Announced acquisition of trade and certain assets of Enper Giftwrap BV for €1.9 million on 5 June 2014

Group revenue by customer destination



I am able to report a year in which all regions traded profitably and our objectives, both to meet short term targets and also to create the foundation for incremental profits growth for the future, were met.

Our team was focused on balancing the delivery of cash generative sales and profits, reducing leverage and doing so whilst investing in fast payback opportunities across our global manufacturing activities. This has required the careful management of working capital whilst simultaneously delivering continued excellent standards of customer service.

We are therefore delighted that a year in which sales were £224.5 million and profit before tax, exceptional items and LTIP charges was £7.6 million, net debt reduced by 12% (from £42.1 million in 2013 to £36.9 million in 2014) whilst leverage has reduced from 2.8 times in 2013 to 2.4 times in 2014. This is a particularly satisfactory result when capital expenditure increased by £6.4 million to £8.3 million in 2014 from £1.9 million in 2013. We now look forward to reaping the significant future benefits of this through manufacturing efficiencies and product quality.

In 2012, we commenced the first phase of an upgrade to our global manufacturing facilities with an environmentally friendly, high speed, high definition giftwrap printing capability at our operation in Holland. 2014 has seen the installation of a similar capability within our facility in Wales. This major project has been completed on time and on budget.

We were privileged and absolutely delighted that Her Majesty the Queen together with His Royal Highness Prince Phillip officially opened our new Welsh facilities on 30 April 2014 – an event that captured the transformation of our business, our confidence in the future and the enthusiasm and energy of our team.

Geographical highlights

UK and ASIA

The UK and Asia business accounted for 49% (2013 53%) of the Group's revenue for the year, with the cohesive efforts of our manufacturing, sourcing, operational and commercial teams once again delivering industry-leading customer service. We were pleased to receive the Sainsbury's Gold Standard Award acknowledging this exemplary supplier performance.

The ever closer collaboration between our UK and Far East based operations ensures a joined-up commercial and strategic approach to the market. Our competitive advantage in the UK was further enhanced by focussed investments at our existing facilities in China this included semi-automated processes for cracker manufacturing together with enhanced production capability in gift bags.

Chief Executive Officer's review continued

Both investments were operational from Spring 2014. This provides our customers with the ability to source a broad portfolio of complementary product categories from one fully compliant and competitive source.

Towards the end of the year, reflecting our strategy to focus on product categories with scope for profitable growth, we withdrew from a small non-core product category in generic books under the Alligator brand. We will continue to grow the larger licensed product segment, consolidating under our Copywrite brand in the UK.

Our broadening customer base showed growth achieved with Internet based retailers, including the introduction of new products through Ocado and Amazon.

Mainland Europe

Our mainland European businesses accounted for 15% (2013: 13%) of the Group's sales.

Although overall market conditions have not improved we are delighted to report an outstanding outcome with strong efficiencies and record volumes.

A first full year of utilising our new state-of-the-art printing facilities based in Holland, together with the creation across all categories of innovative highly customer focused product offerings, resulted in increased market share and the creation of even greater future opportunities.

In June 2014, we were delighted to announce the acquisition of the trade and certain assets of Enper Giftwrap, strengthening our market share in the Benelux and a further demonstration of our commitment to delivering a key strategic objective to be the best and most successful supplier of gift packaging products in the European Union.

Having now established relationships with mainland Europe's ten largest retail Groups who trade in our product categories, scope now exists for our future expansion in existing and new markets, both with core and developing product categories.

USA

The US business accounted for 24% (2013: 22%) of the Group's revenue. Strong sales growth continued, building on recent years of double digit progress with 31% of Group revenues by destination in 2014 (2013: 27%). However the final quarter proved to be very challenging with extreme weather conditions impacting results in what was otherwise on track to be a record trading year. Sales developed well during the year, including to neighbouring markets in Canada,

Mexico and to other South American regions, but higher margin sales in the US of Everyday product categories were largely rescheduled and therefore below expectations during the final three months of the trading year.

Nevertheless positive progress was made on several fronts during the year. We completed negotiation of banking facilities with Sun Trust on improved terms, building on improvements achieved with HSBC in April 2013.

To further enhance production efficiencies, we installed new automated case packing equipment in our Savannah operation, which was fully operational from Spring 2014.

It was with a heavy heart that in early June 2014, I announced that Rich Eckman, CEO of International Greetings, USA and our highly respected and capable Board Director, had passed away.

Rich possessed many outstanding qualities, amongst which was the ability to lead and nurture a first class team and an appetite to continually 'raise the bar'. It was our pleasure and privilege to have worked alongside a true gentleman and a very dear colleague.

Australia

Whilst the Australian economy experienced an overall slowdown during the year, our revenues, as in 2013, represented 12% of overall Group sales.

Operational performance was underpinned by the prior year's investment in our logistics facilities, enabling us to provide unprecedented levels of order fulfilment to an ever increasing range of retail customers across the nation.

Revenue by product category, brands and seasons

Our ongoing focus on two main product categories resulted in sales of gift packaging and greetings related products achieving a record 70% of Group revenues, whilst stationery and creative play products delivered 30% of revenues (following our withdrawal from a non-core category and also as a result of the last quarter's extreme weather conditions in the USA).

Sales of IG's generic brands achieved 55% of overall revenues, with customer bespoke brands achieving 45%. The continued success of our Tom Smith brand, which holds the Royal Warrant for the supply to the Her Majesty the Queen of Christmas Crackers, was further enhanced by the granting during the year of an extension of the Royal Warrant to the Tom Smith brand of gift wrapping products.

Our commitment to excellence in service to our customers, is recognised by Sainsbury's "Gold Standard Award".

A moment of celebration during the official opening of our new printing facilities at International Greetings UK in Wales by HM Queen and HRH Duke of Edinburgh, April 2014.

With sales of Everyday products at 44% and Christmas products at 56% of Group revenues, the Group's products are sold in over 100,000 retail stores worldwide.

Our team

I wish to express my sincere thanks and genuine admiration for our team who have embraced change throughout our Group, whilst combatting ever demanding market conditions with initiative, remarkable energy and commitment.

Our strategy

Our strategic objectives are consistently applied and the foundation for the Group's recent years of ongoing improved performance. These are:

- 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

Having successfully completed the first year of a new three-year plan, we are in good shape to deliver against our target of overall double digit cumulative average growth in earnings per share.

We are also very much on course to fulfil our commitment of reduced debt and leverage below two times debt/EBITDA.

Our Group continues to identify opportunities to grow and looks forward to the future with increased confidence built on stronger foundations for improving performance.

Paul Fineman
CEO

Financial review

Driving growth
in earnings,
pushing
leverage lower

Anthony Lawrinson
CFO

Key achievements

- Sales steady year on year, after rationalisation of some non core sales in the UK
- Gross margin slightly up on prior year at 18.4% (2013: 18.3%), and overheads under control
- Profit before tax, exceptional items and LTIP charges up 4% at £7.6 million (2013: £7.3 million)
- Fully diluted earnings per share before exceptional items increased 6.4% to 8.3p (2013: 7.8p)
- Cash generated from operations up over 100% at £15.2 million (2013: £7.5 million)
- Net debt down 12.3% to £36.9 million (2013: £42.1 million) and leverage down 0.4 times to 2.4 times despite major capital investment programme of £8.3 million (2013: £1.9 million)

Group performance

The financial position of the Company has improved materially in the period though we still battle with headwinds in the economy at large. The significant investment in Wales in new high-definition printing is all but complete, with the new presses already fully operational and the principle operational risks of change now behind us. Despite this substantial capital investment, which will yield margin improvements in 2014/15 and beyond, net debt actually fell substantially to £36.9 million (2013: £42.1 million), putting us ahead of plan to achieve our reductions in leverage. Our key target of earnings per share (fully diluted and stated before exceptional items) also improved by 6.4% to 8.3p, pleasingly putting us slightly ahead of our plan.

Continuing operations

Revenues for the year to 31 March 2014 were down slightly from £225.2 million in 2013 to £224.5 million in the current year. However, this masks the effect of foreign exchange rates on overseas earnings and if this is adjusted, total revenue is up slightly by 0.4%. Sales in the UK segment fell, partly due to withdrawal from a non-core product category, while sales in every other segment grew well: 5-6% in Australia and USA and 16% in Europe, where it is proving possible to cost effectively add market share despite very competitive pricing, following the investment in 2012 in a new printing technology, identical to that which we have now deployed in the UK.

Gross profit margin before exceptional items at 18.4% is very similar to the prior year (2013: 18.3%). While acceptable, margin was impacted most particularly by the adverse weather conditions in the USA in Q4, as the sales of "everyday upscale" product categories (those most impacted) typically attract a significantly higher gross margin. Margins in the UK and European segments developed well reflecting mainly efficiencies, including those linked to the economies of scale seen in Europe. The Company aims to improve margins commercially by increasing the balance of own brand products and non-Christmas business but efficiencies in sourcing and manufacturing will continue to contribute, especially following the investment in Wales which will start to show an effect in 2014/15.

An important dynamic to margin also continues to be the level of FOB business delivered directly to major customers at ports in China. This type of business continues to grow especially in the USA and Australia with the major value chains.

This typically attracts lower gross margins but it is a means of retaining or winning large volumes of business, in a manner that avoids other costs and risks associated with domestic delivery; winning this business can therefore enhance net margins and return on capital even as gross margins are diluted.

Overheads before exceptional items and LTIP charges have decreased year-on-year by a net of £0.3 million, but are broadly flat at constant exchange rates. 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 and LTIP charges was flat at £10.7 million reflecting the dynamics described above.

Operating profit after exceptional items and LTIP charges was £8.8 million (2013: £9.1 million)

Exceptional items during the year amounted to £2.3 million before tax (2013: £1.6 million). This was entirely in line with plan and as previously announced these relate entirely to the investment programme in high definition printing in Wales and the associated restructuring. Of this charge, £0.2 million flowed out as cash in the year and £0.6 million will be paid out by way of redundancy payments during 2014/15. However, the balance of £1.5 million represents accelerated depreciation on assets that become redundant and superseded bank facility fees written off and there will be no cash effect at all in respect of these items.

Finance expenses before exceptional items in the year were 8.3% lower at £3.2 million (2013: £3.5 million) reflecting the improved margins negotiated with banks earlier in the year and slightly lower average indebtedness. Revised and new bank facilities were put in place to fund the investment in Wales and as noted above some historical fees relating to the superseded facility arrangements were written off as exceptional cost. New but much lower fees were incurred in arranging the revised debt facilities and these are being amortised appropriately over the term of the facilities. Notes 8 and 17 to the financial statements provide further information.

Profit before tax, exceptional items and LTIP charges was up 3.9% to £7.6 million (2013: £7.3 million).

Profit before tax was down 8.6% to £5.2 million (2013: £5.7 million) after charging exceptional items of £2.3 million (2013: £1.6 million) and LTIP charges of £0.1 million (2013: nil).

Financial review continued

Taxation

The headline taxation charge has dropped to £1.5 million (2013: £1.6 million) or 28.1%. The effective underlying tax charge on profits before exceptional items is lower at 24.6% (2013: 26.0%) because the exceptional items arising in the UK attract relief at a lower level than the blended rate for the Group as a whole.

Actual taxation paid in cash during the year was minimal at £60k (2013: £0.9 million) as our business in Australia took tax relief against the write off of a material bad debt in the prior year, and profits in other geographies continue to be shielded by tax losses and similar tax assets brought forward.

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 29%. 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 £0.3 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.

Profit for the year

Net profit for the year was down 8.5% to £3.7 million (2013: £4.1 million). However, this was after charging £1.9 million (2013: £1.3 million) in respect of exceptional items, with the current year element all relating to the investment and consequent restructuring in our manufacturing facilities in Wales and £0.1 million in respect of the new LTIP scheme (2013: nil).

Earnings per share and dividends

Basic earnings per share were 5.2p (2013: 6.0p). After removing the effect of exceptional items, the adjusted earnings per share increased to 8.5p (2013: 8.1p) representing an increase of 4.9%.

Employee share options of 1.8 million had vested but not yet been exercised as at 31 March 2014. As these are exercised, earnings per share will trend towards the fully diluted level and the Company targets growth in this fully diluted metric (before exceptional items) as a primary goal. In addition the Company introduced a new long term incentive plan during the year and this approach of targeting fully diluted earnings per share (before exceptional items) will accommodate that scheme as and when any of the new “performance shares” vest. Details of share plans can be found in note 25 to the financial statements. Fully diluted earnings per share (stated before exceptional items) were 8.3p, up 6.4% on the prior year (2013: 7.8p), and ahead of plan.

No dividend was paid during the year (2013: £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 2.4 times EBITDA (2013: 2.8 times) 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 2014 was much improved at £36.9 million (2013: £42.1 million) and leverage fell accordingly to 2.4 times from 2.8 times in the prior year. Weaker exchange rates helped in this regard and net debt at like for like rates would have been £1.4 million higher. Nonetheless this is a very strong performance and well ahead of our plan in a year in which capital expenditure of £8.3 million (2013: £1.9 million) exceeded depreciation by £3.3 million. Notes 17 and 26 to the financial statements provide further information.

Year-end net debt included amounts denominated in US Dollars of \$25.5 million (2013: \$22.6 million) and in Euros of €5.8 million (2013: €12.4 million). The year-end exchange rates were \$1.67 (2013: \$1.52) and €1.21 (2012: €1.19). Allowing for this, debt stated at constant exchange rates would have been £1.4 million higher.

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 reduced to £16.1 million (2013: £18.8 million) at the year end, more than reversing last year's increase, which related to specific customer circumstances but in the 2013/14 year also reflecting lower Q4 sales in the USA following the extraordinarily adverse weather conditions.

The charge for bad and doubtful debts in the year was £0.1 million or less than 0.1% of turnover.

Net stock levels after provisioning for older stock reduced by 3.3% from £50.1 million to £48.5 million. Stock levels only increased in the USA, again related to lower sales as a result of the poor weather conditions in Q4.

Older stock (measured as over 15 months since last purchase) increased slightly from £5.1 million to £5.8 million (at March 2014 exchange rates) but provisioning remains adequate and our businesses consistently achieve in excess of 100% recovery against written down values of old stock.

Group cash generated from operations was more than double that of the prior year at £15.2 million (2013: £7.5 million), reflecting full conversion of operating profits into cash flow and assisted by a small net reduction in working capital of £0.7 million (2013: increase of £5.7 million).

As noted above, investment in capital expenditure was very substantial at £8.3 million (2013: £1.9 million), well above depreciation and the prior year. This reflects the investment in two new state-of-the-art printing presses and associated facilities at our gift wrap manufacturing operation in Wales, matching the equivalent capability installed in Europe in 2012 that is now yielding such strong results. During the year we also invested in further automation at our manufacturing facilities in China and the USA, which mitigates against the twin challenges of availability and cost of labour.

The investment in Wales is consolidating our operations, and we anticipate one of our three current sites will then become available for sale later in the 2014/15 year. The net book value of this site is £1.25 million. In addition the Company is in the second of a five-year period by which a company has the option to purchase part of another under utilised site (net book value £0.8 million) for a price of £2.4 million. This is also generating premium income of £0.1 million p.a. over the option period, recognised within other operating income.

Equity attributable to shareholders has increased to £53.5 million from £51.9 million predominantly reflecting profits generated in the year.

Financial review continued

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 and mix management 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 this means a focus on:

- **nurturing valuable relationships:** monitoring the profitability, product mix and service delivered in respect of our customer base; growing those relationships in existing and new territories and product categories;
- **creating a toolbox of expertise:** ensuring that we have market leading design and product capability in our categories, sharing knowledge through common platforms;
- **providing best quality, value and service:** monitoring and benchmarking the key elements of our cost bases, buying or manufacturing as efficiently and effectively as possible from a total cost perspective across the whole season so that we can deliver great value to customers and strong returns to shareholders;

- **balancing our business:** we monitor the mix and profitability in each of our businesses across season, brand and product categories, seeking out those opportunities that yield the best returns on our scarce capital while rooting out those activities that consume resources for little or no gain; and
- **providing differentiated product offerings:** across the value, mass and upscale markets.

Foreign Exchange Impact to Profit and Earnings

- Our diverse geographical revenue and profit streams continue to provide us with market resilience but naturally this carries with it the volatility of currency. As noted above in the context of net debt, foreign exchange rates impacted significantly in the year on the translation of our overseas figures relative to prior years with the US dollar rate moving 10% from 1.52 to 1.67 during the year and the Australian dollar rate moving 23% from 1.46 to 1.80. The movement in the Euro rate was more muted at 1.19 to 1.21. This change in rates placed some pressure on profit against planned outcomes although this was manageable within 2013/14. However, if we assume that the significantly weaker rates at the end of the year continue through calendar 2014, the impact will be more material in next year's results through the translation of overseas earnings.

Treasury operations

The Group operates with four supportive bankers, each addressing one of our geographic segments. The Group's principal bank has recently extended additional facilities to support the capital programme in Wales, now almost complete. Current global facilities comprise:

- term facilities at Group level in Sterling and USD, repayable in tranches with bullets in May 2016;
- leasing facilities for seven and five years respectively in the UK and Netherlands for key plant and machinery;
- asset backed facilities secured on the stock and debtors of the relevant operating businesses in each segment, all of which have at least one more year to run and are usually renewed for two to three years at a time; and
- a revolving multi-currency credit facility and overdraft to manage peak working capital requirements; these are renewed in May annually.

These facilities provide the Group with the operational flexibility it requires in a highly seasonal business on a cost effective basis. As noted above, interest margins have been falling as leverage has improved and the Group has been able to renegotiate favourable terms on the two largest facilities during the year.

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
- appropriate local covenants in the individual businesses, which have asset backed facilities.

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. The Group also actively manages FX transaction exposure in each of its businesses, with advice and support from the central treasury team.

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

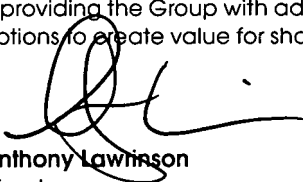
Post balance sheet event

On 5 June 2014 the Group announced the acquisition of the trade and certain of the assets of Enper Giftwrap BV, a Dutch company with sales of €5 million, for €1.9 million. This transaction is expected to complete on 30 June 2014. While modest in scale, this acquisition is an ideal step towards consolidation of the very competitive European gift wrap marketplace. The Group's Dutch management team plan to integrate Enper's customer base and selected fixed assets into its own facilities within three months of completion. We have allowed for the loss of some less profitable customers but the synergies that should arise post integration (2015/16 season) from such an integration into our modern printing presses, installed in Hoogetveen in 2012, will more than offset this and the cash payback after all costs of acquisition and integration should be no more than four years.

This is the Group's first acquisition for some years and it is a reflection of the our improving balance sheet and trading position that we are now able to evaluate and execute on such opportunities – albeit highly selectively. We do not anticipate that this investment will impact materially on our debt reduction plans.

Conclusion

In conclusion, delivery has been ahead of plan in the year now completed. Net debt and earnings per share performance was especially pleasing and outperformance in the arena of cash management is providing the Group with additional flexibility and options to create value for shareholders in the future.


Anthony Lawrinson
Director

19 June 2014

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 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 (14 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.

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 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.

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

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

Share registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham BR3 4TU

Tel UK: 0871 664 0300
(Calls cost 10p per minute plus network extras.
Lines are open from 8.30am to 5.30pm,
Monday to Friday.)
Tel overseas: +44 (0)20 8639-3399
Email: shareholderenquiries@capita.co.uk

> 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 served as CEO of International Greetings USA since 2011. Sadly Rich passed away on 1 June 2014.

Chairman's corporate governance review

My role is to promote a culture of respect, integrity, openness and honesty.

John Charlton
Chairman

Dear shareholder,

Fiscal year 2014 delivered a most satisfactory performance for our Group and enhanced our position as one of the world's leading designers, manufacturers, importers and distributors of gift packaging, greetings, stationery and creative play products.

As Chairman, my role is to lead the Board and help promote a culture within each of the businesses in our Group of respect, integrity, openness, honesty and enjoyment, in the way that we communicate with our customers, suppliers, shareholders, advisers and of course all our associates. The Board operates under a governance structure, which is designed to be flexible and efficient in creating sustainable long-term growth in shareholder value.

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.

Whilst there is no obligation for AIM-listed companies to comply with this Code, the Board endorses the principles of effective corporate governance and as stated is committed to maintaining the highest standards of ethics, and professional competence. That said, your Directors do not consider that full compliance with all aspects of the Code is appropriate for the Group at this stage of its development, but we shall 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. The Board plays an important role in working with management to ensure that our businesses are well governed, financially strong, that we mitigate any risks that our managers identify and that we strike a balance between achieving our short-term objectives and longer term growth and development. The Board works closely with management in developing proposals on strategy for each of our businesses and our Group, as a whole.

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

It is with immense sadness that I have to report that our colleague Rich Eckman passed away on 1 June this year, following a courageous battle against cancer. Rich was appointed to our Board in October 2012. He joined our Group in 2001 and has served as CEO of International Greetings USA, since 2011. Rich made an outstanding contribution to the success of our USA business. His background in financial and operational matters has helped us greatly in implementing a growth strategy within the USA that has generated a significant improvement in profitability, particularly over the past three years. Rich was a person with great integrity and he was an excellent colleague to all of us on the Board. We shall miss his wise counsel, common sense approach to business and his humour. He was a wonderful family man and our thoughts have been very much with his wife Victoria and his two daughters, Allison and Kaitlyn.

There were no changes to the composition of the Board during the year under review. We operate with four Executive Directors and three Non-Executive Directors in addition to myself as Non-Executive Chairman. Our Non-Executive Directors have an important role in constructively challenging and helping to develop proposals on strategy; on scrutinising management's performance in meeting agreed goals and objectives and the monitoring of performance reports.

The Board has two committees – Remuneration and Audit. During the year I have chaired the Remuneration Committee, which also comprises two Non-Executive Directors, Elaine Bond and Phil Dutton. Whilst I shall remain on the Committee going forward, it is my intention to appoint one of our Non-Executive Directors as Chair. Our Audit Committee comprises Elaine Bond and myself and is chaired by Phil Dutton, one of our Non-Executive Directors.

The Audit Committee satisfies itself on the integrity of financial information and that controls and risk management systems are robust and defensible. 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.

The Remuneration Committee determines appropriate levels of remuneration and compensation for Executive Directors. The Committee meets as required during the year and this year was heavily involved in agreeing the policies and rules of a new Long Term Incentive Plan for Executive Directors and certain senior management.

Anders Hedlund also holds the position of Non-Executive Director on the Board. Anders 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.

Board process and information

The Board met seven times during the year, including an extended review of 2014/15 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. Where possible and cost effective, the Board tries to meet on the premises of various of its subsidiaries during the year, which provides an opportunity for The Directors to visit our businesses and meet with the senior management.

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.

Chairman's corporate governance review continued

Accountability and audit

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

As stated, the Group Audit Committee oversees how the Board monitors risk and reviews the adequacy of the risk management framework.

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.

Finally, whilst providing an overview of the policies and procedures that we adopt in following good corporate governance, I wish to thank my fellow Directors for their hard work, commitment, loyalty and support that they give to our Group. I also wish to place on record once again our thanks and appreciation to all our employees throughout The Group. It is through their efforts and support that we continue to make the progress that we do; we value greatly their commitment and loyalty. I should also take this opportunity to thank our shareholders, bankers, customers, suppliers and advisers for their input and contributions to all our businesses throughout the world. We never take their support for granted and we are grateful for the excellent working relationship and partnership that we enjoy with them.

John Charlton
Chairman

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2014.

Likely future developments

See strategic report on pages 6 to 17.

Financial risk

See strategic report on pages 6 to 17.

Dividends

No interim dividend was paid (2013: £nil). The Directors do not recommend a final dividend (2013: £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:

Elaine Bond	Richard Eckman
Lance Burn	Paul Fineman
John Charlton	Anders Hedlund
Phil Dutton	Anthony Lawrinson

In accordance with the Company's Articles of Association, Paul Fineman and Anthony Lawrinson 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
Elaine Bond	—	—	10,000	—
Lance Burn	—	—	—	22,400
John Charlton ^(a)	620,000	—	25,000	—
Phil Dutton	—	—	—	—
Richard Eckman	—	200,000	—	200,000
Paul Fineman ^(b)	4,239,249	214,285	3,400,978	1,052,556
Anders Hedlund ^(c)	448	—	448	—
Anthony Lawrinson	60,000	—	35,000	—

In addition to the above holdings:

- (a) 57,500 (2013: 57,500) shares are held by the wife of John Charlton.
- (b) Paul Fineman owns a non-beneficial interest in 174,608 (2013: 1,025,708) ordinary shares of 5p each.
- (c) 17,142,640 (2013: 19,097,956) and 5,275,116 (2013: 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. 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 1.99% of the current issued share capital of the Company. These ordinary shares are held by West Coast Trust, a trust for the benefit of Anders Hedlund's adult children, which holds 900,790 ordinary shares and Claes Hedlund, Anders Hedlund's brother, who owns 250,000 ordinary shares. In total the Hedlund family is interested in 23,568,994 ordinary shares, representing 40.69% of the current issued share capital of Company.

Details of Directors' share options are provided in the Directors' remuneration report on pages 25 to 29.

No shares were purchased by Directors between 31 March 2014 and the date of this annual report.

Directors' report continued

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.

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.

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

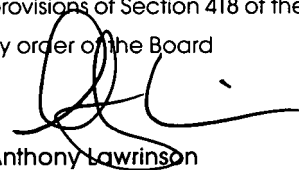
The Directors are authorised to make market purchases of the Company's own shares under an authority granted at the last Annual General Meeting. The Directors will seek renewal of this authority at the forthcoming Annual General Meeting. During the year the Company did not buy back any of its shares. If passed, the resolution would give the Company authority to purchase in the market up to 5,792,489 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 2015 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.

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



Anthony Lawrinson

Director

19 June 2014

No 7, Water End Barns,
Eversholt MK17 9EA
Company number 1401155

Directors' remuneration report

This report sets out the remuneration of International Greetings' Directors for the year to March 2014 and is in three parts: (1) overview of the year, (2) remuneration strategy and (3) regulatory disclosures

Part 1: overview of the year

Information not subject to audit

Company performance

The Group has achieved, and in places substantially exceeded, its targets this year with profit before tax, exceptional items and LTIP charges up 4% at £7.6 million from £7.3 million, net debt reduced by £5.2 million to £36.9 million, despite a substantial investment programme, and adjusted fully diluted earnings per share ("EPS") at 8.3p up 0.5p or 6.4%. The key financial objectives remain sustainable growth in profits and associated EPS, along with near term reduction in debt and leverage. These measures are therefore used to determine the Executive Directors' annual bonus.

Annual bonus and base salaries

The bonus opportunity for Executive Directors and senior management during the last year was based on the achievement of targets around Group profit before tax and budgeted exceptional items, net debt and adjusted fully diluted earnings per share and similar measures within the individual businesses, as long as personal performance was at the level required. The level of bonuses is approved by the Remuneration Committee, which retains reasonable 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 again includes the same or similar objectives relating to profit, net debt and earnings per share.

This year's strong results for net debt and EPS resulted in annual bonus for Executive Directors being up to 75% of the maximum potential award.

Changes in underlying base salaries for Executive Directors reflected individual circumstances and in the case of Richard Eckman and Lance Burn, the full year effect following their appointment to the Board in the prior year. A contractually agreed increase of £10,000 was made to Anthony Lawrinson, of which part was paid as an additional pension contribution. Lance Burn received an increase of 10% reflecting the increase in his responsibilities and aligning his remuneration with market rates. Other increases to Executive Directors ranged from nil to 3%, in line with the overall pay reviews for other staff.

Paul Fineman received a payment of £375,747 during the year as part of an arrangement with AC Artistic, (a company under the control of the Hedlund family, which is a significant shareholder in the Company), made at the time of his appointment as Group CEO in January 2008. The payment was made by the Company as it related to his position as Group CEO but the full cost to the Company including relevant employment taxes, was reimbursed by AC Artistic.

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 Lance Burn and Paul Fineman.

In September 2008, the Board put in place an HMRC approved employee share option 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 (being 214,285 options each) and these are denoted as "unapproved".

Executive share awards were made 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 options issued in December 2008 were not subject to performance criteria (other than continued employment), except for unapproved options issued to Executive Directors. These options may be exercised between 17 December 2011 and 17 December 2018.

Directors currently holding share options are:

	Options
Richard Eckman ⁽¹⁾	200,000
Paul Fineman ⁽¹⁾	214,285

(1) The exercise price of these share options is 14p and they may be exercised between 17 December 2011 and 17 December 2018.

Directors' remuneration report continued

On 5 July 2013 Paul Fineman exercised options over 838,271 ordinary shares of 5p each in the Company; the exercise price per ordinary share was 14p. The market price on 5 July 2013 was 37.5p giving a book gain of £196,994. On 7 February 2014 Lance Burn exercised options over 22,400 ordinary shares of 5p each in the Company, the exercise price per ordinary share was 50p. The market price on 7 February 2014 was 73p giving a book gain of £5,152.

There have been no grants under this scheme during the year. 110,000 of share options lapsed during the year.

The mid-market price of the Company's shares on 31 March 2014 was 72.5p per share; the highest and lowest mid-market prices of the Company's shares during the year were 82.5p and 29.0p respectively.

Long Term Incentive Plan

On 31 March 2014, International Greetings plc announced the introduction of a new Long Term Incentive Plan ("LTIP"). Under the LTIP, ordinary shares of 5p each ("Ordinary Shares") may be awarded annually to Executive Board Directors of the Company, Managing Directors and other selected Senior Management Team members within the Group. Ordinary shares only vest to the degree that stretching performance conditions are met. The maximum dilution under the LTIP is 15% over a ten-year period, excluding the award to Anthony Lawrinson set out below and disregarding prior option schemes. The scheme rules which have been agreed by the Remuneration Committee include reasonable provisions in the event of change of control, suitable flexibility to modify performance targets in specified situations and also a mechanism for claw-back under certain circumstances. The Board retains the flexibility for the Employee Benefit Trust to buy ordinary shares to mitigate future dilution.

The performance period for each award under the LTIP is expected to be three years with awards to be made shortly in respect of the performance period 1 April 2014 to 31 March 2017. The cost to employees of ordinary shares issued under the LTIP, if the performance criterion is met, will be nil. In principle the number of ordinary shares to be granted to each employee under the LTIP will not in value be more than a 100% of the relevant employee's salary based on the relevant share price at the time of grant, although the rules allow an upper maximum of 150%.

The Company also announced it intends to issue up to 1,400,000 ordinary shares under the LTIP to Anthony Lawrinson, a Director of the Company. The ordinary shares are being issued as part of Anthony Lawrinson's remuneration package agreed at the time of his appointment to the Board in October 2011. Vesting is conditional upon and proportionate to the cumulative average growth in fully diluted earnings per share before exceptional items over a defined period from 1 April 2012 to 31 March 2015 with a CAGR of 20% required for the whole amount to vest. The cost to Anthony Lawrinson of the ordinary shares to be issued under the LTIP, if the performance criterion is met, will be nil. Anthony Lawrinson has no other options over ordinary shares.

Total performance-related remuneration

The aggregate performance-related remuneration of the Executive Directors to be paid in respect of the year ended 31 March 2014 has increased from £50,000 to approximately £459,000. This remuneration is directly linked to meeting profit, net debt and EPS targets, which have been reflected in the Company's increased share price.

The Remuneration Committee has carefully reviewed the level of performance-related remuneration earned by the Executive Directors. The Committee considers that it is a strong reflection of the Company's operating and financial performance over the past year and that it is aligned with the financial interests of shareholders generally.

Other Remuneration Committee highlights

During the year the Committee considered the following:

- overall remuneration structure and levels for Executive Directors and other Senior Management;
- targets for the annual bonus potential for Executive Directors and Senior Management for 2014/15, including the consistency of bonus targets with other management and staff; and
- introduction of the new LTIP Scheme, its detailed rules and appropriate performance criteria.

The Committee believes the Company's remuneration strategy, and the structures implementing that strategy, have contributed positively to maintaining the stable and highly motivated management team of the Company, who have continued to deliver consistently strong performances for shareholders.

Part 2: remuneration strategy and policy

Information not subject to audit

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 and of the Chairman is set by the Board.

Part 3: additional regulatory disclosures

Information not subject to audit

The 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:

John Charlton (Chairman);
Elaine Bond (Non-Executive Director); and
Phil Dutton (Non-Executive Director).

Role of Remuneration Committee

The Committee determines the remuneration of the Group's Executive Directors, and reviews that of senior executives; who report directly to the Group CEO. It is also responsible for determining the targets for performance-related pay schemes, approves any award of the Company's shares under share option or incentive schemes to employees and oversees any major changes in employee benefit structures. The Committee members have no conflicts of interest arising from cross-directorships and no Director is permitted to be involved in any decisions as to his or her own remuneration.

Assistance to the Committee

During the period the Committee received input from the Chief Executive Officer, the Chief Financial Officer, the Senior Human Resources Manager and Deloitte LLP, in connection with the introduction of the new LTIP scheme. Croner also assisted in some benchmarking work.

Dilution of share capital by employee share plans

The Company monitors and has complied with dilution limits in its various share scheme rules. The Board retains the flexibility using Employees Benefit Trusts to buy ordinary shares to mitigate future dilution.

Pension Plan Auto-Enrolment

Following the introduction of Auto-Enrolment (A-E) in 2012, most employees now have the option of joining the Group's defined contribution personal pension scheme or opting out of pension provision.

Specific information in respect of Executive Directors' pension entitlements is detailed on page 28.

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.

Directors' remuneration report continued

Directors' remuneration

The summary of Directors' remuneration is as follows:

	Aggregate for all Directors		Highest paid Director	
	2014 £000	2013 £000	2014 £000	2013 £000
Remuneration	1,548	946	505	312
Pension contribution	89	59	—	—
Total remuneration	1,637	1,005	505	312

Remuneration in 2013 reflected less than a full year in respect of Richard Eckman and Lance Burn.

The remuneration of the Directors by individual is as follows:

	Salary/fees	Bonus	Benefits*	Subtotal 2014	Pension 2014	Total 2014
Executive Directors						
Lance Burn	165,272	121,322	2,077	288,671	30,954	319,625
Richard Eckman	170,761	—	19,648	190,409	8,625	199,034
Paul Fineman	299,500	187,500	17,713	504,713	—	504,713
Anthony Lawrinson	184,624	150,000	5,408	340,032	49,800	389,832
Total Executive	820,157	458,822	44,846	1,323,825	89,379	1,413,204
Non-Executive Directors						
Elaine Bond	30,000	—	1,604	31,604	—	31,604
John Charlton	70,000	—	3,295	73,295	—	73,295
Phil Dutton	31,606	—	—	31,606	—	31,606
Anders Hedlund	85,000	—	2,374	87,374	—	87,374
Total Non-Executive	216,606	—	7,273	223,879	—	223,879
Total Directors	1,036,763	458,822	52,119	1,547,704	89,379	1,637,083

* The benefits relate primarily to private health benefits.

The bonuses are the estimated expected amounts based on the results for the current year and are expected to be paid in June/July 2014 once the year end statutory accounts have been approved.

During the year Paul Fineman also received £375,747 payment related to an arrangement with AC Artistic a company under the control of the Hedlund family. The full cost including the related employer's national insurance cost of £51,853 was fully reimbursed to the Group by AC Artistic.

The highest paid Director is Paul Fineman (2013: Paul Fineman).

The Group operated a Group personal pension plan to which the Group contributed for one Director (2013: one). The Group also contributes to the personal pension plan of two Directors (2013: two). The Group also provides death in service life assurance to the value of between four and six times pensionable salary.

An expense of £82,000 has been recognised in the year in respect of share-based payments relating to Directors in respect of the new long term incentive plan (2013: nil).

The remuneration of the Directors by individual is as follows:

	Salary/fees	Bonus	Benefits*	Subtotal 2013	Pension 2013	Total 2013
Executive Directors						
Lance Burn	81,165	—	964	82,129	10,299	92,428
Richard Eckman	88,122	—	10,529	98,651	4,342	102,993
Paul Fineman	299,500	—	12,433	311,933	—	311,933
Anthony 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						
Elaine Bond	30,000	—	1,240	31,240	—	31,240
John Charlton	70,000	—	3,057	73,057	—	73,057
Phil Dutton	26,824	—	—	26,824	—	26,824
Anders 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.

On behalf of the Board

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 2014 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 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors

As explained more fully in the Directors' responsibilities statement as set out on page 30, 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 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 annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially

inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 strategic report and the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

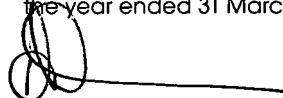
Matters on which we are required to report by exception

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 2014.



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

20 June 2014

Consolidated income statement

year ended 31 March 2014

	Notes	Year ended 31 March 2014			Year ended 31 March 2013		
		Before exceptional items £000	Exceptional items (note 10) £000	Total £000	Before exceptional items £000	Exceptional items (note 10) £000	Total £000
Revenue	4	224,462	—	224,462	225,211	—	225,211
Cost of sales		(183,238)	(2,006)	(185,244)	(183,941)	(953)	(184,894)
Gross profit		41,224	(2,006)	39,218	41,270	(953)	40,317
		18.4%		17.5%	18.3%		17.9%
Selling expenses		(12,108)	—	(12,108)	(12,790)	(455)	(13,245)
Administration expenses		(19,191)	—	(19,191)	(18,789)	(195)	(18,984)
Other operating income	7	737	147	884	803	—	803
Profit on disposal of property, plant and equipment		—	—	—	252	—	252
Operating profit/(loss)	5	10,662	(1,859)	8,803	10,746	(1,603)	9,143
Finance expenses	8	(3,177)	(439)	(3,616)	(3,466)	—	(3,466)
Profit/(loss) before tax		7,485	(2,298)	5,187	7,280	(1,603)	5,677
Income tax (charge)/credit	9	(1,840)	381	(1,459)	(1,890)	289	(1,601)
Profit/(loss) for the period		5,645	(1,917)	3,728	5,390	(1,314)	4,076
Attributable to:							
Owners of the Parent Company				3,010			3,401
Non-controlling interests				718			675

	Notes	2014		2013	
		Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items and LTIP charges	23	8.4p	8.6p	7.8p	7.8p
Loss per share on LTIP charges	23	(0.1p)	(0.1p)	—	—
Adjusted earnings per share excluding exceptional items	23	8.3p	8.5p	7.8p	8.1p
Loss per share on exceptional items	23	(3.2p)	(3.3p)	(2.0p)	(2.1p)
Earnings per share		5.1p	5.2p	5.8p	6.0p

Consolidated statement of comprehensive income

year ended 31 March 2014

	2014 £000	2013 £000
Profit for the year	3,728	4,076
Other comprehensive income:		
Exchange difference on translation of foreign operations	(2,257)	633
Transfer to profit and loss of maturing cash flow hedges (net of tax)	451	446
Net loss on cash flow hedges (net of tax)	(577)	(451)
Other comprehensive income for period, net of tax items which may be reclassified in to profit and loss in subsequent periods	(2,383)	628
Total comprehensive income for the period, net of tax	1,345	4,704
Attributable to:		
Owners of the Parent Company	1,366	3,796
Non-controlling interests	(21)	908
	1,345	4,704

Overview 1 to 5

Strategic report 6 to 17

Governance 18 to 29

Financials 30 to 84

Consolidated statement of changes in equity

year ended 31 March 2014

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 1 April 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
Profit for the year	—	—	—	—	—	3,010	3,010	718	3,728
Other comprehensive income	—	—	—	(126)	(1,518)	—	(1,644)	(739)	(2,383)
Total comprehensive income for the year	—	—	—	(126)	(1,518)	3,010	1,366	(21)	1,345
Equity-settled share-based payment (note 25)	—	—	—	—	—	82	82	—	82
Options exercised (note 22)	58	118	—	—	—	—	176	—	176
Equity dividends paid	—	—	—	—	—	—	—	(1,014)	(1,014)
At 31 March 2014	2,896	4,776	17,164	(577)	(672)	29,925	53,512	3,649	57,161

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 2014

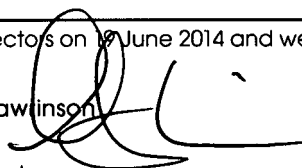
	Notes	As at 31 March 2014 £000	As at 31 March 2013 £000
Non-current assets			
Property, plant and equipment	11	32,049	29,993
Intangible assets	12	31,950	32,795
Deferred tax assets	13	3,665	4,250
Total non-current assets		67,664	67,038
Current assets			
Inventory	14	48,460	50,114
Trade and other receivables	15	19,690	23,285
Cash and cash equivalents	16	8,111	2,301
Total current assets		76,261	75,700
Total assets		143,925	142,738
Equity			
Share capital	22	2,896	2,838
Share premium		3,436	3,318
Reserves		17,255	18,899
Retained earnings		29,925	26,833
Equity attributable to owners of the Parent Company		53,512	51,888
Non-controlling interests		3,649	4,684
Total equity		57,161	56,572
Non-current liabilities			
Loans and borrowings	17	28,145	29,479
Deferred income	18	1,592	1,329
Provisions	19	860	862
Other financial liabilities	20	4,202	1,803
Total non-current liabilities		34,799	33,473
Current liabilities			
Bank overdraft	16	2,529	336
Loans and borrowings	17	9,695	12,847
Deferred income	18	1,202	550
Provisions	19	165	107
Income tax payable		2,052	904
Trade and other payables	21	25,818	28,995
Other financial liabilities	20	10,504	8,954
Total current liabilities		51,965	52,693
Total liabilities		86,764	86,166
Total equity and liabilities		143,925	142,738

These financial statements were approved by the Board of Directors on 19 June 2014 and were signed on its behalf by:

Paul Fineman
Director



Anthony Lawlinson
Director



Company number
1401155

The notes on pages 37 to 75 form part of the financial statements.

Consolidated cash flow statement

year ended 31 March 2014

	Notes	2014 £000	2013 £000
Cash flows from operating activities			
Profit for the year		3,728	4,076
Adjustments for:			
Depreciation	11	5,032	3,807
Amortisation of intangible assets	12	576	494
Finance expenses	8, 10	3,616	3,466
Income tax charge	9	1,459	1,601
Loss/profit on sales of property, plant and equipment and intangible assets	5	4	(252)
Equity-settled share-based payment	25	82	22
Operating profit after adjustments for non-cash items		14,497	13,214
Change in trade and other receivables		1,520	(1,965)
Change in inventory		(722)	(7,171)
Change in trade and other payables		(48)	4,356
Change in provisions and deferred income		(84)	(901)
Cash generated from operations		15,163	7,533
Tax paid		(60)	(937)
Interest and similar charges paid		(3,221)	(3,285)
Net cash inflow from operating activities		11,882	3,311
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		140	421
Acquisition of intangible assets		(206)	(242)
Acquisition of property, plant and equipment ^(a)		(5,085)	(1,884)
Receipt of government grants		1,049	—
Net cash outflow from investing activities		(4,102)	(1,705)
Cash flows from financing activities			
Proceeds from issue of share capital		176	266
Repayment of secured borrowings		(5,646)	(4,060)
Net movement in credit facilities		(2,671)	2,748
Payment of finance lease liabilities		(296)	(115)
New bank loans raised		5,000	—
New finance leases ^(a)		—	1,764
Loan arrangement fees		(180)	(444)
Dividends paid to non-controlling interests		(1,014)	(968)
Net cash outflow from financing activities		(4,631)	(809)
Net increase in cash and cash equivalents		3,149	797
Cash and cash equivalents at beginning of period		1,965	1,223
Effect of exchange rate fluctuations on cash held		468	(55)
Cash and cash equivalents at 31 March	16	5,582	1,965

(a) In the current year £3,239,000 of new finance leases have been shown netted off against acquisitions of property, plant and equipment. In the prior year, new finance leases represent proceeds received in respect of £1,764,000 assets purchased in 2011/12 shown in acquisition of property, plant and equipment in that year.

Notes to the financial statements

year ended 31 March 2014

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 76 to 84.

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 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 2014, except for the adoption of new standards and interpretations as of 1 April 2014.

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.

Notes to the financial statements continued

year ended 31 March 2014

1 Accounting policies continued

Foreign currency translation

The consolidated financial statements are presented in pounds Sterling, which is the Company's functional currency and the Group's presentational currency.

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

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

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income in the translation reserve. The cumulative translation differences previously recognised in other comprehensive income (or where the foreign operation is part of a subsidiary, the parent's interest in the cumulative translation differences) are released into the income statement upon disposal of the foreign operation or on loss of control of the subsidiary that includes the foreign operation.

Classification of financial instruments issued by the Group

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

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Derivative financial instruments and hedging

Derivative financial instruments

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

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.

Notes to the financial statements continued

year ended 31 March 2014

1 Accounting policies continued

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 every half year 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 half-year.

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

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

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

An impairment in respect of goodwill is not reversed. In respect of other assets, an impairment is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

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.

Notes to the financial statements continued

year ended 31 March 2014

1 Accounting policies continued

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.

Net movements in the fair value of derivatives are also included within finance income or expense.

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 using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

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

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

Borrowing costs

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

New standards adopted early

The Group has elected to adopt early the amendments to IAS 36 Recoverable Amounts Disclosure for Non-Financial Assets.

New standards and interpretations not applied

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

Notes to the financial statements continued

year ended 31 March 2014

New standards and interpretations not applied continued

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

New pronouncement	Effective date	To be adopted by the Group
IFRS 10 Consolidated Financial Statements	1 Jan 2014	1 Apr 2014
IFRS 11 Joint Arrangements	1 Jan 2014	1 Apr 2014
IFRS 12 Disclosure of Interests in Other Entities	1 Jan 2014	1 Apr 2014
IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)	1 Jan 2014	1 Apr 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 Jan 2014	1 Apr 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	1 Jan 2014	1 Apr 2014
IFRIC 21 Levies*	1 Jan 2014	1 Apr 2014
IAS 19 Defined Benefits Plans – Employee Contributions – Amendments to IAS 19*	1 Jan 2014	1 Apr 2014
Annual Improvements 2010-2012 Cycle*	1 Jul 2014	1 Apr 2015
Annual Improvements 2011-2013 Cycle*	1 Jul 2014	1 Apr 2015
IFRS 14 Regulatory Deferral Accounts*	1 Jan 2016	1 Apr 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation*	1 Jan 2016	1 Apr 2016
Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations*	1 Jan 2016	1 Apr 2016
IFRS 15 Revenue from Contracts with Customers*	1 Jan 2017	1 Apr 2017
IFRS 9 Financial Instruments*†	1 Jan 2018	1 Apr 2018

* Not yet endorsed by EFRAG.

† IFRS 9 does not yet have a mandatory effective date. The IASB have tentatively agreed an effective date of 1 January 2018.

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.

The new standards, interpretations and amendments which are considered most relevant to the Group are as follows:

IFRS 9: the first phase of IFRS 9, which addressed classification and measurement of financial assets was published in November 2009, and was subsequently amended in October 2010 and November 2013, to include classification and measurement requirements for financial liabilities and hedge accounting requirements. IFRS 9 does not currently have a mandatory effective date. A mandatory effective date will be set when the IASB completes the impairment phase of the project. However, the IASB has tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. The Group will quantify the impact of IFRS 9 when the final standard, including all phases, is issued.

IFRS 10: IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. IFRS 10 does not change consolidation procedures (i.e. how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. IFRS 10 also provides a number of clarifications on applying the new definition of control.

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

IFRS 15: IFRS 15 replaces existing IFRS revenue recognition requirements in IAS 18 Revenue. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g. disposals of property, plant and equipment). The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application is required for annual periods beginning on or after 1 January 2017. The Group are currently assessing the impact of IFRS 15.

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Critical judgements in applying the Group's accounting policies

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

Exceptional items

The Directors have chosen to separate certain items of financial performance which they believe, because of size or incidence, require separate disclosure to enable underlying performance to be assessed. These items are fully described in note 10.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed in the strategic 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 £31.2 million (2013: £31.5 million). No impairment (2013: £nil) was required. The carrying amount of property, plant and equipment was £32.0 million (2013: £30.0 million). No impairment loss (2013: £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 £5.1 million to £5.8 million (at March 2014 exchange rates) and the Group has provisions of £3.3 million (2013: £3.7 million) over the total inventory value.

Notes to the financial statements continued

year ended 31 March 2014

2 Critical accounting judgements and key sources of estimation uncertainty continued

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. For the share options scheme 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). For the long term incentive plan the estimate of the fair value is based on the share price on the date the scheme was approved and the proportion of shares expected to vest. 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 strategic report and a discussion of risks and uncertainties can be found on pages 16 and 17, 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.

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 2014						
Revenue — external	110,516	34,396	53,153	26,397	—	224,462
— inter segment	1,583	292	—	—	(1,875)	—
Total segment revenue	112,099	34,688	53,153	26,397	(1,875)	224,462
Segment result before exceptional items	3,533	2,556	3,026	2,107	—	11,222
Exceptional items	(1,859)	—	—	—	—	(1,859)
Segment result	1,674	2,556	3,026	2,107	—	9,363
Central administration costs						(560)
Net finance expenses						(3,616)
Income tax						(1,459)
Profit for the year ended 31 March 2014						3,728
Balances at 31 March 2014						
Segment assets	105,987	15,983	10,395	8,230	3,330	143,925
Segment liabilities	(47,428)	(10,390)	(24,730)	(2,499)	(1,717)	(86,764)
Capital expenditure						
— property, plant and equipment	6,923	296	952	153	—	8,324
— intangible	225	20	111	—	—	356
Depreciation	3,403	750	653	226	—	5,032
Amortisation	386	59	47	84	—	576

Notes to the financial statements continued

year ended 31 March 2014

4 Segmental information continued

	UK and Asia \$000	Europe \$000	USA \$000	Australia \$000	Eliminations \$000	Group \$000
Year ended 31 March 2013						
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 for the year ended 31 March 2013						4,076
Balances at 31 March 2013						
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

(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 \$3,665,000 (2013: \$4,250,000) and income tax payable of \$2,052,000 (2013: \$904,000). In addition, the assets and liabilities have been grossed up for VAT of \$335,000 (2013: \$475,000) 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	
	2014 \$000	2013 \$000
UK and Asia	42,087	39,276
USA	6,245	6,492
Europe	13,756	14,483
Australia	1,911	2,537
	63,999	62,788

Turnover by customer destination

	Turnover		2014 %	2013 %
	2014 £000	2013 £000		
UK	75,488	87,050	33	39
USA	69,849	58,976	31	27
Europe	46,996	39,362	21	17
Australia and New Zealand	26,397	27,843	12	12
Rest of the world	5,732	11,980	3	5
	224,462	225,211	100	100

Turnover by product

	2014 £000	2013 £000	2014 %	2013 %
Gift packaging and greetings	157,503	154,947	70	69
Stationery and creative play products	66,959	70,264	30	31
	224,462	225,211	100	100

5 Expenses and auditor's remuneration

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

	Notes	2014 £000	2013 £000
Depreciation	11	5,032	3,807
Loss/(profit) on sales of property, plant and equipment and intangible assets		4	(252)
Release of deferred grant income	7	(570)	(550)
Amortisation of intangible assets	12	576	494
Operating lease payment – minimum lease payment	27	4,307	3,887
Sub-lease rental income	7	(304)	(191)
Write down of inventories to net realisable value	14	2,963	2,931
Reversal of previous write downs on inventory	14	(226)	(1,116)
Loss on foreign exchange		411	34

Auditor's remuneration:

	2014 £000	2013 £000
Amounts receivable by auditor and its associates in respect of :		
Audit of these financial statements	42	44
Audit of financial statements of subsidiaries pursuant to legislation		
— Overseas subsidiaries	138	135
— UK subsidiaries	58	66
Other services relating to taxation	—	2

Notes to the financial statements continued

year ended 31 March 2014

6 Staff numbers and costs

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

	Number of employees	
	2014	2013
Selling and administration	401	397
Production and distribution	1,400	1,411
	1,801	1,808

The aggregate payroll costs of these persons were as follows

	Note	2014 £000	2013 £000
Wages and salaries		37,165	36,512
Share-based payments – Long term incentive plan	25	82	—
Share-based payments – Share option scheme	25	—	22
Social security costs		3,050	2,911
Other pension costs		2,498	2,057
		42,795	41,502

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

	Note	2014 £000	2013 £000
Grant income received		570	550
Sub-lease rentals credited to the income statement		304	191
Other		(137)	62
		737	803
Exceptional item	10	147	—
		884	803

8 Finance expenses

	Note	2014 £000	2013 £000
Interest payable on bank loans and overdrafts		2,463	2,676
Other similar charges		536	719
Finance charges in respect of finance leases		110	57
Unwinding of fair value discounts		7	57
Interest payable under the effective interest method		3,116	3,509
Derivative financial instruments at fair value through income statement		61	(43)
		3,177	3,466
Exceptional item	10	439	—
		3,616	3,466

9 Taxation

Recognised in the income statement

	2014 £000	2013 £000
Current tax expenses		
Current year – UK corporation tax	173	—
Current year – foreign tax	1,372	516
Adjustments for prior years	(324)	482
	1,221	998
Deferred tax expense		
Original and reversal of temporary differences	390	887
Adjustments in respect of previous periods	(152)	(284)
	238	603
Total tax in income statement	1,459	1,601
Reconciliation of effective tax rate		
	2014 £000	2013 £000
Profit before tax	5,187	5,677
Profit before tax multiplied by the standard rate of corporation tax rate of 23% in the UK (2013: 24%)	1,193	1,362
Effects of:		
Expenses not deductible for tax purposes	219	38
Unrecognised tax losses	—	684
Movement in unprovided deferred tax	(295)	(1,220)
Deferred tax effect on tax rate changes	213	35
Differences between UK and overseas tax rates	200	396
Other items	405	108
Adjustments in respect of prior years	(476)	198
Total tax in income statement	1,459	1,601

Notes to the financial statements continued

year ended 31 March 2014

10 Exceptional items

2014	Cost of sales £000	Other operating income £000	Finance expenses £000	Total £000
Restructuring of operational activities				
Efficiency programmes in the UK ^(a)	2,006	(147)	—	1,859
Accelerated amortisation of bank fees ^(b)	—	—	439	439
Total restructuring costs	2,006	(147)	439	2,298
Income tax credit				(381)
				1,917

2013	Cost of sales £000	Selling expenses £000	Admin expenses £000	Total £000
Restructuring of operational activities				
– bad debt ^(c)	—	455	—	455
– China factory disruptions ^(d)	953	—	—	953
– management restructuring ^(e)	—	—	195	195
Total restructuring costs	953	455	195	1,603
Income tax credit				(289)
				1,314

(a) Costs associated with major upgrade to manufacturing facilities in Wales and restructuring of UK operations. Other operating income relates to accelerated release of a grant.

(b) Accelerated amortisation of bank arrangement fees as a result of renegotiating banking facilities to fund the investment in Wales.

(c) Bad debt arising from major customer entering administration.

(d) Costs associated with disruption caused by a strike in the China factory.

(e) Redundancy costs arising from restructuring of management at a UK subsidiary.

Impact of exceptional items on cash flow

2014	Included in cash flow £000	Deferred cash £000	Non-cash items £000	Total £000
Restructuring of operational activities				
Efficiency programmes in the UK	165	552	1,142	1,859
Accelerated amortisations of bank fees	36	—	403	439
	201	552	1,545	2,298

In 2013 the total exceptional items of £1,603,000 was included in that year's cash flow.

11 Property, plant and equipment

	Land and buildings		Plant and equipment £000	Fixtures and fittings £000	Motor Vehicles £000	Total £000
	Freehold £000	Leasehold £000				
Cost						
Balance at 1 April 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 1 April 2013	21,803	7,749	49,803	1,339	683	81,377
Additions	1,839	107	6,011	270	97	8,324
Disposals	—	(24)	(67)	(563)	(79)	(733)
Reclassification to computer software	—	—	—	(389)	—	(389)
Effect of movements in foreign exchange	(166)	(690)	(1,563)	(210)	(59)	(2,688)
Balance at 31 March 2014	23,476	7,142	54,184	447	642	85,891
Depreciation and impairment						
Balance as 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 1 April 2013	(9,770)	(2,301)	(38,094)	(787)	(432)	(51,384)
Depreciation charge for the year	(1,307)	(482)	(2,762)	(416)	(65)	(5,032)
Disposals	—	8	65	548	25	646
Reclassification to computer software	—	—	—	359	—	359
Effect of movements in foreign exchange	46	225	1,090	177	31	1,569
Balance at 31 March 2014	(11,031)	(2,550)	(39,701)	(119)	(441)	(53,842)
Net book value						
Balance at 31 March 2014	12,445	4,592	14,483	328	201	32,049
At 31 March 2013	12,033	5,448	11,709	552	251	29,993

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 £4,894,000 (2013: £1,850,000) in respect of assets held under finance leases.

Security

All freehold properties are subject to a fixed charge.

Notes to the financial statements continued

year ended 31 March 2014

12 Intangible assets

	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
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 1 April 2013	40,700	3,225	498	44,423
Additions	—	356	—	356
Reclassification from property, plant and equipment	—	389	—	389
Disposals	—	(197)	(467)	(664)
Effect of movements in foreign exchange	(874)	(132)	(7)	(1,013)
Balance at 31 March 2014	39,826	3,641	24	43,491
Amortisation and impairment				
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 1 April 2013	(9,157)	(2,182)	(289)	(11,628)
Amortisation for the year	—	(536)	(40)	(576)
Reclassification from property, plant and equipment	—	(359)	—	(359)
Disposals	—	76	323	399
Effect of movements in foreign exchange	529	92	2	623
Balance at 31 March 2014	(8,628)	(2,909)	(4)	(11,541)
Net book value				
Balance at 31 March 2014	31,198	732	20	31,950
At 31 March 2013	31,543	1,043	209	32,795

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

	2014 £000	2013 £000
UK and Asia	25,600	25,600
Europe	4,461	4,541
Australia	1,137	1,402
Total	31,198	31,543

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 54), 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, which are based on past experience and future expectations. The Group then extrapolates cash flows for the following seven years based on a conservative estimate of market growth of 2% (2013: 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:

	2014	2013
UK and Asia	12.7%	12.7%
Europe	14.3%	15.3%
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.

Notes to the financial statements continued

year ended 31 March 2014

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	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Property, plant and equipment	1,317	1,204	(1,304)	(884)	13	320
Capital gains deferred	—	—	(294)	(472)	(294)	(472)
Tax loss carried forward	2,488	3,278	—	(1)	2,488	3,277
Other temporary differences	1,458	1,125	—	—	1,458	1,125
Net tax assets/(liabilities)	5,263	5,607	(1,598)	(1,357)	3,665	4,250

The deferred tax asset in respect of tax losses carried forward at 31 March 2014 of £2,219,000 (2013: £2,819,000) is comprised of UK tax losses of £530,000 (2013: £29,000) and US losses of £1,689,000 (2013: £2,790,000). 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 £310,000 (2013: £858,000) and £2,194,000 (2013: £2,153,000) 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 (2013: £nil) would be payable.

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

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

Movement in deferred tax during the year

	1 April 2013 £000	Recognised in income £000	Recognised in equity £000	31 March 2014 £000
Property, plant and equipment	320	(635)	328	13
Capital gains deferred	(472)	322	(144)	(294)
Tax loss carried forward	3,277	(504)	(285)	2,488
Other temporary differences	1,125	579	(246)	1,458
Net tax assets	4,250	(238)	(347)	3,665

Movement in deferred tax during the prior 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 temporary differences	2,783	(1,732)	74	1,125
Net tax assets	4,640	(603)	213	4,250

14 Inventory

	2014 £000	2013 £000
Raw materials and consumables	4,531	5,488
Work in progress	9,435	9,100
Finished goods	34,494	35,526
	48,460	50,114

Of the £48,460,000 (2013: £50,114,000) stock value £43,870,000 (2013: £44,074,000) is held at cost and £4,590,000 (2013: £6,040,000) is held at net realisable value. The write down of inventories to net realisable value amounted to £2,963,000 (2013: £2,931,000). The reversal of previous write downs amounted to £226,000 (2013: £1,116,000). 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 £158,590,000 (2013: £159,525,000).

Part of the Group's funding is via asset backed loans from our bankers. These loans are secured on part of the inventory and trade receivables of the UK, European and American businesses. The amount of the inventory that is used to secure an asset backed loan is £42,298,000 (2013: £31,544,000). In addition bank loans to Hoomark and International Greetings USA 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

	2014 £000	2013 £000
Trade receivables	16,078	18,799
Prepayments and accrued income	1,770	1,486
Other receivables	1,699	2,012
VAT receivable	143	988
	19,690	23,285

Part of the Group's funding is via asset backed loans from our bankers. These loans are secured on part of the inventory and trade receivables of the UK, European and American businesses. The amount of the trade receivables that is used to secure the asset backed loans is £12,469,000 (2013: £9,684,000).

Refer to note 17 for outstanding balance on asset backed loans.

There are no trade receivables in the current year (2013: £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 2014

16 Cash and cash equivalents/bank overdrafts

	Note	2014 £000	2013 £000
Cash and cash equivalents		8,111	2,301
Bank overdrafts		(2,529)	(336)
Cash and cash equivalents per cash flow statement		5,582	1,965

Net debt

		2014 £000	2013 £000
Cash and cash equivalents		8,111	2,301
Bank loans and overdrafts	17	(40,622)	(43,215)
Loan arrangement fees		253	553
Finance leases		(4,689)	(1,777)
Net debt as used in the financial review		(36,947)	(42,138)

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.

	2014 £000	2013 £000
Non-current liabilities		
Secured bank loans (see page 59)	28,222	29,775
Loan arrangement fees	(77)	(296)
	28,145	29,479
Current liabilities		
Asset backed loan	5,336	7,683
Revolving credit facilities	—	658
Current portion of secured bank loans (see page 59)	4,535	4,763
Bank loans and borrowings (see page 59)	9,871	13,104
Loan arrangement fees	(176)	(257)
	9,695	12,847

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 April 2013, 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	2014 £000	2013 £000
Due within one year:			
Bank loans and borrowings (see below)		9,871	13,104
Bank overdrafts	16	2,529	336
Due between one and two years:			
Secured bank loans (see below)		6,071	4,725
Due between two and five years:			
Secured bank loans (see below)		18,525	20,984
Due after more than five years:			
Secured bank loans (see below)		3,626	4,066
		40,622	43,215

During the year the facility with the Group's major bank was amended to include a new £5,000,000 facility to fund the new investment in Wales.

Secured bank loans

Loan 1

The principal of £303,000 (2013: £487,000) 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 £275,000 (2013: £470,000) 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 £5,486,000 (2013: £5,956,000) is repayable quarterly over a 20 year period ending in July 2028. The loan is secured over the freehold land and buildings and the content therein of Hoomark BV and is subject to a variable rate of interest linked to EURIBOR, that has been swapped to a fixed rate for a notional amount of £5,785,000 (2013: £5,882,000) over a period of five years ending in January 2017. The currency of denomination of the loan is Euros.

Loan 4

The principal of £Nil (2013: £218,000) was repayable monthly over a five year period ending November 2013. The loan was secured over the plant and machinery of International Greetings UK Ltd and was subject to a variable rate interest linked to the UK base rate. The currency of denomination of the loan was Sterling.

Loan 5

The principal of £14,659,000 (2013: £15,208,000) is repayable over a five year period with a bullet repayment in May 2016. £9,100,000 is denominated in Sterling and £5,559,000 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 2014 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.

Notes to the financial statements continued

year ended 31 March 2014

17 Loans and borrowings continued

Secured bank loans continued

Loan 6

The principal of £8,035,000 (2013: £12,199,000) is repayable and amortised over a four year period to May 2015. £4,800,000 is denominated in Sterling and £3,235,000 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 2014, the Group had an interest rate swap in place with a notional amount of £2.9 million whereby it receives a floating rate of interest based on LIBOR and pays a fixed rate of interest at 0.92% on the notional amount. The terms of the hedge have been negotiated to match the terms of the commitments. At 31 March 2014, the Group had an interest rate swap in place with a notional amount of \$5.4 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.

Loan 7

The principal of £4,000,000 (2013: £Nil) is repayable over a three year period to May 2016. It is subject to a variable interest rate linked to LIBOR. The currency of denomination of the loan is Sterling.

18 Deferred income

	2014 £000	2013 £000
Included within non-current liabilities		
Deferred grant income	1,592	1,329
Included within current liabilities		
Deferred grant income	620	550
Other deferred income	582	—
	1,202	550

The deferred grant income is in respect of government grants relating to the development of the site in Wales. During the year £1,049,000 new grant was received in relation to the new investment in Wales. This is being amortised in line with depreciation on the new investment. All conditions on the old grant have been met and there is no requirement to repay. It is being amortised in line with the depreciation on the site development.

19 Provisions

	Property £000
Balance at 1 April 2013	969
New provisions made during the year	120
Unwinding of fair value discounts	7
Provisions utilised during the year	(71)
Balance at 31 March 2014	1,025

	2014 £000	2013 £000
Non-current	860	862
Current	165	107
	1,025	969

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 2012 for one of the leasehold properties and the provision was reassessed and is stated after discounting. £664,000 of the non-current balance relates to a lease expiring in 2025, the balance relates to items between two and five years.

20 Other financial liabilities

	2014 £000	2013 £000
Included within non-current liabilities		
Finance lease	4,087	1,540
Other creditors and accruals	115	263
	4,202	1,803
Included within current liabilities		
Finance lease	602	237
Other creditors and accruals	9,210	8,212
Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	115	54
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	577	451
	10,504	8,954

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2014 £000	Interest 2014 £000	Principal 2014 £000	Minimum lease payments 2013 £000	Interest 2013 £000	Principal 2013 £000
Less than one year	795	(193)	602	314	(77)	237
Between one and five years	3,538	(400)	3,138	1,717	(177)	1,540
More than five years	968	(19)	949	—	—	—
	5,301	(612)	4,689	2,031	(254)	1,777

During the year two new finance leases were entered into for £3,239,000 to fund new printing machines in the Group's facilities in Wales. The interest rate on these leases is 3.88%.

21 Trade and other payables

	2014 £000	2013 £000
Trade payables	25,031	28,291
Other payables including income taxes and social security	787	704
	25,818	28,995

Notes to the financial statements continued

year ended 31 March 2014

22 Share capital

Authorised share capital at 31 March 2014 and 2013 was £6,047,443 divided into 120,948,860 ordinary shares of 5p each.

In thousands of shares	Ordinary shares	
	2014	2013
In issue at 1 April	56,768	55,007
Options exercised during the year	1,158	1,761
In issue at 31 March – fully paid	57,926	56,768
	2014 £000	2013 £000
Allotted, called up and fully paid	2,896	2,838
Ordinary shares of £0.05 each		

Share options exercised during the year amounted to 1,158,000 (2013: 1,761,000) which generated cash proceeds of £176,000 (2013: £266,000).

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

	2014		2013	
	Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items and LTIP charges	8.4p	8.6p	7.8p	7.8p
Loss per share on LTIP charges	(0.1p)	(0.1p)	—	—
Adjusted earnings per share excluding exceptional items	8.3p	8.5p	7.8p	8.1p
Loss per share on exceptional items	(3.2p)	(3.3p)	(2.0p)	(2.1p)
Earnings per share	5.1p	5.2p	5.8p	6.0p

The basic earnings per share is based on the profit attributable to equity holders of the Company of £3,010,000 (2013: £3,401,000) and the weighted average number of ordinary shares in issue of 57,519,000 (2013: 56,245,000) calculated as follows:

Weighted average number of shares in thousands of shares	2014	2013
Issued ordinary shares at 1 April	56,768	55,007
Shares issued in respect of exercising of share options	751	1,238
Weighted average number of shares at 31 March	57,519	56,245

Adjusted basic earnings per share excludes exceptional items charged of £2,298,000 (2013: £1,376,000) and the tax relief attributable to those items of £381,000 (2013: £221,000), to give adjusted profit of £4,927,000 (2013: £4,556,000).

Diluted earnings per share

The average number of share options outstanding in the year is 2,281,351 (2013: 3,664,232), at an average exercise price of 19.6p (2013: 19.6p). The diluted earnings per share is calculated assuming all these options were exercised. At 31 March the diluted number of shares was 59,098,460 (2013: 58,794,617).

24 Dividends

No dividends were paid in the year (2013: £nil). The Directors do not propose a final dividend for 2014.

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 2014, outstanding options were as follows:

	Number of ordinary shares	Exercise price (p)	Exercise dates
Approved:	1,667,140	14	December 2011 – December 2018
	38,000	31.25	July 2012 – July 2019
	12,000	50	September 2012 – September 2019
	48,387	62	January 2014 – January 2021
Unapproved:	107,145	14	December 2011 – December 2018
	1,613	62	January 2014 – January 2021
	1,874,285		

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 2014, the weighted average remaining contract life was 4.7 years (2013: 5.8 years).

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

	2014		2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	17p	3,141,956	18p	5,002,556
Approved options granted during the period	0p	—	0p	—
Unapproved options granted in the period	0p	—	0p	—
Lapsed during the year	58p	(110,000)	0p	(100,000)
Exercised during the period	15p	(1,157,671)	15p	(1,760,600)
Outstanding at the end of the period	16p	1,874,285	17p	3,141,956
Exercisable at the end of the period	16p	1,874,285	14p	2,991,956

The weighted average share price at the date of exercise of share options exercised during the period was 47.4p (2013: 54.9p).

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

Long Term Incentive Plan (LTIP)

During the year the Group introduced a new Long Term Incentive Plan.

The Company will issue up to 1,400,000 ordinary shares under the LTIP to Anthony Lawrinson, a Director of the Company. The ordinary shares are being issued as part of Anthony Lawrinson's remuneration package agreed at the time of his appointment to the Board in October 2011. Vesting is conditional upon and proportionate to the cumulative average growth (CAGR) in fully diluted earnings per share before exceptional items over a defined period from 1 April 2012 to 31 March 2015 with CAGR of 20% required for the whole amount to vest. The cost to Anthony Lawrinson of the ordinary shares to be issued under the LTIP if the performance criterion is met, will be nil. Anthony Lawrinson has no other options over ordinary shares.

Notes to the financial statements continued

year ended 31 March 2014

25 Share-based payments continued

Long Term incentive Plan (LTIP) continued

The fair value of the LTIP granted during the year was based on the share price on the date the scheme was approved and the expected number of shares to vest.

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

	2014 £000	2013 £000
LTIP	82	—
Share option scheme	—	22
	82	22

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 2014, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a liability of £692,000 (2013: liability of £505,000).

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	2014		2013	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and cash equivalents	16	8,111	8,111	2,301	2,301
Trade receivables	15	16,078	16,078	18,799	18,799
Other receivables	15	1,699	1,699	2,012	2,012
Total financial assets		25,888	25,888	23,112	23,112
Bank loans and overdrafts	16	40,622	40,622	43,215	43,215
Finance lease liability	20	4,689	4,689	1,777	1,777
Other financial liabilities	20	9,325	9,325	8,475	8,475
Trade payables	21	25,031	25,031	28,291	28,291
Other payables	21	787	787	704	704
Total financial liabilities measured at amortised cost		80,454	80,454	82,462	82,462
Financial liabilities at fair value through profit or loss	20	115	115	54	54
Financial liabilities at fair value through hedging reserve	20	577	577	451	451
Total financial liabilities at fair value		692	692	505	505
Total financial liabilities		81,146	81,146	82,967	82,967
Net financial liabilities		55,258	55,258	59,855	59,855

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 £25,888,000 (2013: £23,122,000) being the total of the carrying amount of financial assets, excluding equity investments, shown in the table above.

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

	2014 £000	2013 £000
UK and Asia	6,850	7,357
USA	4,237	4,796
Europe	2,306	2,709
Australia	2,685	3,937
	16,078	18,799

Notes to the financial statements continued

year ended 31 March 2014

26 Financial instruments continued

b) Credit risk continued

Credit quality of financial assets and impairment losses

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

	2014		2013	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	11,408	(5)	12,616	(43)
Past due 0-90 days	4,025	(46)	5,790	(94)
More than 90 days	926	(230)	857	(327)
	16,359	(281)	19,263	(464)

There were no unimpaired balances outstanding at 31 March 2014 (2013: £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:

	2014 £000	2013 £000
Balance at 1 April	464	565
Charge for the year	310	964
Unused amounts reversed	(211)	(262)
Amounts written off	(270)	(813)
Effects of movement in foreign exchange	(12)	10
Balance at 31 March	281	464

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

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 and details of debt outstanding at 31 March 2014 is set out in note 17.

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

31 March 2014	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		3.4 – 3.8	17,900	(18,833)	(2,359)	(3,898)	(12,576)	—
Secured bank loans								
– US Dollar		3.1 – 3.6	9,372	(9,936)	(1,908)	(2,053)	(5,975)	—
Secured bank loans								
– Euros		4.3	5,485	(7,023)	(574)	(574)	(1,649)	(4,226)
Total secured bank loans	17		32,757	(35,792)	(4,841)	(6,525)	(20,200)	(4,226)
Finance leases	20							
– Sterling leases		3.9	3,176	(3,616)	(531)	(529)	(1,588)	(968)
– Euro leases		4.8	1,505	(1,679)	(258)	(258)	(1,163)	—
– other leases		6.0	8	(8)	(8)	—	—	—
Other financial liabilities			9,325	(9,325)	(9,210)	(115)	—	—
Trade payables	21		25,031	(25,031)	(25,031)	—	—	—
Other payables	21		787	(787)	(787)	—	—	—
Asset backed loans		1.7 – 3.5	5,336	(5,336)	(5,336)	—	—	—
Revolving credit facilities		3.2 – 3.7	—	—	—	—	—	—
Bank overdraft		1.5 – 5.1	2,529	(2,529)	(2,529)	—	—	—
Derivative financial liabilities								
Financial liabilities at fair value through the income statement								
– Interest rate swaps ^(a)			49	—	—	—	—	—
Financial liabilities carried at fair value through the hedging reserve								
– Interest rate swaps ^(a)			399	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the income statement			66	(150)	(150)	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve			178	(21,374)	(21,374)	—	—	—
			81,146	(105,627)	(70,055)	(7,427)	(22,951)	(5,194)

(a) The interest rate swaps with fair values of £49,000 and £399,000 mature over a period ending January 2017.

Notes to the financial statements continued

year ended 31 March 2014

26 Financial instruments continued

c) Liquidity risk continued

Financial risk management continued

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 ^(b)			54	—	—	—	—	—
Financial liabilities carried at fair value through the hedging reserve – interest rate swaps ^(b)			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)

(b) The interest rate swaps with fair values of £54,000 and £546,000 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 2014				31 March 2013			
	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)	32,757	(35,792)	—	(35,792)	34,538	(38,651)	—	(38,651)
Asset backed loans	5,336	(5,336)	(9,283)	(14,619)	7,683	(7,683)	(4,900)	(12,583)
Revolving credit facilities	—	—	(500)	(500)	658	(658)	(2,242)	(2,900)
Bank overdraft	2,529	(2,529)	(4,537)	(7,066)	336	(336)	(4,137)	(4,473)
	40,622	(43,657)	(14,320)	(57,977)	43,215	(47,328)	(11,279)	(58,607)

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 £74 million (2013: £75 million). At 31 March 2014 the facility amounted to £42.9 million (2013: £35.8 million).

Additional facilities were available at other banks of £17.0 million (2013: £18.7 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 2014, which will slightly lower the blended rate in the forthcoming year.

The asset backed loan facilities are to be renewed on:

- UK – May 2016;
- USA – August 2017; and
- Europe – July 2017.

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:

	Carrying amount £000	Contractual cash flows £000	One year or less £000
31 March 2014			
Interest rate swaps:			
Liabilities	399	—	—
Forward exchange contracts:			
Liabilities	178	(21,374)	(21,374)
31 March 2013			
Interest rate swaps:			
Liabilities	546	—	—
Forward exchange contracts:			
Liabilities	(95)	(12,925)	(12,925)

At 31 March 2014, the Group had an interest rate swap in place with a notional amount of \$2.9 million, whereby it receives a floating rate of interest based on LIBOR and pays a fixed rate of interest at 0.92% on the notional amount. The swap is to hedge the exposure to changes in the interest rate. The terms of the hedge have been negotiated to match the terms and commitments. The fair value of the swap at the balance sheet date was a liability of £4,000.

At 31 March 2014, the Group had an interest rate swap in place with a notional amount of \$5.4 million (£3.2 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 £12,000.

At 31 March 2014 the Group had an interest rate swap in place with a notional amount of €7 million (£5.8 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 \$278,000.

Notes to the financial statements continued

year ended 31 March 2014

26 Financial instruments continued

d) Cash flow hedges continued

At 31 March 2014, the Group had an interest rate cap on a notional amount of £8 million, and a notional amount of \$8 million (£4.8 million), whereby interest payable has been capped at 1.5% on both notional amounts. The terms of the hedge have been negotiated to match the terms of the commitments. The fair value of the caps at the balance sheet date were liabilities of £105,000.

The Group has forward currency hedging contracts outstanding at 31 March 2014 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 2014/15 were assessed to be highly effective and as at 31 March 2014 a net unrealised loss of £178,000 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 2014	Notes	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Cash and cash equivalents	16	1,010	5,006	674	1,421	8,111
Trade receivables	15	4,939	2,284	5,896	2,959	16,078
Other receivables		1,296	51	21	70	1,438
Secured bank loans	17	(17,900)	(5,485)	(9,372)	—	(32,757)
Loan arrangement fees	17	155	—	98	—	253
Finance leases	20	(3,176)	(1,505)	(6)	(2)	(4,689)
Asset backed loans	17	1,007	(3,572)	(2,771)	—	(5,336)
Bank overdrafts	16	1,657	801	(3,918)	(1,069)	(2,529)
Trade payables	21	(11,834)	(3,262)	(7,433)	(2,502)	(25,031)
Other payables	21	(549)	(238)	—	—	(787)
Financial liabilities at fair value through hedging reserve	20	(577)	—	—	—	(577)
Balance sheet exposure		(23,972)	(5,920)	(16,811)	877	(45,826)

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)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
Euro	1.19	1.23	1.21	1.19
US Dollar	1.59	1.58	1.67	1.52

Sensitivity analysis

A 10% weakening of the following currencies against Sterling at 31 March 2014 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 2013.

	Equity		Profit/(loss)	
	2014 £000	2013 £000	2014 £000	2013 £000
Euro	(285)	180	(148)	29
US Dollar	1,528	1,733	(247)	(238)

On the basis of the same assumptions, a 10% strengthening of the above currencies against Sterling at 31 March 2014 would have decreased equity and profit or loss by the following amounts:

	Equity		Profit/(loss)	
	2014 £000	2013 £000	2014 £000	2013 £000
Euro	349	(220)	181	(35)
US Dollar	(1,868)	(2,118)	302	291

Notes to the financial statements continued

year ended 31 March 2014

26 Financial instruments continued

e) Market risk continued

Interest rate risk

Profile

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

	Notes	2014 £000	2013 £000
Fixed rate instruments			
Financial liabilities		(24,757)	(29,442)
Variable rate instruments			
Financial assets		8,111	2,301
Financial liabilities		(15,865)	(13,773)
Loan arrangement fees		253	553
Finance leases		(4,689)	(1,777)
Net debt	16	(36,947)	(42,138)

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 2013.

Sensitivity analysis	2014 £000	2013 £000
Equity		
Increase	—	—
Decrease	68	38
Profit or loss		
Increase	—	—
Decrease	68	38

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.

	Notes	Equity	
		2014 £000	2013 £000
Net assets attributable to owners of the Parent Company		53,512	51,888
Net debt	16	36,947	42,138
Trading capital		90,459	94,026

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 and Group Chief Financial 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.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2014 £000	2013 £000
Less than one year	3,921	4,340
Between one and five years	8,737	9,844
More than five years	9,178	10,163
	21,836	24,347

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 (2013: £303,000) are expected to be received during the financial year.

During the year £4,307,000 was recognised as an expense in the income statement in respect of operating leases (2013: £3,887,000).

Notes to the financial statements continued

year ended 31 March 2014

28 Capital commitments

At 31 March 2014, the Group had outstanding authorised capital commitments to purchase plant and equipment for £1,076,000 (2013: £94,000).

29 Related parties

	2014 £000	2013 £000
Sale of goods		
AB Alrick – Hedlund	413	394
Hedlunds Pappers Industri AB	62	35
Festive Productions Ltd	57	56
Hedlund Import AB	8,186	7,915
	8,718	8,400
Purchase of goods		
AB Alrick – Hedlund	706	—
Hedlund Import AB	173	2,455
Festive Productions Ltd	—	31
	879	2,486
Receivables:		
AB Alrick – Hedlund	11	—
Hedlunds Pappers Industri AB	1	17
Festive Productions Ltd	—	36
Balance at 31 March	12	53
Payables:		
Hedlund Import AB	(436)	(475)
Balance at 31 March	(436)	(475)

Identity of related parties and trading

Hedlund Import AB and AB Alrick – Hedlund are under the ultimate control of the Hedlund family. Anders 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.

Phil Dutton, Non-Executive Director, is married to Judith McKenna who was Executive Vice President of Strategy and International Development at Walmart International and is now Executive Vice President, Chief Development Officer of Walmart US. 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% (2013: 50%) of the voting shares of the Company. The shareholdings of Directors are shown in the Directors' report on pages 23 and 24. No other shares were issued to Directors during the year (2013: nil).

Directors' remuneration

	2014 £000	2013 £000
Remuneration	1,941	946
Pension contributions	71	59
Share-based payments relating to Directors – LTIP	82	—
Employer national insurance contributions on the above remuneration	242	130
	2,336	1,135

30 Post balance sheet events

On 5 June 2014 the Company announced that through its business in Europe ("IG Europe"), it has signed a contract to acquire the trade and certain of the assets of Enper Giftwrap BV for approximately €1.9 million with the majority of the purchase price representing usable fixed assets and stock. Enper is a gift-wrap manufacturer in the Netherlands servicing northern Europe with sales of €5 million and this acquisition will allow IG Europe to widen its customer base and further strengthen its market position in a core product category.

Completion is expected to take place at the end of June 2014.

Statement of Directors' responsibilities for the Parent Company financial statements

The Directors are responsible for preparing the strategic report and 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 2014 which comprise the Company Balance Sheet and the related notes 1 to 13. 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 auditors

As explained more fully in the Directors' Responsibilities Statement as set out on page 76, 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 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 annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014;
- 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 strategic report and 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 2014.



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

20 June 2014

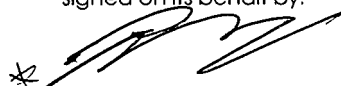
Company balance sheet

as at 31 March 2014

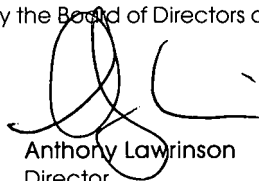
	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	3	59	79
Investments	4	25,770	20,770
Total non-current assets		25,829	20,849
Current assets			
Debtors – due within one year	5	364	13,320
Debtors – due after more than one year	6	35,667	35,056
Cash at bank and in hand		12,675	5,722
		48,706	54,098
Creditors: amounts falling due within one year	8	(6,265)	(6,762)
Net current assets		42,441	47,336
Creditors: amounts falling due after more than one year	9	(22,760)	(23,304)
Net assets		45,510	44,881
Capital and reserves			
Called up share capital	10	2,896	2,838
Share premium account	11	3,436	3,318
Capital redemption reserve	11	1,340	1,340
Merger reserve	11	17,164	17,164
Profit and loss account	11	20,674	20,221
Equity shareholders' funds		45,510	44,811

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

These financial statements were approved by the Board of Directors on 19 June 2014 and were signed on its behalf by:



Paul Fineman
Director



Anthony Lawrinson
Director

Company number
1401155

The notes on pages 79 to 84 form part of the financial statements.

Notes to the Company financial statements

year ended 31 March 2014

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.

Notes to the Company financial statements continued

year ended 31 March 2014

1 Accounting policies – Company continued

Share-based payments

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

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

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

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 (2013: £nil).

3 Tangible assets

	Fixtures and fittings £000	Software £000	Total £000
Cost			
Balance at 1 April 2013	125	10	135
Additions	5	—	5
Balance at 31 March 2014	130	10	140
Depreciation and impairment			
Balance as at 1 April 2013	(47)	(9)	(56)
Depreciation charge for the year	(24)	(1)	(25)
Balance at 31 March 2014	(71)	(10)	(81)
Net book value			
At 31 March 2014	59	—	59
At 31 March 2013	78	1	79

Notes to the Company financial statements continued

year ended 31 March 2014

4 Investments

Shares in subsidiary undertakings	Cost £000	Impairment £000	Net book value £000
At 1 April 2013	22,219	(1,449)	20,770
Additions – investment in International Greetings Asia Limited	5,000	—	5,000
At 31 March 2014	27,219	(1,449)	25,770

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 Huizhou Gift International Greetings Company Limited	China	Manufacture of Christmas crackers	100 (indirect holding)
Hoomark BV	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.

The Company has taken advantage of Section 410(2) of the Companies Act 2006 to list only its principal subsidiary undertakings.

5 Debtors – due within one year

	2014 £000	2013 £000
Trade debtors	3	2
Amounts owed by Group undertakings	—	12,812
Other debtors	200	203
Prepayments	161	303
	364	13,320

6 Debtors – due after more than one year

	Notes	2014 £000	2013 £000
Amounts owed by Group undertakings		34,849	34,849
Deferred tax assets	7	818	207
		35,667	35,056

7 Deferred tax asset

	2014 £000	2013 £000
Difference between accumulated depreciation and capital allowance	83	86
Tax loss carried forward	530	—
Other timing differences	205	121
	818	207

8 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Bank loans, overdrafts and revolving credit facility	3,857	3,845
Loan arrangement fees	(78)	(145)
Trade creditors	498	330
Amounts owed to undertakings	319	1,326
Other taxes and social security	58	111
Other creditors and accruals	1,611	1,295
	6,265	6,762

Refer to note 17 of the Group's financial statements for more details of the terms of the bank borrowings.

Notes to the Company financial statements continued

year ended 31 March 2014

9 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Bank loans	22,837	23,562
Loan arrangement fees	(77)	(258)
	22,760	23,304

10 Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
57,924,896 (2013: 56,767,225) ordinary shares of 5p each	2,896	2,838

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

11 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 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 1 April 2013	2,838	3,318	1,340	17,164	20,221	44,881
Profit for the year	—	—	—	—	371	371
Options exercised	58	118	—	—	—	176
Share-based payments	—	—	—	—	82	82
At 31 March 2014	2,896	3,436	1,340	17,164	20,674	45,510

Within the profit and loss account is a cumulative amount of £161,000 (2013: £161,000) which is unrealised in respect of share options granted to subsidiary employees.

12 Share-based payments

Please see note 25 of the Group's financial statements for details of share-based payments.

13 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 £11,904,000 (2013: £11,926,000) in excess of the amount dealt with in the Company's financial statements.

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View our corporate video at
www.internationalgreetings.co.uk/new-corporate-video.html

A few festive folds of International Greetings wrapping paper for BBC flagship Top Gear's 21st series.

BBC Top Gear's James May chose International Greetings' seasonal wrapping to cover his Ford Fiesta XR2i for the show's Supermarket Sweep Challenge.

The paper used is certified by the Forest Stewardship Council (FSC) and is made with pulp bleached using an Elemental Chlorine Free process at a mills certified to ISO 14001 and EMAS environmental management standards. The printer is also FSC, ISO 14001 and EMAS certified and is a CarbonNeutral company.

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