International Greetings plc

(“International Greetings” or the “Company”)

International Greetings PLC (AIM: IGR), the leading designer and manufacturer of greetings, stationery and licensed published products announces results for the year to 31 March 2008.

Financial highlights:

- Revenue from continuing operations of £194.2 million (2007:196.7million)
- Operating profit before significant items from continuing operations of £0.3 million (2007:£20.6 million)
- Significant items (largely restructuring costs) amounting to £7.5 million (2007: £1.0 million credit)
- Loss before tax and significant items from continuing operations, of £3.1 million (2007: profit £17.7 million)
- Loss for the year of £12.0 million (2007:profit £14.4 million)
- Adjusted* basic loss per share of 3.2p (2007: earnings 29.4p)
- Basic loss per share of 25.7p (2007:earnings 31.1p)
- Equity attributable to shareholders of £69.0 million (2007:£81.8 million)
- Principal banking facilities renewed

Operational highlights:

- Extensive restructuring of underperforming UK Greetings division
  - Latvian factory closed with capacity moved to factory in China
  - South Wales factory operations streamlined and redundancy consultation period concluded post year end
- Sales growth of 55% in mainland Europe
  - Market share in many product categories significantly increased
  - New products introduced into mainland Europe from other Group companies
- Licensed merchandise division
  - New licenses signed for Christmas 2008 season – High School Musical 3 and Madagascar 2
  - Awarded European and UK „Licensee of the Year’ by Disney Consumer Products
- Three international businesses acquired, in line with strategy of reducing UK dependence
- Artwrap Australia – associate investment exceeding expectations
- UK customer goodwill maintained with strong order book for Christmas 2008

Commenting on the results, Nick Fisher, CEO said: “This has been a difficult year for International Greetings, but these results are in line with our April trading update. Having made a number of important strategic acquisitions during the past few years, we have now reshaped our business strategy to concentrate on the organic growth potential of our global operating divisions, with a focus on realising synergy benefits and enhancing margins.

“We have built strong trading platforms in all our geographic locations and with the UK Greetings division recovery plan well under way, we intend to return the Group to profitability for the current year.”

*adjusted to exclude significant items and losses from discontinued operations.

For further information:

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CHAIRMAN'S STATEMENT

It has been a very difficult year for the Company, as our Interim Statement and subsequent announcements over the past seven months have indicated. Although a number of corporate goals have been achieved, in particular the growth of our international business, these have been overshadowed by significant trading and operational difficulties in the UK Greetings Division.

The financial impact of these has been a major contributor to the trading loss being reported for the full year. Revenue for the period was £194.2 million (2007:£196.7 million). The adjusted loss* for the year was £3.1 million (2007:£17.7 million profit). After significant items from continuing operations charged of £7.5 million (2007:£1.0 million credited) and losses from discontinued operations (net of tax) of £4.3 million (2007:£nil), the net loss for the year before tax was £14.9 million (2007: £18.7 million profit). Adjusted* loss per share was 3.2p (2007:29.4p earnings). The basic loss per share for the year was 25.7p (2007:31.1p earnings)

An interim dividend of 2p was paid in December. As announced in February, in view of the anticipated financial performance of the company, the Board decided it would not be appropriate to pay a final dividend for the current year, but it is intended that as the company moves back into profit, dividends will be reviewed.

In our Interim Statement the Board announced that an extensive review of the UK Greetings Division was underway and that Paul Fineman would become Group Managing Director with a specific responsibility to restructure and improve the performance of that Division. Major steps have been taken to this end, which are detailed in the Chief Executive's Report, including the streamlining of our operations in South Wales and strengthening the management team. This should result in due course in a lean, efficient and profitable business.

Elsewhere, both in the UK and overseas, our businesses, although operating in tough trading conditions, have delivered acceptable results.

During the year, in line with our strategy of reducing our dependence on the UK market, the Company acquired four businesses, three of which are based overseas. Two of these will develop our European gift wrap and photo-frame businesses. The third strengthens our US gift wrap business and the fourth, our only UK acquisition, enhances our presence in the children's book trade. In addition, a 50% stake in Artwrap PTY, a greetings and stationery business based in Australia was purchased and I am pleased to report that this investment has already exceeded our expectations.

An investment was also made in Halloween Express, a company operating in the US Halloween retail sector. This investment, however, did not produce the expected returns. As it was a not a core part of the Company's future trading activities the Board decided to dispose of the investment. Since the year end, a sale has been completed.

The Company also announces that Mark Collini is retiring as Finance Director with effect from today's date having served the Company in this capacity for some 20 years. On behalf of the Board, I would like to thank Mark for his contribution to the business and wish him well for the future. Sheryl Tye will be appointed Finance Director in his place with effect from 3rd September 2008.

Following this difficult year, the Board has reviewed all aspects of the company's business and is taking the following action to improve performance:

- To develop further our international business, thereby reducing dependence on the UK market.
- To place greater emphasis on innovation and the quality of our products and designs, areas which have been at the heart of the Company's success.
- To concentrate on the Company's core activities of manufacturing and supplying ranges of stationery and greetings products to the Global Retail sector.

Notwithstanding the downturn in consumer markets, our current trading is broadly in line with this year's business plan. In particular, we have a healthy forward order book for the Christmas 2008 season.

Finally, on behalf of the Board, I would like to thank all of our employees for their hard work, commitment and dedication to the business during the year.

Keith James
Chairman
21 August 2008

*adjusted to exclude significant items and losses from discontinued operations

CHIEF EXECUTIVE'S REPORT

Although we have fulfilled a number of strategic objectives, our Group's performance this year has suffered, primarily due to trading conditions surrounding the UK Greetings Division. As a consequence, we have reviewed our business model and future strategy, with the key objective to return International Greetings to profitability and deliver shareholder value.

UK

Last year's planned merger and reorganisation of the seasonal trading businesses into one operating Division based in South Wales did not yield the cost savings and operational benefits envisaged. With reduced customer orders as a result of the tough retail climate, the management of the division did not react to streamlining the business or reducing the cost base quickly enough.

This, together with production and control issues in the satellite manufacturing facilities in Latvia, exacerbated the problems resulting in an overall reduction of margins. That said, customer service and goodwill did not suffer which protected the division's future order book.

A restructuring was announced last December with a new management team put in place to action the changes needed and deliver a set of financial goals and production objectives. With the subsequent closure of the Latvian factory in its entirety, part of the capacity from that location has been moved to our factory in China with the balance being out-sourced. In addition, in South Wales, the redundancy consultation period concluded in July 2008 with approximately 60% of the work force being retained for the future. These initiatives have led to a high level of exceptional restructuring costs, but will deliver significant savings in the future.

As a result of the action already taken and further initiatives planned, it is expected that the UK Greetings business will return to profitability during the 2009/2010 financial year. Due to the reduced level of in-house manufacturing compared to previous years, there will be a significant reduction in capital expenditure, and the management also expect to realise funds from certain asset sales in South Wales.

Our other UK businesses, namely Anker and Alligator, were affected by the tough high street trading climate, with a number of retailers going out of business during the last year. They did, however, perform well given the trading conditions. In particular, Alligator Books has now fully integrated the acquisition of Pinwheel into its operations, and will utilise the benefits of the intellectual property acquired through its existing distribution channels.

Europe

During this trading year we achieved sales growth of 55% in mainland Europe and we continue to increase our market share in many of our product categories.

Our European business is now very clearly split into two divisions. The Anchor BV trading division, following the acquisition of the Weltec photo frame business last April, is focused on distributing photographic and stationery products throughout Europe. The Hoomark greetings division, having grown its top line revenue over the last couple of years, now intends to leverage this position and focus on increasing margins. New products are also being introduced to mainland Europe from other Group companies, which will enhance our product offering and growth potential.

US

The integration of the Glitterwrap business into IG USA's operations is nearing completion and will result in one combined business leveraging an enhanced product range to a larger base of US customers utilising one single manufacturing and distribution base. Following the Glitterwrap acquisition, sales in the US now contribute in the region of 25% of Group revenue. Our products are distributed to all market sectors from entry level discount retailers through to premium department stores. We are committed to the long term development of the US Division, which offers significant organic growth potential for the Group.

Asia

IG Asia consists of two areas of operation – the Hong Kong sourcing and direct sales office, and the Shenzhen factory in Southern China which has expanded and now manufactures 12% of the Group's products. With the recent relocation of printing equipment from Latvia, the factory will focus on the production of two of the Group's key product areas, namely crackers and gift bags.

The continued development of our operations is expected, as it is necessary for our future growth that we are in direct control of our manufacturing and sourcing and in particular that we maintain the quality standards of our goods. Additionally, we are developing direct sales to our large global customers from Asia, which now amount to approximately £15m of the Group's sales.

Australia

Following healthy results from our investment in 50% of Artwrap PTY, we have agreed ambitious growth plans for the next three years with our co-owners. Utilising the Group's product and design resources, and manufacturing and sourcing capabilities, we are exploiting the synergy benefits available and are extremely encouraged by the opportunities for this business.

Design and Licensing

With the globalisation and commonality of our products and designs across world markets we are, through our digital asset management system, leveraging our intellectual property across all Group companies.

Licensed merchandise remains a key area of our business. We have sold product into the UK market for the recent launch of The Incredible Hulk film. For the 2008 Christmas season, product has been pre sold into the market for the autumn release of High School Musical 3 and Madagascar 2.

In October of last year we were delighted to be awarded the accolade of European and UK Licensee of the Year by Disney Consumer Products. This reflected our on-going commitment to deliver excellence in product design and development and service to our customers both in the UK and throughout Europe.

Conclusion

Having made a number of important strategic acquisitions during the past few years, we have now reshaped our business strategy to concentrate on the organic growth potential of our global operating divisions with a focus on realising synergy benefits and enhancing margins. Under the direction of our new Group Managing Director, all companies are moving towards operating under common standards and disciplines to create one cohesive business. We have built strong trading platforms in all our geographic locations, and with the UK Greetings recovery plan under way, we intend to return the Group to profitability for the current year, with the full benefits from the restructuring of the UK Greetings division coming through in 2009/10.

Nick Fisher
Chief Executive
21 August 2008

Finance Review 2008

This is the first year that the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The effects of the adoption of these standards are explained in note 10.

Group Performance

Revenue from continuing operations for the year to 31st March 2008 amounted to £194.2 million (2007:£196.7 million). Increases in revenue by destination of £4.7 million in the US, £16.6 million in Europe and £1.0 million in the rest of the world were offset by a £24.8 million decrease in UK revenue by destination, primarily in the UK Greetings division.

The gross profit margin (excluding restructuring costs) decreased from 32.9% to 23.6%, primarily due to the operational problems experienced during the year in the UK Greetings division. These results also include a credit of £4.2 million (2007: £4.2 million) in relation to compensation for gross profit on lost sales during the year as a result of a fire at the South Wales print plant in 2005. Operating profit before significant items and discontinued operations decreased from £20.6 million to £0.3 million. Significant items during the year amounted to a £7.5 million charge (2007:£1.0 million credit) and relate largely to the major restructuring of the Group's operations in order to maintain competitiveness. The majority of these costs related to the closure of the Latvia operations, the integration and merger of the UK Greetings division, the transfer of production to China and the integration of the Group's acquisitions of Glitterwrap, Weltec and Pinwheel into the existing operations.

Operating profit after significant items decreased from £21.6 million to an operating loss of £7.2 million.

Net financing costs increased from £2.9 million to £3.9 million, primarily due to higher borrowing levels arising as a result of acquisitions made during the year.

The adjusted* loss before tax for the year was £3.1 million (2007:£17.7 million profit). The loss before tax from continuing operations was £10.5 million (2007:profit of £18.7 million).

Losses from discontinued operations (net of tax) of £4.4 million (2007:£nil) arose from the group's UK internet and seasonal retail operations (£0.9 million) and its investment in associate, Halloween Express, in the US (£3.5 million).

Earnings Per Share and Dividend

The adjusted* basic loss per share for the year ended 31st March 2008 was 3.2p, compared with earnings last year of 29.4p. The basic loss per share was 25.7p, compared with earnings last year of 31.1p.

An interim dividend of 2p (2007:2.25p) was paid in January 2008. In light of the group's results for the year, the directors do not propose to pay a final dividend for the year (2007:7.75p).

Balance Sheet and Cash Flow

Net debt at 31 March 2008 amounted to £64.8 million, compared to £38.0 million last year. Cash paid in respect of acquisitions, including debt acquired with new acquisitions, accounted for £11.2 million (2007:£16.8 million) of this movement and £8.3 million (2007:£nil) was incurred in relation to investments in associates. Capital expenditure of £7.5 million (2007:£11.9 million) was offset by a government grant received of £2.0 million (2007:£nil). Receipts from the sale of fixed assets of £5.1 million included £3.6 million in relation to the sale of the group's property in Duxford made last year which were not received until this year.

Equity attributable to shareholders amounted to £69.0 million compared to £81.8 million last year.

Treasury Operations

The Group continues to receive the support of its bankers and has renewed its principal overdraft facility of £90m, which is due to be reviewed on 31 August 2009. In line with the growing internationalisation of the business funding is developing on a more localised basis and the Board expect this trend to continue.

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

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

*figure adjusted to exclude significant items and discontinued operations

Mark Collini
Finance Director
21 August 2008

Consolidated income statement

Year ended 31 March 2008

Continuing operations	*Note*	**2008 Before significant items £000**	**2008 Significant items (note 5) £000**	**2008 Total £000**	2007 Before significant items £000	2007 Significant items (note 5) £000	2007 Total £000
Revenue	*3*	**194,168**	**-**	**194,168**	196,718	-	196,718
Cost of sales		**(148,366)**	**(4,309)**	**(152,675)**	(131,962)	(897)	(132,859)
Gross profit		**45,802**	**(4,309)**	**41,493**	64,756	(897)	63,859
Distribution expenses		**(16,041)**	**(95)**	**(16,136)**	(17,218)	-	(17,218)
Administration expenses		**(30,096)**	**(3,324)**	**(33,420)**	(27,765)	(355)	(28,120)
Other operating income		**617**	**257**	**874**	823	2,240	3,063
Operating (loss)/profit		**282**	**(7,471)**	**(7,189)**	20,596	988	21,584
Finance expenses		**(3,861)**	**-**	**(3,861)**	(3,158)	-	(3,158)
Finance income		**-**	**-**	**-**	265	-	265
Share of profit of associates (net of tax)		**509**	**-**	**509**	-	-	-
(Loss)/profit before tax		**(3,070)**	**(7,471)**	**(10,541)**	17,703	988	18,691
Income tax credit/(charge)		**1,591**	**1,287**	**2,878**	(4,093)	(214)	(4,307)
(Loss)/profit from continuing operations		**(1,479)**	**(6,184)**	**(7,663)**	13,610	774	14,384
Discontinued operations							
Loss from discontinued operations (net of tax)	*6*	**(1,411)**	**(2,964)**	**(4,375)**	-	-	-
(Loss)/profit for the year attributable to equity holders of the parent company		**(2,890)**	**(9,148)**	**(12,038)**	13,610	774	14,384

	Note	**2008**	2007
(Loss)/earnings per ordinary share	*8*		
Basic		**(25.7p)**	31.1p
Continuing operations		**(16.4p)**	31.1p
Discontinued operations		**(9.3p)**	-
Diluted		**(25.7p)**	30.6p
Continuing operations		**(16.4p)**	30.6p
Discontinued operations		**(9.3p)**	-

Consolidated Statement of Changes in Equity

for the twelve months ended 31 March 2008

	Share capital	Share premium	Merger reserve	Retained earnings	Capital redemption reserve	Hedging Reserve	Translation reserve	Total equity attributable to equity holder of the parent company
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2007	**2,317**	**2,515**	**13,416**	**65,246**	**1,340**	**-**	**(2,997)**	**81,837**
Effective portion of changes in fair value of cashflow hedges (net of tax)	-	-	-	-	-	(125)	-	(125)
Exchange adjustment	-	-	-	-	-	-	1,512	1,512
Net income recognised directly in equity	-	-	-	-	-	(125)	1,512	1,387
Loss for the year	-	-	-	(12,038)	-	-	-	(12,038)
Total income and expense recognised for the year	-	-	-	(12,038)	-	(125)	1,512	(10,651)
Dividends paid	-	-	-	(4,570)	-	-	-	(4,570)
Equity settled share-based payments	-	-	-	(213)	-	-	-	(213)
Shares issued	36	491	2,117	-	-	-	-	2,644
Balance at 31 March 2008	**2,353**	**3,006**	**15,533**	**48,425**	**1,340**	**(125)**	**(1,485)**	**69,047**

Consolidated Statement of Changes in Equity

for the twelve months ended 31 March 2007

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Capital redemption reserve £000	Translation reserve £000	**Total equity attributable to equity holder of the parent company £000**
Balance at 1 April 2006	2,308	2,386	13,023	54,900	1,340	(399)	73,558
Exchange adjustment	-	-	-	-	-	(2,598)	(2,598)
Net income recognised directly in equity	-	-	-	-	-	(2,598)	(2,598)
Profit for the year	-	-	-	14,384	-	-	14,384
Total income and expense recognised for the year	-	-	-	14,384	-	(2,598)	11,786
Dividends paid	-	-	-	(4,282)	-	-	(4,282)
Equity settled share-based payments	-	-	-	244	-	-	244
Shares issued	9	129	393	-	-	-	531
Balance at 31 March 2007	2,317	2,515	13,416	65,246	1,340	(2,997)	81,837

Merger reserve

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

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

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

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Consolidated Balance Sheet
at 31 March 2008

	Note	2008 £000	2007 £000
Non current assets			
Property, plant and equipment		**43,485**	41,550
Intangible assets		**35,544**	28,485
Investment in associates		**3,106**	-
Deferred tax assets		**4,169**	-
Total non current assets		**86,304**	70,035
Current assets			
Inventory		**56,990**	48,577
Tax receivable		**918**	185
Trade and other receivables		**33,779**	40,526
Cash and cash equivalents		**2,137**	12,990
Assets classified as held for sale		**1,718**	20
Total current assets		**95,542**	102,298
Total assets	*3*	**181,846**	172,333
Equity			
Share capital		**2,353**	2,317
Share premium		**3,006**	2,515
Reserves		**15,263**	11,759
Retained earnings		**48,425**	65,246
Total equity attributable to equity holders of the parent company		**69,047**	81,837
Non-current liabilities			
Loans and borrowings		**1,843**	2,136
Deferred income		**4,752**	3,601
Provisions		**1,345**	1,345
Other financial liabilities		**2,806**	-
Deferred tax liabilities		**-**	586
Total non-current liabilities		**10,746**	7,668
Current liabilities			
Bank overdraft		**64,898**	48,557
Loans and borrowings		**241**	310
Deferred income		**954**	1,133
Provisions		**510**	-
Trade and other payables		**21,698**	16,140
Income tax liabilities		**59**	1,564
Other financial liabilities		**13,693**	15,124
Total current liabilities		**102,053**	82,828
Total liabilities	*3*	**112,799**	90,496
Total equity and liabilities		**181,846**	172,333

Consolidated Cash Flow Statement
for year ended 31 March 2008

	Note	2008 £000	2007 £000

Cash flows from operating activities		
(Loss)/profit for the year	**(12,038)**	14,384
Adjustments for:		
Depreciation	**5,938**	5,776
Impairment loss	**821**	-
Amortisation of intangible assets	**221**	100
Financial expenses	**3,861**	3,158
Finance income	**-**	(265)
Share of profit of associates – Continuing operations	**(509)**	-
Share of loss of associates – Discontinued operations	**899**	-
Gain on sale of property, plant and equipment	**(288)**	(2,240)
Equity settled share-based payment	**(213)**	244
Income tax (credit)/charge – Continuing operations	**(2,878)**	4,307
Income tax (credit) – Discontinued operations	**(1,731)**	-
Impairment loss on assets held for sale	**3,969**	-
Negative goodwill recognised	**(189)**	-
Foreign exchange (losses)/gains	**(70)**	265
Operating (loss)/profit before changes in working capital and provisions	**(2,207)**	25,729
Change in trade and other receivables	**7,834**	(6,906)
Change in inventory	**(3,222)**	(7,521)
Change in trade and other payables	**3,834**	1,419
Change in provisions and deferred income	**(478)**	(1,832)
Cash generated from operations	**5,761**	10,889
Interest paid	**(4,191)**	(2,419)
Tax paid	**(1,533)**	(3,024)
Net cash inflow from operating activities	**37**	5,446
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**5,114**	95
Acquisition of subsidiary, including overdrafts acquired	**(11,187)**	(16,776)
Acquisition of shares in associates	**(8,252)**	-
Proceeds from sale of intangible assets	**205**	-
Acquisition of property, plant and equipment	**(7,295)**	(11,723)
Acquisition of intangible assets	**(155)**	(210)
Receipt of government grant	**1,960**	-
Receipts from sales of investments	**20**	45
Net cash outflow from investing activities	**(19,590)**	(28,569)
Cash flows from financing activities		
Proceeds from the issue of share capital	**-**	101
Repayment of borrowings	**(433)**	(89)
Payment of finance lease liabilities	**(132)**	(280)
Dividends paid	**(4,570)**	(4,282)
Net cash outflow from financing activities	**(5,135)**	(4,550)
Net decrease in cash and cash equivalents	**(24,688)**	(27,673)
Cash and cash equivalents at 1 April	**(35,567)**	(9,025)
Effect of exchange rate fluctuations on cash held	**(2,506)**	1,131
Cash and cash equivalents at 31 March	**(62,761)**	(35,567)

Notes

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2008 or 2007 but is derived from the 2008 accounts. Statutory accounts for 2007, which were prepared under UK GAAP, have been delivered to the registrar of companies, and those for 2008, prepared under IFRSs as adopted by the EU, will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The pages that follow are extracted from the Company's Annual Report, which is currently in print and will be distributed within the next two weeks.

1 Accounting policies

International Greetings PLC is a company incorporated in the UK.

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

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and in preparing an opening IFRS balance sheet at 1 April 2006 for the purposes of transition to Adopted IFRS.

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.

The financial statements have been prepared on the going concern basis notwithstanding the loss for the year of £12.0 million and net current liabilities at 31 March 2008 of £6.5 million. The directors believe this to be appropriate because as in previous years, the Group relies primarily on an overdraft facility for its working capital needs and its principal bank has stated that, without prejudice to the on demand nature of the facility, it is their present intention that the facility will be made available until 31 August 2009 when the continued availability and level of facilities will be reviewed. The bank has also confirmed, assuming the business continues to perform in line with expectations, that the facility will be renewed at a level adequate to meet the group's funding requirements on 31 August 2009. The Directors consider that this will enable the company to continue to meet its liabilities as they fall due for payment. 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 these financial statements, they have no reason to believe it will not do so.

Transition to Adopted IFRSs

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 10.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 April 2006 have not been restated.
- Cumulative translation differences – the cumulative translation differences for all foreign operations are deemed to be nil at the date of the transition to IFRS.

Adopted IFRS not yet applied

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

- IFRS 8 „Operating Segments' (mandatory for years commencing on or after 1 January 2009). The impact of this standard is to change the way operating segments are presented in the financial statements. The standard requires disclosure of segment information based on the internal reports regularly reviewed by Management in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its geographical segments (see note 3).

Measurement convention

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

Basis of consolidation

Subsidiaries

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

Associates

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

Foreign currency translation

The consolidated financial statements are presented in pounds sterling, which is the Group's and company's presentational currency.

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

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

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

Classification of financial instruments issued by the Group

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

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

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity

instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

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

Interest-bearing borrowings

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

Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss remains in the hedging reserve and is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when a non-financial asset is depreciated.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

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

Property, plant and equipment

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

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

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

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

- freehold buildings — 25 years
- leasehold land and buildings — life of lease
- plant and equipment — 4 - 10 years
- fixtures and fittings — 3 - 5 years
- motor vehicles — 4 years

No depreciation is provided on freehold land.

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

Intangible assets and goodwill

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

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

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

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

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

The main classes of intangible assets are computer software and publishing imprints.

Amortisation

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

Inventories

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

Impairment

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

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

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

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

Goodwill was tested for impairment as at 1 April 2006, the date of transition to Adopted IFRSs, even though no indication of impairment existed.

Calculation of recoverable amount

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

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

Reversals of impairment

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for restructuring is recognised when the group has approved a detailed and formed 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.

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.

Significant items

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

Discontinued operations

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

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

Government grants

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

Expenses

Operating lease payments

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

Finance lease payments

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

Finance income and expenses

Finance expenses comprises interest payable, finance charges on finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency

accounting policy). Finance income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

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

Taxation

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

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

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

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

Dividend distribution

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

Employee benefits

Pensions

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

The Netherlands subsidiary operates an Industrial defined benefit fund. The employees have a defined benefit based on average wages. The pension fund is a multi employer pension fund and there is no contractual agreement for charging the net defined benefit cost of the plan to participating entities, accordingly the Group has taken advantage of the multi-employer exemption. The Group recognises a cost equal to its contributions payable for the period.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

2 Critical accounting judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that 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:

Share based payments

Measurement of share based payments.

Goodwill

Measurement of the recoverable amounts of the cash generating units containing goodwill.

Taxation

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

Discontinued operations

The results of the Group's investment in Halloween Express, a seasonal retail business and the related UK seasonal retail business have been classed as discontinued in these financial statements because the operations were terminated prior to the year-end, they represented the only retail operations of the Group and together represented significant proportion of the Group's result.

3 Segmental information

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

Geographical analysis

The results below are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure.

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

	UK, Europe & Asia £000	**USA £000**	**Eliminations £000**	**Group £000**
Year ended 31 March 2008				
Continuing operations				
Revenue – external	158,659	35,509	-	194,168
- intra segment	1,045	-	(1,045)	-
Total segment revenue	159,704	35,509	(1,045)	194,168
Segment result before significant items and discontinued operations	(784)	997	69	282
Significant items	(6,531)	(940)	-	(7,471)
Segment result from continuing operations	(7,315)	57	69	(7,189)
Pre-tax (loss) from discontinued operations	(1,237)	-	-	(1,237)
Segment result	**(8,552)**	**57**	**69**	**(8,426)**
Pre-tax loss from discontinued operations				1,237
Net finance expenses				(3,861)
Share of profit of associates				509
Income tax				2,878
Loss from continuing operations				**(7,663)**

Reconciliation of segment result from discontinued

operations to loss on discontinued operations				
Pre-tax loss from discontinued operations	(1,237)	-	-	(1,237)
Tax on loss from discontinued operations	370	-	-	370
Loss on discontinued associate	-	(3,508)	-	(3,508)
Loss from discontinued operations	**(867)**	**(3,508)**	**-**	**(4,375)**
Balances at 31 March 2008				
Continuing operations				
Segment assets	142,028	36,665	(1,671)	177,022
Investment in associate	3,106	-	-	3,106
Segment assets from continuing operations	145,134	36,665	(1,671)	180,128
Segment assets from discontinued operations	-	1,718	-	1,718
Segment assets	**145,134**	**38,383**	**(1,671)**	**181,846**
Segment liabilities	**(74,880)**	**(38,155)**	**236**	**(112,799)**
Capital expenditure				
- property, plant and equipment	6,090	1,205	-	7,295
- intangible	72	83	-	155
Depreciation	5,111	827	-	5,938
Amortisation	140	81	-	221
Impairment	821	-	-	821
Year ended 31 March 2007				
Revenue – external	171,500	25,218	-	196,718
- intra group	1,158	-	(1,158)	-
Total segment revenue	172,658	25,218	(1,158)	196,718
Segment result before significant items	19,372	1,539	(315)	20,596
Significant items	988	-	-	988
Segment result from continuing operations	20,360	1,539	(315)	21,584
Net finance expenses				(2,893)
Income tax				(4,307)
Profit from continuing operations				14,384
Balances at 31 March 2007				
Segment assets	151,844	22,760	(2,271)	172,333
Segment liabilities	(83,637)	(7,431)	572	(90,496)
Capital expenditure				
- property, plant and equipment	8,862	3,924	-	12,786
- intangible	53	208	-	261
Depreciation	5,148	628	-	5,776
Amortisation	73	27	-	100

Geographical analysis of turnover by destination

	2008	2007
	£000	£000
UK	**94,198**	119,043
USA	**49,812**	45,140
Europe	**46,528**	29,971
Rest of the world	**3,630**	2,564

	194,168	196,718

Market sector analysis

The group has one material business segment being the design and manufacture of greetings and related products.

4 Acquisitions of subsidiaries

(a) On 19 November 2003, the Group acquired 100% of the issued share capital of Hoomark Gift-Wrap Partners BV. The purchase agreement provided for future payments of deferred consideration, based on Hoomark's profits for the 3 years ended March 2007.
During the year ended 31 March 2008 a final payment of £926,000 for the acquisition of Hoomark Gift-Wrap Partners BV was paid in cash which was £334,000 higher than the estimated deferred consideration at 31 March 2007.

(b) On 6 April 2006, the Group acquired 100% of the issued share capital of Alligator Books Ltd ("Alligator"), a publisher and distributor of children's books and stationery. Initial consideration of £2,569,000 (including costs) was paid, £2,319,000 in cash and £250,000 by the issue of 62,703 new ordinary shares.

The book value and fair value of assets acquired were as follows:

	£000
Intangible assets	**3**
Property, plant and equipment	**52**
Inventory	**1,375**
Trade and other receivables	**1,569**
Cash	**68**
Bank overdraft	**(1,839)**
Creditors	**(1,004)**
	224
Goodwill on acquisitions	**6,445**
Total consideration	**6,669**

Total consideration consists of:

	£000
Total amounts paid in cash (including costs)	**4,169**
Consideration through issue of shares	**1,750**
Deferred consideration	**750**
	6,669
Total amount paid in cash	**1,750**
Cash and bank overdraft acquired	**1,839**
Net cash outflow	**3,589**

At 31 March 2007 the future consideration payable was estimated at £3,660,000 of which up to 100% was payable by the issuance of new ordinary shares at the company's option. During the year ended 31 March 2008 a payment of £3.35 million was made, £1.8 million in cash and £1.5 million by the issue of 366,505 new ordinary shares. Further additional consideration of £750,000 is expected to become payable in August 2009 and has been included in the cost of investment.

(c) On 4 April 2007, the Group acquired 100% of the issued share capital of Weltec Holding BV ("Weltec"), a distributor of photographic frames based in Holland for £329,000, paid in cash and directly attributable costs incurred of £55,000.

During the year, Weltec was merged into the operations of Anchor International BV and for the period from acquisition to 31 March 2008, it is estimated it contributed a loss of £450,000, after restructuring costs of £490,000.

Draft unaudited accounts of Weltec Holdings BV for the 12 months ended 31 December 2006 reflected revenue of €5.1 million, operating loss of €199,000, write-off of inter group debt of €1.16 million, finance expenses of €135,000, resulting in a loss before tax of €1,494,000.

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

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Fair value at date of acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	**38**	**-**	**38**
Intangible assets	**58**	**-**	**58**
Inventories	**618**	**-**	**618**
Trade and other receivables	**870**	**-**	**870**
Cash	**21**	**-**	**21**
Bank overdraft	**(1,021)**	**-**	**(1,021)**
Trade and other payables	**(522)**	**-**	**(522)**
Net identifiable assets and liabilities	**62**	**-**	**62**
Goodwill on acquisition			**322**
Total amount paid (including costs)			**384**
Cash and overdraft acquired			**1,000**
Net cash outflow			**1,384**

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

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

(d) On 10 May 2007, the Group acquired the business and assets of Pinwheel Ltd (in administration), a publisher of children's book. Total consideration of £417,000 was paid in cash and directly attributable to costs incurred of £21,000.

During the year, Pinwheel was merged into the operations of Alligator Books and for the period from acquisition to 31 March 2008 it is estimated it contributed a profit before tax of £155,000, after restructuring costs of £118,000.

The latest unaudited draft accounts for the twelve months ended 31 March 2006 reflected turnover of £4.1 million, operating loss £46,000 and interest payable of £4,000, resulting in a loss before tax of £50,000.

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

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

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

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

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

For the period from acquisition to 31 March 2008, it contributed a profit of £70,000. Unaudited management information of Artex, for the 12 months ended 31 December 2006 reflected revenue of 3.64 million zlotys and profit before tax of 737,000 zlotys.

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

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

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

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

(f) On 4 September 2007, the Group acquired 100% of the issued share capital of Glitterwrap Inc, a supplier of giftware and party ware products based in the USA. Initial consideration of £1.295 million was paid, £635,000 in cash and £660,000 by the issue of 232,024 new ordinary shares. Directly attributable costs of £178,000 were incurred.

Additional deferred consideration of £2.816 million is payable, with up to £1.771 million payable by the issue of new ordinary shares. Of the £2.816 million payable, £914,000 is payable in August 2008, £1.163 million is payable in August 2009 and £739,000 is payable in August 2010.

During the year, Glitterwrap was merged into the operations of Hysil Manufacturing Co Inc and for the period from acquisition to 31 March 2008 it is estimated it contributed a loss before tax of £507,000, after restructuring costs of £376,000. Audited accounts of Glitterwrap Inc for the 12 months ended 31 December 2006 reflected turnover of $31.5 million, operating profit of $2 million and interest payable of $1.4 million, resulting in a profit before tax of $600,000.

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

	Pre-acquisition carrying amount £000	Provisional fair value adjustments £000	Provisional fair value at date of acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	**1,110**	**(575)**	**535**
Inventories	**3,890**	**(1,793)**	**2,097**
Trade and other receivables	**2,517**	**(126)**	**2,391**

Bank overdraft	**(5,127)**	**-**	**(5,127)**
Trade and other payables	**(1,153)**	**-**	**(1,153)**
Deferred tax asset/(liability)	**(257)**	**700**	**443**
Net identifiable assets and liabilities	**980**	**(1,794)**	**(814)**
Goodwill on acquisition			**5,103**
Total consideration			**4,289**

Total consideration consists of:	
- Total amounts paid in cash (including costs)	**813**
- Consideration through issue of shares	**660**
- Deferred consideration	**2,816**
	4,289
Total amounts paid in cash	**813**
Cash and overdraft acquired	**5,127**
Net cash outflow	**5,940**

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

The goodwill recognised is attributable mainly to the synergies expected to be achieved from integrating the operations into the Groups existing business.

5 Significant items

	Cost of sales £'000	Distribution expenses £'000	Administration expenses £000	Other operating income £000	Total £'000
2008 Continuing operations					
UK restructuring (see note below)	**1,507**	**95**	**1,085**	**-**	**2,687**
Latvia closure (see note below)	**1,988**	**-**	**1,185**	**-**	**3,173**
Integration of acquisitions (see note below)	**814**	**-**	**735**	**-**	**1,549**
Aborted acquisition costs	**-**	**-**	**319**	**-**	**319**
Profit on disposal of property, plant and equipment	**-**	**-**	**-**	**(257)**	**(257)**
	4,309	**95**	**3,324**	**(257)**	**7,471**
2007 Continuing operations					
UK restructuring (see note below)	897	-	355	-	1,252
Profit on disposal of property, plant and equipments	-	-	-	(2,240)	(2,240)
	897	-	355	(2,240)	(988)

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

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

The costs of integration of acquisitions relate to the integration of Glitterwrap, Pinwheel and Weltec (see note 4) into the Group's existing operations. The costs consist primarily of range rationalisation and personnel related costs.

6 Discontinued operations

UK seasonal retail and internet

After Christmas, the Group discontinued its entire UK seasonal retail and internet division. This division had been established during the course of the year, but was discontinued due to not meeting expectations.

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

Halloween Express

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

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

After Christmas, management took the decision to discontinue their investment in the company on the grounds that it was not performing to expectations. The carrying value of the investment was written down to the estimated recoverable amount of £1,718,000 and this is being held within assets held for sale.

	UK seasonal retail 2008 £000	Associate investment in Halloween Express 2008 £000	Total 2008 £000
Revenue	**580**	**-**	**580**
Expenses	**(1,311)**	**-**	**(1,311)**
Operating loss before significant items	**(731)**	**-**	**(731)**
Share of loss of associate	**-**	**(899)**	**(899)**
Income tax credit	**219**	**-**	**219**
Profit after tax before significant items	**(512)**	**(899)**	**(1,411)**
Significant items (net of tax)	**(355)**	**(2,609)**	**(2,964)**
Profit for the year	**(867)**	**(3,508)**	**(4,375)**

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

7 Dividends

Dividends paid

	2008 £000	2007 £000
Final for previous period – 7.75p (2007: 7.0p)	**3,629**	3,240
Interim for current period – 2.0p (2007: 2.25p)	**941**	1,042
	4,570	4,282

The directors do not propose a final dividend for 2008.

8 Earnings per share

	2008	2007
Adjusted basic (loss)/earnings per share excluding significant items and discontinued operations	**(3.2p)**	29.4p
Loss per share on significant items	**(13.2p)**	1.7p
Loss on discontinued operations	**(9.3p)**	-
Basic (loss)/earnings per share	**(25.7p)**	31.1p
Diluted (loss)/earnings per share	**(25.7p)**	30.6p

The basic loss per share is based on the loss of £12,038,000 *(2007: £14,384,000 profit)* and the weighted average number of ordinary shares in issue of 46,799,068 *(2007: 46,278,695)* calculated as follows:

Weighted average number of shares at start of the year	**2008**	2007
In thousands of shares		
Issued ordinary shares at start of the period	**46,330**	46,153
Shares issued in respect of acquisitions	**461**	85
Shares issued in respect of exercising of share options	**8**	41
Weighted average number of shares at end of year	**46,799**	46,279

Adjusted basic loss per share excludes significant items charged of £7,471,000 (*2007: £988,000 credited*), the tax relief attributable to those items of £1,287,000 *(2007: £170,000 charge),* and the loss on discontinued operations (net of tax) of £4,375,000 *(2007: £nil).*

Share options have not been included in the calculation of fully diluted earnings per share for 2008 because their inclusion would be anti-dilutive. The instruments which could potentially dilute the basic earnings per share in the future, but were not included because they were anti-dilutive are as follows:

	2008	2007
Number of shares		
Share options	**254,794**	719,410

9 Post balance sheet events

Subsequent to the year end, the Group has completed the following financing arrangements:

- the Group has renewed its principle overdraft facility of £90 million, which is due to be reviewed on 31 August 2009.
- Hoomark Gift-wrap Partners BV secured financing consisting of a term loan of €9milion, an overdraft of €5 million plus an asset backed facility which varies in line with the value of stock and debtors it holds

Subsequent to the year end, additional employee redundancies have been announced as part of the ongoing restructuring of the UK Greetings division.

10 Explanation of transition to Adopted IFRSs

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2008, the comparative information presented in these financial statements for the year ended 31 March 2007 and in the preparation of an opening IFRS balance sheet at 1 April 2006 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position and performance is set out in the following tables and the notes that accompany the tables.

The cash flow statement of the business has not been presented as the cash flows are unaffected.

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, associates and Jointly Controlled Entities. In respect of business acquisitions that have occurred since 1 April 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

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

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group elected not to restate business combinations that took place prior to 1 April 2006. In respect of acquisitions prior to 1 April 2006, goodwill is included at 1 April 2006 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. Negative goodwill arising on an acquisition is recognised in profit or loss.

Under UK GAAP the Group's policy was to amortise goodwill over 10 – 30 years. Under IFRS 3 there is no amortisation of goodwill, so the goodwill amortisation charge of £1,458,000 for the year ended 31 March 2007 has been excluded from the restated accounts.

Other intangible assets

Under UK GAAP, computer software was included in tangible assets. Under IFRS, it is included in intangible assets.

Forward contracts

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 profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Cash flow hedges

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

Under UK GAAP, no adjustment was made to reflect the fair value of forward exchange contracts entered into by the Group. A charge of £401,000 (before tax attributable of £120,000) for the year ended 31 March 2007 has been included in the restated accounts to reflect the change in the fair values of these financial instruments during these periods as the criteria for hedging was not met.

Short-term employee benefit obligations

Under IAS 19 – Employee benefits, short-term employee benefit obligations should be expensed as the related service is provided.

Under UK GAAP the Group have historically not accrued for short-term compensated absences. A charge of £16,000 (before tax attributable of £5,000) for the year ended 31 March 2007 has been included in the restated accounts to reflect the change to accruing for short-term compensated absences.

Advertising and marketing expenditure

Under IAS 38 – Intangible assets, advertising costs should be expensed when incurred. This treatment was confirmed during the June 2008 IAS Board meeting where it was clarified that the cost of goods and services used in advertising and promotional materials should be recognised as an expense by an entity when those goods or services are available to that entity and an entity may only recognise a prepayment if payments were made in advance of receipt of the goods or services.

Under UK GAAP the Group prepaid certain advertising and marketing expenditure. A charge of £11,000 (before tax attributable of £3,000) for the year ended 31 March 2007 has been included in the restated accounts to reflect the change to immediate expensing of advertising and marketing.

Deferred tax

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.

Under UK GAAP, the group had unprovided deferred tax liabilities on gains on capital disposals rolled over into replacement assets and where grants have reduced the tax cost of properties for use in capital gains calculations on future disposals. Under IFRS, there is no option to not recognise a deferred tax liability in relation to this and therefore an adjustment has been made at 1 April 2006 and in the year ended 31 March 2007 to reflect the recognition of this liability.

Impact on 1 April 2006

Retained earnings as at 1 April 2006 have been reduced by £1,181,000.

	£000
As previously stated	56,081
IFRS adjustments	
Financial derivatives	74
Recognition of deferred tax liability	(597)
Short-term employee benefit obligations	(266)
Advertising and marketing expenditure	(392)
IFRS	**54,900**

Impact on profit for the year ended 31 March 2007

	UK GAAP £000	Goodwill adjustments £000	Financial derivatives adjustments £000	Deferred tax adjustments £000	Other adjustments £000	Reclassification of foreign exchange gain £000	IFRS £000
Profit and loss account Year ended 31 March 2007							
Revenue	196,718	-	-	-	-	-	**196,718**
Cost of sales	(132,859)	-	-	-	-	-	**(132,859)**

Gross profit	63,859	-	-	-	-	-	**63,859**
Distribution expenses	(17,218)	-	-	-	-	-	**(17,218)**
Administration expenses	(28,463)	1,458	-	-	(850)	(265)	**(28,120)**
Other operating income	2,240	-	-	-	823	-	**3,063**
Operating profit	20,418	1,458	-	-	(27)	(265)	**21,584**
Finance expenses	(2,757)	-	(401)	-	-	-	**(3,158)**
Finance income						265	**265**
Profit before taxation	17,661	1,458	(401)	-	(27)	-	**18,691**
Taxation	(4,662)	-	120	227	8	-	**(4,307)**
Profit after taxation attributable to equity holders of the parent company	12,999	1,458	(281)	227	(19)	-	**14,384**
Earnings per share							
Basic	28.1p						**31.1p**
Diluted	27.7p						**30.7p**

Impact on balance sheet at 31 March 2007

Balance sheet 31 March 2007	**UK GAAP £000**	**Goodwill adjustments £000**	**Financial derivatives adjustments £000**	**Deferred tax adjustments £000**	**Other adjustments £000**	**IFRS £000**
Assets						
Property, plant and equipment	41,882	-	-	-	(332)	**41,550**
Intangible assets	26,695	1,458	-	-	332	**28,485**
Total non-current assets	68,577	1,458	-	-	-	**70,035**
Current assets						
Inventories	48,577	-	-	-	-	**48,577**
Tax receivable	185	-	-	-	-	**185**
Trade and other receivables	41,098	-	-	-	(572)	**40,526**
Cash and cash equivalents	12,990	-	-	-	-	**12,990**
Investments	20	-	-	-	-	**20**
Total current assets	102,870	-	-	-	(572)	**102,298**
Total assets	171,447	1,458	-	-	(572)	**172,333**
Equity						
Issued capital	2,317	-	-	-	-	**2,317**
Share premium	2,515	-	-	-	-	**2,515**
Potential issue shares	2,235	-	-	-	(2,235)	**-**
Reserves	11,759	-	-	-	-	**11,759**
Retained earnings	65,042	1,458	(207)	(370)	(677)	**65,246**
Total equity attributable to equity holders of the parent company	83,868	1,458	(207)	(370)	(2,912)	**81,837**
Non-current liabilities						
Loans and borrowings	2,060	-	-	-	76	**2,136**
Other financial liabilities	3,677	-	-	-	(76)	**3,601**
Provisions	1,345	-	-	-	-	**1,345**
Deferred tax liabilities	594	-	(88)	370	(290)	**586**
Total non-current liabilities	7,676	-	(88)	370	(290)	**7,668**
Current liabilities						
Bank overdraft	48,557	-	-	-	-	**48,557**
Loans and borrowings	310	-	-	-	-	**310**

Deferred income	1,133	-	-	-	-	**1,133**
Trade and other payables	15,450	-	295	-	395	**16,140**
Income tax liabilities	1,564	-	-	-	-	**1,564**
Other financial liabilities	12,889	-	-	-	2,235	**15,124**
Total current liabilities	79,903	-	295	-	2,630	**82,828**
Total liabilities	87,579	-	207	370	2,340	**90,496**
Total equity and liabilities	171,447	1,458	-	-	(572)	**172,333**