9 August 2011

International Greetings PLC

Preliminary Results for the year ended 31 March 2011

International Greetings PLC ('International Greetings' or 'the Group'), one of the world's leading designers, innovators and manufacturers of gift wrap, crackers, cards, stationery and accessories, announces its Preliminary Results for the year ended 31 March 2011.

Financial highlights

- Sales up 9% to £217 million from continuing operations.
- Operating profit before exceptional items up 25% to £8.1 million.
- Profit before exceptional items and tax up 47% to £5.2 million.
- Profit before tax from continuing operations up 76% to £4.3 million.
- Profit for the year of £4.9 million (2010: £0.7 million).
- Earnings per share at 7.5p (2010: 0.1p).
- Debt down 9% to £44.4 million (2010: £48.8 million).
- Cash generated from operations of £10.7 million (2010: £27.5 million).
- Equity attributable to shareholders up 13% to £48.1 million.
- Principal bank now given 5 year loan of £30 million plus new US bank funding up to $25 million.

Operational highlights

- Successful launch of Everyday single cards with six major retailers across the globe.
- Record breaking production levels achieved – 1.5 million metres a day of gift wrap reached in Hoomark and 1 million of crackers a day reached in our China factory.
- Prompt and effective action taken to mitigate cost inflation.
- Significant expansion of internet based activities providing services to customers

Paul Fineman, CEO commented:

"It has been another good year of progress and we are delighted to have grown both sales and profit whilst continuing to reduce debt. We have also restructured our funding to strengthen our balance sheet.

"Our continued focus on providing great value, innovative products and excellent standards of service to our global customer base means that we remain well placed to meet challenging market conditions.

"We continue to address further methods for improving efficiency and have created a solid platform for continued profitable growth. We are confident that the Group is now in a good shape to exploit further opportunities in the market."

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International Greetings plc

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Chairman’s statement

Continued progress and profits growth

Last year I was able to report that the actions taken over the recent past were bearing fruit and that the Group had both returned to profit and further reduced its indebtedness. I am pleased to say that upward trend has continued this year, resulting in further profit growth and strengthening of our balance sheet.

This has been achieved at a time when the Group has faced stiff competition in the market place and has had to cope with inflationary pressures on raw material and transport costs.

Revenues for the year ended 31 March 2011 were up 9.4% to £216.9 million (2010 restated: £198.2 million). Profit before tax and exceptional items was up 47% to £5.2 million (2010: £3.5 million). Taking into account exceptional items of £0.9 million (2010 restated: £1.1 million), tax credits of £0.7 million (2010 restated: £0.0 million), and a loss from discontinued operations of £0.1 million (2010 restated: £1.8 million), profit for the year was £4.9 million (2010: £0.7 million). The basic earnings per share was 7.5p (2010: 0.1p).

We made further progress during the year in bringing down the level of debt on our balance sheet. Net debt was reduced by 9.1%, and as at 31 March 2011 was £44.4 million (2010: £48.8 million), whilst the equity attributable to our shareholders grew 13% to £48.1 million (2010: £42.6 million).

The Board is not recommending the payment of a dividend but will keep this policy under review. Our focus continues to be on debt reduction.

During the year we concentrated on three things. Firstly we have improved the range and quality of our products and services. As a result we have not only retained the business of key customers but also gained important new ones with whom we hope to develop a long-term relationship. Secondly, we have harnessed the collaborative energies of our global business to maximise cross-selling opportunities and to better target areas for investment. The third area is cost control. Each year our management is charged with the task of improving our margins, not only by controlling the cost of raw materials but also improving our productivity across the business. Good progress has been made and further improvements are expected during the current financial year.

Our strategy remains unaltered, namely to concentrate on profitable organic growth.

In May I announced that I shall be retiring from the Board at the Annual General Meeting. I became a Director in 2004 and subsequently was appointed Chairman in 2006. I am impressed by the quality of people and products we now have. It is an exciting business that, following the actions taken by the Group over the past few years, is in good shape to exploit future opportunities in the market place.

I should like to thank all my colleagues for their hard work and for the help they have given me during my time as Chairman. As announced in May, John Charlton, who was appointed a Non-Executive Director in 2010, will succeed me as Chairman. I wish John and the team every success. I am confident that the progress we have made in the recent past will continue under his leadership of the Board.

Charles Uwakaneme, one of our Executive Directors, will also be retiring at the Annual General Meeting. Charles has worked with the Group for many years and latterly has played a pivotal role in reorganising and strengthening our business in the UK and on the continent of Europe for which we are very grateful. I am pleased to say that he has agreed to continue working with us as a consultant on a part-time basis.

Finally I should like to thank our shareholders, bankers, customers, suppliers, and of course our staff for their loyalty and continuing support of our business.

Keith James
Chairman

Business review

Operational review

Following the restructuring of the past few years, we are a leaner, fitter business and I am delighted to report that this has contributed to another good year of progress for the Group.

Since returning the business to profit last year, we have continued to focus on increasing sales and profitability, generating cash and reducing our debt. We have also invested in the business to ensure we have a solid platform in place to continue to deliver on our growth strategy.

Geographical highlights

UK and Asia

The UK businesses accounted for 54% (2010: 55%) of the Group's revenue for the year, seeing an increase in sales of 8%. We were pleased with our performance in the UK, in which market conditions remained challenging during the year.

The main growth areas were increased volumes of gift wrap, everyday greetings cards and licenced stationery. This was the first full year the Group produced single greetings cards, and we were delighted to supply everyday greetings cards to two of the UK's leading multiple grocery chains during the year. We also saw strong sales of Christmas crackers, supported by record breaking production from our factory in China, which enabled us to take a greater share of the market. This was against a backdrop of mitigating strong cost inflation.

The decision was made 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 managed by our UK operational management team, and we have therefore now included Asia within the reporting of the UK operations, in line with our internal reporting framework.

Anker and Alligator benefitted from strong sales of licensed stationery, boosted by the success of Toy Story 3. We integrated the UK logistical requirements of Scoop into Anker during the year. Scoop grew its packaging business as the Company developed innovative packaging for confectionery gifts.

USA

The USA operations accounted for 19% (2010: 20%) of the Group's revenue for the year and, importantly, it returned to profit for the first time in four years. Sales were down slightly, as we focused our activities on profitable product categories and channels of distribution.

We grew our product offering in the area of School Fundraising (a market which provides income for schools via sales of consumer products), following the Group entering this sector last year. We experienced strong sales in the entry price point value market, where our market share and customers continued to grow.

Mainland Europe

Europe accounted for 15% (2010: 17%) of the Group's revenue for the year, and achieved like-for-like sales growth from continued operations of about 1%. More importantly, all our continuing European businesses were profitable, with particularly strong growth in Eastern Europe. The Group exerted considerable focus on expanding product offering in Europe, increasing in particular our supply of greetings cards and stationery. As announced last July, the Board took the difficult decision to close the Eick Pack counter rolls business in Germany.

Australia

Australia accounted for 12% (2010: 8%) of the Group's revenue for the year, and grew like-for-like sales by 21% in a buoyant market. In addition to creating its own commercially successful products targeted at the market in both Australia and New Zealand, Artwrap benefitted from increased utilisation of Group products, design formats and services, and continued to take market share, winning contracts with large volume retail chains.

New customers and licences

We continue to expand our customer base and licensed products business. Toy Story 3 was a fantastic performing licence for the Group, and was one of Disney's most successful franchises. We saw strong sales in both stationery and gift packaging products.

Our licensed products portfolio launched during the year include stationery and gift packaging ranges under the "Hello Kitty" and "Smurfs" licences in Europe and "Me To You" in the UK.

Post year end we were delighted to gain the National Geographic licence in the US. The brand was voted the "Most Desired Brand in America" by Forbes. It has the number one selling children's magazine in the world, and includes the website nationalgeographickids.com. As of summer 2011, we will supply branded greetings cards, magnets, stickers, novelty pens and activity books to retailers across the US, and this remains a global opportunity.

The use of the internet for providing services to our customers, and to their consumers, has significantly increased, enabling us to supply a myriad of information and services to all markets and territories cost-effectively. We are confident that profitable new activities will be facilitated through embracing this exciting technology.

Improving the efficiency of our Group

Across the Group, our challenges included combatting significant inflation in raw materials, as well as the impact of Chinese labour and freight costs. We responded well by finding new ways to engineer cost out of products and add value through design, innovation and service. In addition, we increased our utilisation of recycled materials and reduced our wastage. In IG UK we are seeking to flatten out production peaks and, by analysing the challenges and working in partnership with our major customers, we have implemented changes to reduce production costs for the coming year.

IG UK also successfully integrated its design and product innovation service into its South Wales operation and repatriated the former Far East based automated ribbon and bow manufacturing into Wales. The efficient ribbon and bow manufacturing processes in Wales combined with the saving in freight from China, especially applicable to this product category, has helped us to achieve a year-on-year 100% sales growth.

We successfully implemented new ERP computer systems in both Artwrap (Australia) and Hoomark (Holland), which have shown benefits in the level of analysis, warehouse management and accuracy as well as efficiency in those businesses.

Anchor BV in Holland relocated its Weltec business from Northern Holland to become fully integrated within the Anchor business.

Our team

We are grateful to our colleagues globally for helping us make good strides in operating as a leaner business that works and innovates more cohesively.

On behalf of the Board and all Group colleagues, I would like to sincerely thank our Chairman, Keith James for his years of service as a Director and Chairman, and in particular, his excellent stewardship during the restructuring of the Group and our return to profit. We also welcome John Charlton to the role of Chairman and look forward to a continued period of profitable growth.

The business today is one which sees our Group utilising and sharing resources in an intelligent way, while each business manages to retain its individuality and focus on the needs of its customers and markets.

Current trading and outlook

The year to date has started well and we are trading in line with expectations. Following the return to profit in the US, the Group is in good shape and, in addition, we have identified further opportunities to reduce manufacturing costs which we will see benefits of in the coming years.

While global market conditions remain challenging, we are confident in our ability to achieve our growth ambitions for the current year.

Paul Fineman
Chief Executive

Business review

Financial review

Group performance

The Board has continued its focus on cash management and increasing profit, and hence has further strengthened the financial position of the business.

Continuing operations

Revenues from continuing operations for the year to 31 March 2011 were up by 9.4% to £216.9 million (2010 restated to disclose discontinued operations: £198.2 million). The main growth areas were in the UK, which grew by 8%, and Australia. Part of the reported 67% sales growth against prior year in this segment is due to the Group only including Artwrap PTY as a subsidiary since 1 August 2009. If we had included Artwrap for the full year to March 2010, Group sales would have increased by 6.5%. The effect of US dollars and euro against sterling reduced revenue this year by 0.4%.

Gross profit margin from continuing operations and before exceptional items has increased to 17.4% (2010 restated: 17.0%) and reflects improved margin performance in USA and Europe, mitigated by a slightly reduced margin in Australia due to the high volume growth in sales. We have increased the margin despite our continued efforts to sell older stock and being subject to significant inflationary pressures from raw materials, sea freight and, in the Far East, from significant inflation in labour costs and the strengthening Chinese currency.

Whilst underlying **overheads** have reduced year-on-year by 2.2%, the full year inclusion of Artwrap and the effect of currency exchange gains means that, in total, overheads increased by 6% to £30.7 million (2010 restated: £28.9 million).

Operating profit before exceptional items increased by 25% to £8.1 million (2010 restated: £6.5 million). After exceptional items, our operating profit was £7.2 million (2010 restated: £5.4 million).

Exceptional items during the year amounted to £0.9 million before tax (2010: £1.1 million, excluding discontinued business). These relate to:

- restructuring relating mainly to redundancy of senior personnel from the Group centre and Anker businesses; and
- impairment of the value of a US property acquired when a senior employee returned to the UK.

Finance expenses in the year remained at £2.9 million (2010 restated: £2.9 million) reflecting the overall debt reduction throughout the period, which mitigated the increased bank fees and margins.

Profit before exceptional items, and tax was up 47% to £5.2 million (2010 restated: £3.5 million).

Profit before tax from continuing operations was up 76% to £4.3 million (2010 restated: £2.4 million).

Discontinued operations

As disclosed last year, in July 2010 the Board took the difficult decision to close the Eick Pack business. The results of Eick Pack are now shown as a discontinued business, and the comparatives have been adjusted accordingly. Details are shown in note 7.

Taxation

The continued profits of the Group this year have enabled tax losses from previous years to be used both against profits for this year and provided against foreseeable profits in the future. In addition, a change in the US tax regulations has allowed losses to be carried back for three years, giving rise to a tax repayment during the year. With our European businesses now all under one Dutch holding company, IG Europe BV, we have this year also been able to secure tax repayments from losses carried back.

These have given an effective tax credit of 16% (2010 restated: 2% credit). The main segment able to use the brought forward losses is the UK. There are still £5.8 million of losses not recognised as an asset in the US and the UK.

Profit for the year

We are pleased to report that profit for the year was up to £4.9 million (2010: £0.7 million).

Earnings per share and dividends

The basic earnings per share was 7.5p (2010: 0.1p). The basic earnings per share from continuing operations was 7.7p (2010 restated: 3.6p). After removing the effect of exceptional items and discontinued business, the adjusted earnings per share increases to 8.9p (2010 restated: 4.4p).

No dividend was paid during the year (2010: £Nil) and the Board does not propose a final dividend for the year. Our core focus continues to be on growing the profitability of the business and reducing bank debt. Dividends will be recommended as soon as the Board considers it appropriate.

Balance sheet and cashflow

Net debt at 31 March 2011 reduced by 9.1% to £44.4 million (2010: £48.8 million) (see note 11).

Our year end net debt includes amounts denominated in US dollars of $21.4 million (2010: $18.9 million), and in euros of €14.9 million (2010: €18.1 million). The year end exchange rates were $1.61 (2010: $1.51), and €1.13 (2010: €1.12). Using the 2010 exchange rates our net debt at 31 March 2011 would have been £45.4 million, a reduction of 7.1% from 2010 (2010: 27.0% from 2009).

We have continued to focus attention on reducing our outstanding debtors, both to maximise cash but also to reduce our credit risk. Trade debtors fell from £17.6 million to £17.4 million (1%), despite the 9% increase in sales. The effect of currency translation on this reduction is minimal. Days' sales outstanding fell from 59 to 52 days.

Stock levels rose by 2% from £44.9 million to £45.6 million reflecting the success in obtaining some firm customer orders to begin factory production for the coming season ahead of the traditional summer peak, which should in turn enable more efficient use of resources in the coming year. Older stock (measured as over 15 months since last purchase) has continued to fall by 25%, so the mix of stock is now far more current.

Group cash generated from operations was £10.7 million (2010: £27.5 million). In the previous year we had been very successful in reducing stock and debtors to their current levels which had generated nearly £20 million cash.

There was no cash paid out in the year in respect of deferred consideration for acquisitions (2010: £0.8 million), and the final liability for deferred consideration for Glitterwrap was settled in September 2010 by issuing 1.5 million shares.

The Group has again maintained capital expenditure at a low level being £2.7 million for the year (2010: £1.8 million). It realised £0.1 million (2010: £0.3 million) from asset sales in the year. The Group also invested £0.7 million to purchase a property in the US to honour a guarantee given five years ago on behalf of a former CEO of the US business. It is intended to sell this property as soon as practicable. In the coming year it is intended to invest in new state of the art printing machinery in Europe which will further improve efficiency. In addition our planned relocation and re-organisation of our operations in China will further enhance our competitive portfolio of products and services.

Equity attributable to shareholders has increased from £42.6 million to £48.1 million

Risks and key performance indicators

We are focusing on reducing debt, reducing overheads and improving profits to regain our financial strength. On reducing debt, we are managing both working capital and our investments in fixed assets. All of these have been discussed above. Operationally we are increasing the spread of our revenue base across:

- different territories – where turnover to UK destinations has remained at 41% (see note 2);
- different products – gift wrap turnover has fallen from 37% of revenue to 36% (see note 2);
- more even-phasing across the year – despite our success in growing new product areas such as every day single cards, which grew by 15% this year, growth in sales of crackers and gift wrap meant a reversal of our desired trend for a more even business, hence everyday products now represent 47% of revenue, down from 50% last year; and
- brands – we have raised the profile of IG brands and licenced products with sales in this category increasing by 3.1%, but the growth in customer own brand gift wrap and crackers increased more, reversing the trend overall, to represent 52% of our revenue from 55% last year.

Treasury operations

The Board is delighted to announce that in July 2011 the principal bank of the Group has agreed to restructure its facilities as follows:

- two term loans, totalling £30 million, split between US dollars and sterling, and repayable over five years, with a £15.2 million repayment on the fifth anniversary. The interest on these loans is at an average rate of 4.2% over LIBOR;
- a two year asset backed loan facility secured on the stock and debtors of the two largest UK businesses;
- a one year rolling revolving multi-currency credit facility of up to £33 million, and
- a one year rolling multi-currency overdraft facility of up to £5 million.

In addition, we are delighted to announce that a US bank has now agreed to provide a three year asset backed loan facility of up to $25 million, at a rate of 2.5% over US LIBOR.

These new facilities significantly change the balance between short term and longer term liabilities. The net current liabilities of £4.2 million would have been presented as net current assets of £25.8 million.

The covenants attached to these new facilities 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 earnings before interest, depreciation and amortisation on a rolling twelve month basis;
- covenants, in the individual businesses which have asset backed loans, of earnings before interest, depreciation and amortisation rolling twelve month basis compared with the forecast, and the dilution of credit notes as a percentage of invoices issued.

Sheryl Tye
Finance Director

Consolidated income statement
year ended 31 March 2011

	Note	**2011 Before exceptional items £000**	**2011 Exceptional items (note 6) £000**	**2011 Total £000**	2010 restated Before exceptional items £000	2010 restated Exceptional items (note 6) £000	2010 restated Total £000
Continuing operations							
Revenue	2	**216,857**	**—**	**216,857**	198,246	—	198,246
Cost of sales		**(179,108)**	**(27)**	**(179,135)**	(164,530)	333	(164,197)
Gross profit		**37,749**	**(27)**	**37,722**	33,716	333	34,049
		17.4%		**17.4%**	17.0%		17.2%
Selling expenses		**(12,698)**	**(401)**	**(13,099)**	(12,039)	(160)	(12,199)
Administration expenses		**(18,021)**	**(472)**	**(18,493)**	(16,859)	(2,181)	(19,040)
Other operating income	3	**1,019**	**—**	**1,019**	1,643	—	1,643
Disposal of subsidiary		**—**	**—**	**—**	—	907	907
Profit on sales of property, plant and equipment		**33**	**—**	**33**	26	—	26
Operating profit/(loss)		**8,082**	**(900)**	**7,182**	6,487	(1,101)	5,386
Finance expenses	4	**(2,917)**	**—**	**(2,917)**	(2,930)	—	(2,930)
Share of loss from associates (net of tax)		**—**	**—**	**—**	(39)	—	(39)
Profit/(loss) before tax		**5,165**	**(900)**	**4,265**	3,518	(1,101)	2,417
Income tax credit/(charge)	5	**426**	**267**	**693**	(649)	693	44
Profit/(loss) from continuing operations		**5,591**	**(633)**	**4,958**	2,869	(408)	2,461
Discontinued operations							
Loss from discontinued operations (net of tax)	7	**(100)**	**—**	**(100)**	(494)	(1,263)	(1,757)
Profit/(loss) for the year		**5,491**	**(633)**	**4,858**	2,375	(1,671)	704
Attributable to:							
Owners of the Parent Company				**4,010**			55
Non-controlling interests				**848**			649

		Diluted	**Basic**	Diluted	Basic
Earnings per ordinary share	**13**				
Earnings per share		**6.9p**	**7.5p**	0.1p	0.1p
Continuing operations		**7.1p**	**7.7p**	3.3p	3.6p
Discontinued operations		**(0.2)p**	**(0.2)p**	(3.2)p	(3.5)p
Adjusted earnings per share excluding exceptional items and discontinued operations		**8.2p**	**8.9p**	4.0p	4.4p

Consolidated statement of comprehensive income
year ended 31 March 2011

	2011 £000	2010 restated £000
Profit for the year	**4,858**	704

Other comprehensive income:		
Recycling translation reserves on closure of subsidiary	**(97)**	(907)
Exchange difference on translation of foreign operations	**529**	1,654
Net loss on cash flow hedges (net of tax)	**(124)**	—
Other comprehensive income for period, net of tax	**308**	747
Total comprehensive income for the period, net of tax	**5,166**	1,451
Attributable to:		
Owners of the Parent Company	**4,300**	265
Non-controlling interests	**866**	1,186
	5,166	1,451

Consolidated statement of changes in equity
year ended 31 March 2011

	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 2009	2,425	4,346	14,885	—	152	18,934	40,742	—	40,742
Profit for the year	—	—	—	—	—	55	55	649	704
Other comprehensive income	—	—	—	—	210	—	210	537	747
Total comprehensive income for the year	—	—	—	—	210	55	265	1,186	1,451
Equity-settled share-based payment	—	—	—	—	—	82	82	—	82
Shares issued	182	—	1,331	—	—	—	1,513	—	1,513
Options exercised	1	—	—	—	—	—	1	—	1
Acquisition in the year	—	—	—	—	—	—	—	2,168	2,168
At 31 March 2010	**2,608**	**4,346**	**16,216**	**—**	**362**	**19,071**	**42,603**	**3,354**	**45,957**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**4,010**	**4,010**	**848**	**4,858**
Other comprehensive income	**—**	**—**	**—**	**(124)**	**414**	**—**	**290**	**18**	**308**
Total comprehensive income for the year	**—**	**—**	**—**	**(124)**	**414**	**4,010**	**4,300**	**866**	**5,166**
Equity-settled share-based payment	**—**	**—**	**—**	**—**	**—**	**109**	**109**	**—**	**109**
Shares issued	**74**	**—**	**948**	**—**	**—**	**—**	**1,022**	**—**	**1,022**
Options exercised	**16**	**40**	**—**	**—**	**—**	**—**	**56**	**—**	**56**

At 31 March 2011	**2,698**	**4,386**	**17,164**	**(124)**	**776**	**23,190**	**48,090**	**4,220**	**52,310**

Merger reserve

The merger reserve comprises premium on shares issued in relation to business combinations. This year, and last year, the additions are in relation to the final deferred consideration for the Glitterwrap business.

Capital redemption reserve

The capital redemption reserve comprises amounts transferred from retained earnings in relation to the redemption of preference shares. For ease of presentation the amount of £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 2011

	Note	**As at 31 March 2011 £000**	As at 31 March 2010 £000
Non-current assets			
Property, plant and equipment	8	**31,518**	34,199
Intangible assets	9	**33,385**	33,139
Deferred tax assets	10	**4,616**	3,501
Total non-current assets		**69,519**	70,839
Current assets			
Inventory		**45,582**	44,911
Assets classified as held for sale		**497**	—
Trade and other receivables		**21,494**	21,421
Cash and cash equivalents	11	**1,885**	2,045
Total current assets		**69,458**	68,377
Total assets		**138,977**	139,216
Equity			
Share capital		**2,698**	2,608
Share premium		**3,046**	3,006
Reserves		**19,156**	17,918
Retained earnings		**23,190**	19,071
Equity attributable to owners of the Parent Company		**48,090**	42,603
Non-controlling interests		**4,220**	3,354
Total equity		**52,310**	45,957
Non-current liabilities			
Loans and borrowings	12	**8,377**	9,397
Deferred income		**2,429**	2,979
Provisions		**1,847**	1,722
Other financial liabilities		**375**	253
Total non-current liabilities		**13,028**	14,351
Current liabilities			
Bank overdraft	11	**3,620**	3,038
Loans and borrowings	12	**34,312**	38,455
Deferred income		**550**	821
Provisions		**—**	467
Income tax payable		**162**	26
Trade and other payables		**25,353**	21,422
Other financial liabilities		**9,642**	14,679
Total current liabilities		**73,639**	78,908
Total liabilities		**86,667**	93,259
Total equity and liabilities		**138,977**	139,216

These financial statements were approved by the Board of Directors on 9 August 2011 and were signed on its behalf by:

P Fineman	**S Tye**	**Company number**
Director	***Director***	***1401155***

Consolidated cash flow statement
year ended 31 March 2011

	Note	**2011** **£000**	2010 restated £000
Cash flows from operating activities			
Profit for the year		**4,858**	704
Adjustments for:			
Depreciation	8	**4,108**	4,543
Impairment of tangible fixed assets	8	**—**	1,094
Amortisation of intangible assets	9	**331**	287
Finance expenses – continuing operations	4	**2,917**	2,930
Finance expenses – discontinued operations	7	**26**	94
Share of loss from associates		**—**	39
Recycling of translation reserves on closure of subsidiary		**(97)**	(907)
Income tax credit – continuing operations	5	**(693)**	(44)
Income tax credit – discontinued operations	7	**—**	(135)
Profit on sales of property, plant and equipment		**(33)**	(26)
Impairments of assets held for resale		**238**	—
Equity-settled share-based payment		**109**	82
Operating profit after adjustments for non-cash items		**11,764**	8,661
Change in trade and other receivables		**173**	7,288
Change in inventory		**(303)**	13,524
Change in trade and other payables		**(381)**	(2,181)
Change in provisions and deferred income		**(518)**	169
Cash generated from operations		**10,735**	27,461
Tax paid		**(420)**	(372)
Interest and similar charges paid		**(3,226)**	(3,421)
Acquisition of property for resale		**(780)**	—
Net cash inflow from operating activities		**6,309**	23,668
Cash flow from investing activities			
Proceeds from sale of property plant and equipment		**73**	306
Acquisition of subsidiary, including overdrafts acquired		**—**	(3,918)
Acquisition of intangible assets	9	**(521)**	(646)
Acquisition of property plant and equipment		**(1,900)**	(1,121)
Net cash outflow from investing activities		**(2,348)**	(5,379)
Cash flows from financing activities			
Proceeds from issue of share capital		**56**	1
Repayment of borrowings		**(4,169)**	(3,064)
Payment of finance lease liabilities		**(113)**	(12)
New bank loans raised		**—**	28,732
Net cash (outflow)/inflow from financing activities		**(4,226)**	25,657
Net increase in cash and cash equivalents		**(265)**	43,946
Cash and cash equivalents at 1 April		**(993)**	(45,375)
Effect of exchange rate fluctuations on cash held		**(477)**	436
Cash and cash equivalents at 31 March	11	**(1,735)**	(993)

Notes to the preliminary announcement

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") and equity account for the Group's interest in associates prior to gaining control of the former associate during 2009/2010.

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. Prior year comparatives have been restated to remove the discontinued operation from continuing operations (see note 7).

Going concern basis

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities of £4.2 million (2010: £10.5 million).

As in previous years, the Group has relied primarily on a short term facility for its working capital needs. In July 2011 the Group has negotiated with its principal bank more structured borrowings (split between US Dollars and Sterling) comprising a 5 year loan of £15.2 million with a bullet repayment on the 5th anniversary, a 4 year amortising loan of £14.8 million, a one year revolving multi-currency credit facility of up to £33 million and a one year rolling multi-currency overdraft facility of up to £5 million, plus a two year asset backed loan facility secured on the UK business inventory and debtors.

We have also secured a three year asset backed loan facility of up to $25 million with a US bank to assist in the funding of the US business and to mitigate the currency effect on our facility headroom. Details of the Group's facilities and borrowings in place at the year end are given in Note 12. Full details of the new facilities are included in Treasury Operations in the Financial Review.

The Board has prepared a working capital forecast which shows that the borrowing requirement of the Group increases steadily from July 2011 and peaks in September and October 2011 due to the seasonality of the business, as the sales of wrap and crackers are mainly for the Christmas market, before then reducing. Over this period due to production lead times the orders for pre Christmas delivery have largely been received and therefore the principal sensitivities considered in the forecasts relate to the exchange rate between the US dollar and Sterling for both trade and borrowing requirements. The working capital forecasts show the Group will operate within its facility limits for the foreseeable future.

The Directors have a reasonable expectation that the Group has 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 2010, except for the adoption of new Standards and Interpretations as of 1 April 2010, which did not have impact on the financial position of the Group.

2 Segmental information

The Group has one material business activity being the design, innovation and manufacture of gift wrap, crackers, cards, stationery and gift accessories.

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 the last year to focus Asia as a service provider of manufacturing and procurement operations, whose main customers are our UK businesses. Both the China factory and the majority of the Hong Kong procurement operations are now managed by our UK operational management team, and we have therefore now included 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 2011						
Continuing operations						
Revenue – external	**117,806**	**33,493**	**39,980**	**25,578**	**—**	**216,857**
– intra-segment	**11,895**	**1,336**	**—**	**—**	**(13,231)**	**—**
Total segment revenue	**129,701**	**34,829**	**39,980**	**25,578**	**(13,231)**	**216,857**
Segment result before exceptional items and discontinued operations	**2,673**	**2,107**	**2,096**	**2,455**	**—**	**9,331**
Exceptional items	**(510)**	**—**	**(238)**	**—**	**—**	**(748)**
Segment result from continuing operations	**2,163**	**2,107**	**1,858**	**2,455**	**—**	**8,583**
Loss from discontinued operations (see note f)	**—**	**(100)**	**—**	**—**	**—**	**(100)**
Segment result	**2,163**	**2,007**	**1,858**	**2,455**	**—**	**8,483**
Loss from discontinued operations						**100**
Central administration costs						**(1,249)**
Central administration exceptional items						**(152)**
Net finance expenses						**(2,917)**
Income tax						**693**
Profit from continuing operations for the year ended 31 March 2011						**4,958**
Balances at 31 March 2011						
Continuing operations						
Segment assets	**100,853**	**18,112**	**6,272**	**9,438**	**4,302**	**138,977**
Segment liabilities	**(41,243)**	**(15,721)**	**(27,245)**	**(2,611)**	**153**	**(86,667)**
Capital expenditure						
– property, plant and equipment	**1,334**	**297**	**231**	**279**	**—**	**2,141**
– intangible	**307**	**17**	**16**	**181**	**—**	**521**
Depreciation	**2,346**	**821**	**780**	**161**	**—**	**4,108**
Amortisation	**161**	**44**	**64**	**62**	**—**	**331**
Impairment of property, plant and equipment	**—**	**—**	**238**	**—**	**—**	**—**

	UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2010 restated						
Continuing operations						
Revenue – external	108,993	33,121	40,839	15,293	—	198,246
– intra-segment	1,805	1,043	50	—	(2,898)	—
Total segment revenue	110,798	34,164	40,889	15,293	(2,898)	198,246
Segment result before exceptional items and discontinued operations	4,486	1,051	415	1,930	—	7,882
Exceptional items	(34)	(380)	175	—	—	(239)
Segment result from continuing operations	4,452	671	590	1,930	—	7,643
Loss from discontinued operations	—	(1,757)	—	—	—	(1,757)
Segment result	4,452	(1,086)	590	1,930	—	5,886
Loss from discontinued operations						1,757
Central administration costs						(1,395)
Central administration exceptional items						(862)
Net finance expenses						(2,930)
Share of profit of associates						(39)
Income tax						44
Profit from continuing operations year ended 31 March 2010						2,461
Balances at 31 March 2010						
Segment assets from continuing operations	101,898	24,578	17,416	7,516	(12,354)	139,054
Segment assets from discontinued operations	—	162	—	—	—	162
Segment assets	101,898	24,740	17,416	7,516	(12,354)	139,216
Segment liabilities	(43,612)	(23,186)	(39,359)	(2,121)	15,019	(93,259)
Capital expenditure						Central
administration						
– property, plant and equipment	752	283	34	52	—	1,121
– intangible	456	6	8	176	—	646
Depreciation	2,585	1,123	750	85	—	4,543
Amortisation	123	39	125	—	—	287
Impairment of fixed property, plant and equipment	—	767	—	—		767
Impairment of fixed property, plant and equipment central administration	—	—	—	—	—	327

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

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

(c) The assets and liabilities that have not been allocated to segments consist of deferred tax assets of £4,617,000 (2010: £3,501,000), and income tax payable of £162,000 (2010: £26,000). In addition the assets and liabilities have been grossed up for VAT of £315,000 (2010: £268,000) to reflect the net position of the Group.

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

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

(f) The discontinued operation all relates to the Europe segment. See note 7 for results. The loss includes £26,000 (2010: £94,000) of finance expenses and £nil (2010: £135,000 credit) in respect of tax.

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

	2011 £000	2010 £000
UK	**39,705**	41,241
Asia	**1,929**	2,377
USA	**6,850**	7,856
Europe	**14,285**	14,105
Australia and New Zealand	**2,134**	1,759
	64,903	67,338

Turnover

	2011 £000	2010 restated £000	2011 %	2010 restated %
UK	**89,916**	81,818	**41**	41
USA	**53,076**	53,761	**25**	27
Europe	**43,711**	44,051	**20**	22
Australia and New Zealand	**25,578**	15,293	**12**	8
Rest of world	**4,576**	3,323	**2**	2
	216,857	198,246	**100**	100

Turnover by product

Turnover analysis by product

	2011 £000	2010 restated £000	2011 %	2010 restated %
Gift wrap	**77,991**	72,645	**36**	37
Books and stationery	**38,659**	34,251	**18**	17
Greetings cards	**23,371**	18,148	**11**	9
Bags and boxes	**18,039**	15,744	**8**	8
Crackers	**16,843**	14,322	**8**	7
Albums and frames	**9,366**	10,367	**4**	5
Other	**32,588**	32,769	**15**	17
Total	**216,857**	198,246	**100**	100

3 Other operating income

	2011 £000	2010 £000
Lease premium	**271**	403
Grant income received	**550**	550
Sublease rentals credited to the income statement	**73**	452
Other	**125**	238
	1,019	1,643

4 Finance expenses

	2011 £000	2010 restated £000
Interest payable on bank loans and overdrafts	**2,295**	2,132
Other similar charges	**751**	682
Finance charges in respect of finance leases	**4**	2
Unwinding of discount on deferred consideration	**—**	83
Interest payable under the effective interest method	**3,050**	2,899
Derivative financial instruments at fair value through income statement	**(133)**	31
	2,917	2,930

5 Taxation

Recognised in the income statement

	2011 £000	2010 restated £000
Current tax expenses		
Current year — UK corporation tax	**—**	—
Current year — foreign tax	**1,144**	569
Adjustments for prior years (see below)	**(605)**	(643)
	539	(74)
Deferred tax expense		
Original and reversal of temporary differences	**(765)**	214
Adjustments in respect of previous periods	**(467)**	(184)
	(1,232)	30
Total tax in income statement	**(693)**	(44)

Reconciliation of effective tax rate

	2011 £000	2010 restated £000
Profit before tax	**4,265**	2,417
Tax using the UK corporation tax rate of 28% (2010: 28%)	**1,194**	677
Expenses not deductible for corporation tax purposes	**21**	349
Recycle of translation gain on closure of subsidiary	**(3)**	(262)
Tax losses on which deferred tax has not been recognised	**633**	84
Deferred tax assets in respect of losses previously unprovided	**(1,291)**	—
Non-taxable income	**(32)**	(80)
Impact of the tax rate change on deferred tax	**159**	—
Refund carryback due to change in tax law	**(427)**	—
Differences between UK and overseas tax rates	**125**	15
(Over)/under provided in prior years	**(1,072)**	(827)
Total tax in income statement	**(693)**	(44)

Included in the adjustments in respect of prior years above is a credit for £427,000 arising from a change in legislation in the US enabling the Group to utilise further tax losses carried back.

6 Exceptional items

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

2010 continuing operations restated	Cost of sales £000	Selling expenses £000	Admin expenses £000	Profit on disposal £000	Total £000
Restructuring of operational activities					
Impairment of leasehold improvements and fittings at Hatfield Head office (note c)	—	—	327	—	327
— lease provision (note c)	—	—	1,300	—	1,300
— redundancies (note d)	—	160	554	—	714
Recycling of translation reserve on closure of subsidiary (note e)	—	—	—	(907)	(907)
Asia supplier disruption — insurance proceeds (note f)	(333)	—	—	—	(333)
	(333)	160	2,181	(907)	1,101
Income tax charge					(693)
					408

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

(b) During the year the Group were called upon to repay the mortgage of a former senior employee of the US business upon his repatriation to the UK, according to a guarantee given by the Group about five years ago. The Group has purchased the property, and is looking to dispose of it as soon as practicable. It is disclosed on the balance sheet as an asset held for sale, and has been impaired to its fair value less costs to sell.

Year ended 31 March 2010

(c) During the year the Group announced its decision to the staff to relocate its UK Greetings design studio from the Hatfield head office to the rest of the UK Greetings business based in Wales. With this, and the previous restructuring, the offices in Hatfield are oversized for the current remaining staff and activities. An onerous lease provision was therefore made of £1.3 million, of which £200,000 was used during the year to 31 March 2010. The Group has been exploring opportunities to relocate its head office, and removed many of the offices that had been built within the warehouse in order to be able to sublet the property to an incoming tenant. It therefore impaired the value of these leasehold improvements and fittings being £327,000.

(d) During the year the Board took the decision to relocate the operations of its Weltec business in Holland into the Anchor BV operation, and in the UK, to relocate its Gift Design business into the Scoop business. These, and other minor restructuring, incurred costs of £714,000 mainly in staff redundancy, and some equipment operational contracts.

(e) In early 2008 the Group closed its Latvian business, which has been winding down with the final staff leaving and the premises shut during this year. The Latvian companies were put into administration and, in accordance with IAS 21, the translation reserves relating to that business are recycled back through the income statement (£907,000).

(f) The Group submitted an insurance claim in relation to the fire at one of our Asia suppliers in 2008.

7 Discontinued operations

In July 2010, the Board took the difficult decision to close the Eick Pack counter rolls business in Germany that it bought in 2007. It made losses since its acquisition, and despite investing extra management time, and further sales resource, there were insufficient indicators that a sustained improvement could be made.

	2011	2010
	£000	£000
Revenue	**390**	1,906
Cost of sales	**(358)**	(1,823)
Gross profit	**32**	83
Selling expenses	**(17)**	(120)
Administration expenses	**(89)**	(363)
Operating loss	**(74)**	(400)
Finance expenses	**(26)**	(94)
Loss before tax and exceptional items	**(100)**	(494)
Income tax	**—**	—
Loss from discontinued operation before exceptional items	**(100)**	(494)
Exceptional items		
Impairment of fixed assets (see below)	**—**	(767)
Impairment of stock (see below)	**—**	(631)
Total exceptional items	**—**	(1,398)
Tax credit on exceptional items	**—**	135
Exceptional items after tax	**—**	(1,263)
Loss from discontinued operation	**(100)**	(1,757)
The tax credit is analysed as follows:		
On the loss on discontinuance	**—**	135
	—	135

As a result of the decision to close its German subsidiary, as at 31 March 2010 the Group impaired the fixed assets of that subsidiary, being printing equipment and fittings totalling £767,000 to the Directors' estimate of its fair value on sale less costs of sale which netted to £Nil. In addition the Group reviewed the carrying value of the related inventory and provided £631,000 against these.

8 Property, plant and equipment

	Land and buildings					
	Freehold	Leasehold	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 April 2009	22,183	7,324	48,092	8,189	876	86,664
Transfer between categories (see note below)	371	(371)	—	—	—	—
Balance at 1 April 2009 – restated	22,554	6,953	48,092	8,189	876	86,664
Additions	220	—	286	589	26	1,121
Acquisition through business combinations	—	—	129	100	68	297
Disposals	(392)	(31)	(624)	(639)	(234)	(1,920)
Transfers between categories	(22)	1,455	1,545	(3,620)	231	(411)
Effect of movements in foreign	(223)	(312)	(784)	(299)	21	(1,597)

exchange						
Balance at 31 March 2010 – restated	22,137	8,065	48,644	4,320	988	84,154
Balance at 1 April 2010 – restated	**22,137**	**8,065**	**48,644**	**4,320**	**988**	**84,154**
Additions	**246**	**6**	**991**	**782**	**116**	**2,141**
Disposals	**—**	**(605)**	**(2,643)**	**(2,883)**	**(262)**	**(6,393)**
Effect of movements in foreign exchange	**(68)**	**(495)**	**(1,097)**	**(196)**	**11**	**(1,845)**
Balance at 31 March 2011	**22,315**	**6,971**	**45,895**	**2,023**	**853**	**78,057**
Depreciation and impairment						
Balance at 1 April 2009	(6,536)	(370)	(33,220)	(6,075)	(741)	(46,942)
Transfer between categories	(15)	15	—	—	—	—
Balance at 1 April 2009 – restated	(6,551)	(355)	(33,220)	(6,075)	(741)	(46,942)
Depreciation charge for the year – restated	(910)	(333)	(2,387)	(742)	(171)	(4,543)
Disposals	231	31	540	616	222	1,640
Impairment	—	(290)	(622)	(182)	—	(1,094)
Transfers between categories	3	(1,389)	(1,151)	2,804	(28)	239
Effect of movements in foreign exchange	25	(15)	509	230	(4)	745
Balance at 31 March 2010 – restated	(7,202)	(2,351)	(36,331)	(3,349)	(722)	(49,955)
Balance at 1 April 2010 – restated	**(7,202)**	**(2,351)**	**(36,331)**	**(3,349)**	**(722)**	**(49,955)**
Depreciation charge for the year	**(920)**	**(349)**	**(2,179)**	**(552)**	**(108)**	**(4,108)**
Disposals	**—**	**605**	**2,634**	**2,876**	**238**	**6,353**
Effect of movements in foreign exchange	**(1)**	**127**	**866**	**182**	**(3)**	**1,171**
Balance at 31 March 2011	**(8,123)**	**(1,968)**	**(35,010)**	**(843)**	**(595)**	**(46,539)**
Net book value						
At 31 March 2011	**14,192**	**5,003**	**10,885**	**1,180**	**258**	**31,518**
At 31 March 2010 – restated	14,935	5,714	12,313	971	266	34,199

9 Intangible assets

	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
Balance at 1 April 2009	38,892	1,839	471	41,202
Acquisitions through business combinations	1,023	—	18	1,041
Reclassified to/from property, plant and machinery	—	411	—	411
Additions	—	646	—	646
Disposals	—	(65)	—	(65)
Effect of movements in foreign exchange	1,043	(13)	5	1,035
Balance at 31 March 2010	40,958	2,818	494	44,270
Balance at 1 April 2010	**40,958**	**2,818**	**494**	**44,270**
Additions	**—**	**521**	**—**	**521**
Disposals	**(26)**	**(379)**	**—**	**(405)**
Effect of movements in foreign exchange	**(347)**	**(44)**	**1**	**(390)**
Balance at 31 March 2011	**40,585**	**2,916**	**495**	**43,996**
Amortisation and impairment				

Balance at 1 April 2009	(9,373)	(1,353)	(96)	(10,822)
Amortisation for the year	—	(239)	(48)	(287)
Reclassified to/from property, plant and machinery	—	(239)	—	(239)
Disposals	—	65	—	65
Effect of movements in foreign exchange	135	17	—	152
Balance at 31 March 2010	(9,238)	(1,749)	(144)	(11,131)
Balance at 1 April 2010	**(9,238)**	**(1,749)**	**(144)**	**(11,131)**
Amortisation for the year	**—**	**(283)**	**(48)**	**(331)**
Disposals	**26**	**379**	**—**	**405**
Effect of movements in foreign exchange	**390**	**57**	**(1)**	**446**
Balance at 31 March 2011	**(8,822)**	**(1,596)**	**(193)**	**(10,611)**
Net book value				
At 31 March 2010	31,720	1,069	350	33,139
At 31 March 2011	**31,763**	**1,320**	**302**	**33,385**

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

	2011	2010
	£000	£000
UK segment		
Anker International PLC	**16,410**	16,410
Alligator Books Ltd	**6,445**	6,445
Multiple UK units without individually significant goodwill	**2,745**	2,745
Total UK segment	**25,600**	25,600
US segment	**—**	—
European segment		
Hoomark B.V.	**3,242**	3,227
Multiple European units without individually significant goodwill	**1,600**	1,660
Total European segment	**4,842**	4,887
Australia segment		
Artwrap Pty Ltd	**1,321**	1,233
Total goodwill	**31,763**	31,720

10 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**(591)**	(750)	**1,155**	1,755	**564**	1,005
Inventories	**(809)**	(858)	**—**	—	**(809)**	(858)
Capital gains deferred	**—**	—	**563**	606	**563**	606
Deferred lease premium	**(79)**	(150)	**—**	—	**(79)**	(150)
Provisions	**(894)**	(486)	**—**	4	**(894)**	(482)
Tax loss carried forward	**(2,406)**	(2,250)	**—**	—	**(2,406)**	(2,250)
Other timing differences	**(1,555)**	(1,503)	**—**	131	**(1,555)**	(1,372)
Net tax (assets)/liabilities	**(6,334)**	(5,997)	**1,718**	2,496	**(4,616)**	(3,501)

The deferred tax asset in respect of tax losses carried forward at 31 March 2011 of £2,406,000 (2010: £2,250,000) is comprised of UK tax losses of £1,982,000 (2010: £2,250,000), and US losses of £424,000 (2010: £Nil). 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 fully expects that all 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 on a prudent basis. 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 UK tax losses in the year of £Nil (2010: £20,000) and against brought forward UK losses of £480,000 (2010: £1,356,000), and in respect of US tax losses in the year of £Nil (2010: £650,000) and £5,336,000 (2010: £6,387,000) in respect of brought forward US tax losses.

11 Cash and cash equivalents/bank overdrafts

	2011	2010
	£000	£000
Cash and cash equivalents	**1,885**	2,045
Bank overdrafts	**(3,620)**	(3,038)
Cash and cash equivalents per cash flow statement	**(1,735)**	(993)

Net debt

		2011	2010
	Note	**£000**	£000
Cash and cash equivalents		**1,885**	2,045
Bank loans and overdrafts	12	**(46,309)**	(50,890)
Net debt as used in the Financial Review		**(44,424)**	(48,845)

12 Loans and borrowings

	2011	2010
	£000	£000
Non-current liabilities		
Secured bank loans (see overleaf)	**8,377**	9,397
Current liabilities		
Asset backed loan	**4,449**	8,760
Revolving credit facilities	**28,901**	28,625
Current portion of secured bank loans (see overleaf)	**962**	1,070
Bank loans and borrowings	**34,312**	38,455

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

Terms and debt repayment schedule

	2011	2010
Repayment analysis of bank loans and overdrafts	**£000**	£000
Due within one year:		
Bank loans and borrowings (see above)	**34,312**	38,455
Bank overdrafts (note 11)	**3,620**	3,038
Due between one and two years:		
Secured bank loans	**975**	1,090
Due between two and five years:		

Secured bank loans	**2,324**	2,481
Due after more than five years:		
Secured bank loans	**5,078**	5,826
	46,309	50,890

13 Earnings per share

	2011		2010	
	Diluted	**Basic**	Diluted	Basic
Adjusted earnings per share excluding exceptional items and discontinued operations	**8.2p**	**8.9p**	4.0p	4.4p
Loss per share on exceptional items	**(1.1)p**	**(1.2)p**	(0.7)p	(0.8)p
Earnings per share from continuing operations	**7.1p**	**7.7p**	3.3p	3.6p
Loss per share on discontinued operations	**(0.2)p**	**(0.2)p**	(3.2)p	(3.5)p
Earnings per share	**6.9p**	**7.5p**	0.1p	0.1p

The basic earnings per share is based on the profit attributable to equity holders of the Parent Company of £4,010,000 (2010: £55,000) and the weighted average number of ordinary shares in issue of 53,127,000 (2010: 50,375,000) calculated as follows:

Weighted average number of shares in thousands of shares	**2011**	2010
Issued ordinary shares at 1 April	**52,150**	48,498
Shares issued in respect of acquisitions	**854**	1,876
Shares issued in respect of exercising of share options	**123**	1
Weighted average number of shares at 31 March	**53,127**	50,375

Adjusted basic earnings per share excludes exceptional items charged of £900,000 (2010: £1,101,000), the tax relief attributable to those items of £267,000 (2010: £693,000) and the loss on discontinued operations (net of tax) of £100,000 (2010: £1,757,000), to give adjusted profit of £4,743,000 (2010 restated: £2,220,000).

Diluted earnings per share

The average number of share options outstanding in the year is 6,157,000 (2010: 6,062,494), at an average exercise price of 16.4p. No share options are currently exercisable, but the diluted earnings per share is calculated assuming all these options were exercised. At 31 March the diluted number of shares was 57,805,000 (2010: 54,663,000).

14 Preliminary information

The financial information in the preliminary statement of results does not constitute the Group's statutory accounts for the year ended 31 March 2011, but is derived from those accounts and the accompanying Directors' report. Statutory accounts for the year ended 31 March 2011 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006. The financial statements, and this preliminary statement, of the Group for the year ended 31 March 2011 were authorised for issue by the Board of Directors on 29 July 2011 and the balance sheet was signed on behalf of the Board by S. Tye and P. Fineman.

The statutory accounts have been delivered to the Registrar of Companies in respect of the year ended 31 March 2010. The report of the auditors was unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.