4th July 2012

International Greetings PLC

Preliminary Results for the year ended 31 March 2012

International Greetings PLC ('International Greetings' or 'the Group'), one of the world's leading designers, innovators and manufacturers of gift packaging and greetings, stationery and creative play products, announces its audited Preliminary Results for the year ended 31 March 2012.

Financial Highlights:

- Sales up 2% to £221 million from continuing operations Gross profit margins up from 17.4% to 19.3%
- Operating profit before exceptional items up 33% to £10.7 million (2011: £8.1million)
- Profit before exceptional items and tax up 37% to £7.1 million (2011: £5.2million)
- Profit before tax from continuing operations £3.2 million (2011: £4.3 million) after exceptional items of £3.9 million
- Underlying earnings per share excluding exceptional items, discontinued operations and before the benefit of one off tax credits up 1.6p from 5.5p to 7.2p
- Earnings per share at 0.3p (2011: 7.5p) after exceptional items of £3.9 million (2011: £0.9 million)
- Debt down 6% to £41.7 million (2011: £44.4 million) and year end leverage at 2.8 times (2011: 3.5 times)
- Cash generated from operations of £11.5 million (2011: £10.7 million)
- Cash generated from operations excluding exceptional items £15.4 million (2011: £12.4 million)

Operational Highlights:

- Gift packaging sales continue to increase, with gift wrap volumes exceeding 2 billion linear feet
- Global sales of Everyday single cards have grown by 33%
- Worldwide customer base has expanded to over 80 countries
- Effective action to combat cost inflation, resulting in increased gross margins
- Relocation of factory in China and installation of state of the art printing press in Holland completed.

Paul Fineman, CEO commented:

"I am delighted to report another year of robust, sustained growth across the Group, with operating profit, before exceptional items, exceeding market expectations.

"Our focus on efficiency, excellent standards of customer service and product innovation, has allowed us to achieve growth in both sales and profits, whilst debt continues to decrease as our cash generation increases. The investments we have made in relocating our manufacturing facilities in China, merging our sourcing facilities in Hong Kong and installing a state of the art gift wrap manufacturing plant in Holland, will enable us to remain highly competitive in the future and ensure that we continue to drive efficiencies across the Group.

"We have now established an organisation, strategy and culture to sustain existing sales streams and drive profitable expansion of our global businesses, which are increasingly working together to drive efficiencies and harness opportunities. We are encouraged by the start to our current trading year, the robust forward visibility of our order book and the continued momentum across the markets in which we operate and we remain focused on delivering ever-increasing shareholder value."

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Chairman's statement

A year of continued progress to deliver improved Shareholder Value

I am proud and privileged to have been appointed Chairman of our Group, following the retirement of my predecessor, Keith James, during September 2011. It is therefore very pleasing for me to report that the Group has made good progress, with profits before exceptional items and tax, increasing by 37% over the prior year to reach £7.1 million. At the same time our balance sheet continues to strengthen, showing a reduction in net debt and an improvement in our leverage ratio.

Revenues for the year ended 31 March 2012 rose by 2% to £221 million, from continuing operations. Operating profit before exceptional items was up 33% to £10.7 million and £6.8 million after exceptional items whilst as stated, profit before exceptional items and tax was up 37% to £7.1 million and £3.2 million after exceptional items. Debt fell by 6% to £41.7 million and cash generated from operations, excluding exceptional items, rose to £15.4 million, compared with £12.4 million the previous year.

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

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

During the year three of our Executive Directors also left our Group. Charles Uwakaneme, who played an important role in the reorganisation of our businesses in the UK and continental Europe, retired at the same time as Keith James. Sheryl Tye, our Group Finance Director left in September, having played a vital part in the restructuring of our finances, systems, controls and management reporting over the past three years. Martin Hornung, who joined our Group 22 years ago following our acquisition of the cracker company Brite Sparks was responsible for our manufacturing and sourcing offices in China and Hong Kong; Martin left in December 2011. We also saw the departure of Chris Howell from our Board, following his three year term of office. Chris joined as a Non-Executive Director in 2009 and was Chair of our Audit Committee. I should like to thank each of them for their contributions to our various successes over the years and their loyalty and support. On behalf of The Board, we wish them every success for the future.

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

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

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

John Charlton
Chairman

Chief Executive's review

Focussing on growth

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

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

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

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

Geographical highlights

UK and Asia

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

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

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

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

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

Mainland Europe

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

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

USA

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

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

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

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

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

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

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

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

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

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

Our strategy
Our 5 key focus points enable us to achieve high standards and reach the targets we set ourselves:
- Nurturing the mutually valuable relationships we enjoy with our customers, suppliers and stakeholders.
- Creating a 'toolbox' of marketing, design, product and brand category expertise.
- Providing best quality value and service through optimum product development, manufacturing, sourcing and supply.
- Giving our teams across the world the knowledge and tools needed to achieve their goals.
- Balancing our business, through sustainable and growing sales across geographic regions, seasons, product categories and brands.

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

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

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

Paul Fineman
CEO

Financial review

Increasing profit, decreasing leverage

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

Continuing operations
Revenues from continuing operations for the year to 31 March 2012 were up slightly by 2% to £220.8 million (2011: £216.9 million). External sales from the UK were maintained following strong growth in the prior year (+8%). Europe was our most difficult marketplace where external sales fell 13%. However, this was more than offset by excellent sales growth at our US and Australian operations of +13% and +16% respectively.

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

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

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

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

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

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

The significant investment to relocate our factory within China will materially reduce rental and labour costs, generating both absolute savings and mitigating the effect of labour inflation that would otherwise have been experienced. Payback is expected to be approximately 2 years.

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

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

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

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

The effective underlying tax charge on profits before exceptional items is 27.5% (2011: tax credit 8%) with the prior period benefitting from recognition of deferred tax assets relating to historical losses in the US and loss carry-backs in Europe. Actual taxation paid in cash during the year amounted to £1.1 million (2011: £0.4 million) and arose almost entirely in Australia.

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

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

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

A large proportion of employee share options vested in December 2011 and as these are exercised, earnings per share will trend towards the fully diluted levels. At 31 March 2012, 1.0 million shares had been exercised with a further 4.5 million shares which had vested but not yet been exercised.

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

Balance sheet and cash flow
Net debt at 31 March 2012 reduced by 6% to £41.7 million (2011: £44.4 million).

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

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

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

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

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

Capital expenditure was slightly above depreciation but remains relatively low at £4.4 million for the year (2011: £2.7 million). This reflects the investment in a new state of the art printing press at our gift-wrap manufacturing operation in Europe and modest capital costs associated with the setup of our new factory location in China. Both investments will improve efficiencies and further enhance our competitive portfolio of products and services.

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

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

Risks and key performance indicators
Our areas of primary focus are:

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

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

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

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

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

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

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

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

- debt service, being the ratio of cash flow available to finance costs on a rolling twelve month basis;
- interest cover, being the ratio of earnings before interest, depreciation and amortisation to interest on a rolling twelve month basis;
- leverage being the ratio of debt to pre-exceptional EBITDA on a rolling twelve month basis; and
- in the individual businesses which have asset backed loans, covenants of pre-exceptional EBITDA before interest, depreciation on a rolling twelve month basis compared with the forecast, and the dilution of credit notes as a percentage of invoices issued.

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

Anthony Lawrinson
Group CFO

Consolidated income statement
year ended 31 March 2012

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

Earnings per ordinary share

		Diluted	**Basic**	Diluted	Basic
Adjusted earnings per share excluding exceptional items and discontinued operations	13	**6.7p**	**7.2p**	8.2p	8.9p
Loss per share on exceptional items	13	**(6.4p)**	**(6.9p)**	(1.1p)	(1.2p)
Earnings per share from continuing operations	13	**0.3p**	**0.3p**	7.1p	7.7p
Loss per share on discontinued operations	13	**—**	**—**	(0.2p)	(0.2p)
Earnings per share	13	**0.3p**	**0.3p**	6.9p	7.5p

Consolidated statement of comprehensive income
year ended 31 March 2012

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

Consolidated statement of changes in equity
year ended 31 March 2012

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

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

Capital redemption reserve
The capital redemption reserve comprises amounts transferred from retained earnings in relation to the redemption of preference shares. For ease of presentation, the amount of £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 2012

	Notes	**As at 31 March 2012 £000**	As a 31 March 2011 £000
Non-current assets			
Property, plant and equipment	8	**31,533**	31,518
Intangible assets	9	**32,916**	33,385
Deferred tax assets	10	**4,640**	4,616
Total non-current assets		**69,089**	69,519
Current assets			
Inventory		**42,628**	45,582
Assets classified as held for sale		**—**	497
Trade and other receivables		**20,942**	21,494
Cash and cash equivalents	11	**3,168**	1,885
Total current assets		**66,738**	69,458
Total assets		**135,827**	138,977
Equity			
Share capital		**2,750**	2,698
Share premium		**3,140**	3,046
Reserves		**18,504**	19,156
Retained earnings		**23,410**	23,190
Equity attributable to owners of the Parent Company		**47,804**	48,090
Non-controlling interests		**4,744**	4,220
Total equity		**52,548**	52,310
Non-current liabilities			
Loans and borrowings	12	**33,622**	8,377
Deferred income		**1,879**	2,429
Provisions		**1,003**	1,847
Other financial liabilities		**447**	375
Total non-current liabilities		**36,951**	13,028
Current liabilities			
Bank overdraft	11	**1,945**	3,620
Loans and borrowings	12	**9,329**	34,312
Deferred income		**550**	550
Provisions		**317**	—
Income tax payable		**855**	162
Trade and other payables		**23,133**	25,353
Other financial liabilities		**10,199**	9,642
Total current liabilities		**46,328**	73,639
Total liabilities		**83,279**	86,667
Total equity and liabilities		**135,827**	138,977

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

P Fineman	**A Lawrinson**	**Company number**
Director	***Director***	***1401155***

Consolidated cash flow statement
year ended 31 March 2012

	Notes	**2012 £000**	2011 £000
Cash flows from operating activities			
Profit for the year		**1,417**	4,858
Adjustments for:			
Depreciation	8	**3,753**	4,108
Amortisation of intangible assets	9	**534**	331
Finance expenses – continuing operations	4	**3,635**	2,917
Finance expenses – discontinued operations	7	**—**	26
Recycling of translation reserves on closure of subsidiary		**—**	(97)
Income tax charge/(credit) – continuing operations	5	**1,753**	(693)
Loss/(profit) on sales of property, plant and equipment		**220**	(33)
Loss on external sale of intangible fixed assets		**4**	—
Profit on disposal of assets held for resale		**(8)**	—
Impairments of assets held for resale		**—**	238
Equity-settled share-based payment		**43**	109
Operating profit after adjustments for non-cash items		**11,351**	11,764
Change in trade and other receivables		**224**	173
Change in inventory		**2,840**	(303)
Change in trade and other payables		**(1,799)**	(381)
Change in provisions and deferred income		**(1,102)**	(518)
Cash generated from operations		**11,514**	10,735
Tax paid		**(1,131)**	(420)
Interest and similar charges paid		**(3,491)**	(3,226)
Receipts from sales of property for resale		**528**	—
Acquisition of property for resale		**—**	(780)
Net cash inflow from operating activities		**7,420**	6,309
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**122**	73
Acquisition of intangible assets	9	**(399)**	(521)
Acquisition of property plant and equipment	8	**(4,015)**	(1,900)
Net cash outflow from investing activities		**(4,292)**	(2,348)
Cash flows from financing activities			
Proceeds from issue of share capital		**146**	56
Repayment of secured borrowings		**(1,473)**	(947)
Net repayment of credit facilities		**(27,785)**	(3,222)
Payment of finance lease liabilities		**(49)**	(113)
New bank loans raised		**30,170**	—
Loan arrangement fees		**(370)**	—
Payment of deferred consideration		**(111)**	—
Dividends paid to non-controlling interests		**(918)**	—
Net cash outflow from financing activities		**(390)**	(4,226)
Net increase in cash and cash equivalents		**2,738**	(265)
Cash and cash equivalents at beginning of period		**(1,735)**	(993)
Effect of exchange rate fluctuations on cash held		**220**	(477)
Cash and cash equivalents at 31 March	11	**1,223**	(1,735)

Notes to the financial statements
year ended 31 March 2012

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

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company financial statements present information about the Company as a separate entity and not about its group.

The Group financial statements have been prepared and approved by the Directors in accordance with EU adopted International Financial Reporting Standards. The Company has elected to prepare its Company financial statements in accordance with UK GAAP.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the policies below.

Going concern basis
The financial statements have been prepared on the going concern basis. Following the restructure of its principal banking facilities in July 2011 the Group now shows net current assets of £20.4 million (2011: net current liabilities of £4.2 million).

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

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

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

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

These include long dated facilities against specialise capital assets, medium term facilities (4–5 years) forming the majority and shorter dated working capital of 1–3 years. This provides the Group with a sound basis for trading.

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

IAS 24 Related Party Disclosures (Amendment)
The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. This amendment did not have any impact on the financial position or performance of the Group.

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

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

The results below are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure. The decision was made last year to focus Asia as a service provider of manufacturing and procurement operations, whose main customers are our UK businesses. Both the China factory and the majority of the Hong Kong procurement operations are now overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise an operating segment. The Chief Operating Decision Maker is the Board.

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

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

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

		UK & Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2012							
Continuing operations							
Revenue	– external	**117,007**	**29,147**	**45,044**	**29,557**	**—**	**220,755**
	– inter-segment	**4,746**	**1,009**	**—**	**—**	**(5,755)**	**—**
Total segment revenue		**121,753**	**30,156**	**45,044**	**29,557**	**(5,755)**	**220,755**
Segment result before exceptional items and discontinued operations		**4,089**	**1,712**	**3,248**	**3,613**	**—**	**12,662**
Exceptional items		**(3,068)**	**—**	**—**	**—**	**—**	**(3,068)**
Segment result		**1,021**	**1,712**	**3,248**	**3,613**	**—**	**9,594**
Central administration costs							**(1,939)**
Central administration exceptional items							**(850)**
Net finance expenses							**(3,635)**
Income tax							**(1,753)**
Profit from continuing operations for the year ended 31 March 2012							**1,417**
Balances at 31 March 2012							
Continuing operations							
Segment assets		**97,100**	**16,885**	**6,224**	**11,317**	**4,301**	**135,827**
Segment liabilities		**(40,562)**	**(13,950)**	**(25,029)**	**(3,222)**	**(516)**	**(83,279)**
Capital expenditure							
– property, plant and equipment		**1,185**	**2,437**	**331**	**62**	**—**	**4,015**
– intangible		**263**	**30**	**87**	**19**	**—**	**399**
Depreciation		**2,135**	**742**	**696**	**180**	**—**	**3,753**
Amortisation		**368**	**57**	**24**	**85**	**—**	**534**

		UK & Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2011							
Continuing operations							
Revenue	– external	117,806	33,493	39,980	25,578	—	216,857
	– inter-segment	2,599	—	—	—	(2,599)	—
Total segment revenue		120,405	33,493	39,980	25,578	(2,599)	216,857
Segment result before exceptional items and discontinued operations		2,673	2,107	2,096	2,455	—	9,331
Exceptional items		(510)	—	(238)	—	—	(748)
Segment result from continuing operations		2,163	2,107	1,858	2,455	—	8,583
Pre-tax loss from discontinued operations		—	(100)	—	—	—	(100)
Segment result		2,163	2,007	1,858	2,455	—	8,483
Pre-tax loss from discontinued operations							100
Central administration costs							(1,249)
Central administration exceptional items							(152)

Net finance expenses						(2,917)
Income tax						693
Profit from continuing operations year ended 31 March 2011						4,958
Balances at 31 March 2011 continuing operations						
Segment assets	100,853	18,112	6,272	9,438	4,302	138,977
Segment liabilities	(41,243)	(15,721)	(27,245)	(2,611)	153	(86,667)
Capital expenditure						
– property, plant and equipment	1,334	297	231	279	—	2,141
– intangible	307	17	16	181	—	521
Depreciation	2,346	821	780	161	—	4,108
Amortisation	161	44	64	62	—	331
Impairment of fixed property, plant and equipment	—	—	238	—	—	238

(a) Capital expenditure consists of additions of property, plant and equipment, intangible assets and goodwill.
(b) No single customer accounts for over 10% of total sales.
(c) The assets and liabilities that have not been allocated to segments consist of deferred tax assets of £4,640,000 (2011: £4,617,000) and income tax payable of £855,000 (2011: £162,000). In addition, the assets and liabilities have been grossed up for VAT of £399,000 (2011: £315,000) to reflect the net position of the Group.
(d) No operating segment has been aggregated in determining reportable segments.
(e) Central recharges are included within the result of the segment that takes the recharge. The balance of the central costs are not allocated to segments.
(f) The 2011 comparatives have been amended to reflect revision to the inter-segmental reporting and eliminations between the segments.

Geographical information

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

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

Turnover by customer destination

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

Turnover by product

Turnover analysis by product

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

3 Other operating income

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

4 Finance expenses

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

5 Taxation

Recognised in the income statement

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

Reconciliation of effective tax rate

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

6 Exceptional items

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

				3,723

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

(a) Redundancies relate to the termination costs of key executives who left the business following a review of Board responsibilities and as a result of business re-organisation in the UK subsidiaries.
(b) Loss on disposal of leasehold land and buildings in China as a result of the decision to move the China factory.
(c) Costs associated with moving the China factory
(d) The UK design studio moved down to Wales, senior management were made redundant from our UK operations due to restructuring within those businesses, and the decision was made to bring the China Factory under the control of the UK management team, resulting in a senior manager in Asia being made redundant. These redundancies cost £662,000.
(e) During the prior year the Group was called upon to repay the mortgage of a former senior employee of the US business upon his repatriation to the UK, according to a guarantee given by the Group about five years ago. The Group purchased the property and has disposed of it for £528,000.

7 Discontinued operations

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

The net cash flows attributable to Eickpack are as follows:

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

8 Property, plant and equipment

	Land and buildings		**Plant and equipment £000**	**Fixtures and fittings £000**	**Motor vehicles £000**	**Total £000**
	Freehold	**Leasehold £000**				
Cost						
Balance at 1 April 2010	22,137	8,065	48,644	4,320	988	84,154
Additions	246	6	991	782	116	2,141
Disposals	—	(605)	(2,643)	(2,883)	(262)	(6,393)
Effect of movements in foreign exchange	(68)	(495)	(1,097)	(196)	11	(1,845)
Balance at 1 April 2011	22,315	6,971	45,895	2,023	853	78,057
Additions	141	723	2,832	194	125	4,015
Disposals	—	(721)	(658)	(947)	(263)	(2,589)
Effect of movements in foreign exchange	(483)	226	277	52	7	79
Balance at 31 March 2012	**21,973**	**7,199**	**48,346**	**1,322**	**722**	**79,562**

Depreciation and impairment						
Balance as at 1 April 2010	(7,202)	(2,351)	(36,331)	(3,349)	(722)	(49,955)
Depreciation charge for the year	(920)	(349)	(2,179)	(552)	(108)	(4,108)
Disposals	—	605	2,634	2,876	238	6,353
Effect of movements in foreign exchange	(1)	127	866	182	(3)	1,171
Balance at 1 April 2011	(8,123)	(1,968)	(35,010)	(843)	(595)	(46,539)
Depreciation charge for the year	(930)	(333)	(1,848)	(546)	(96)	(3,753)
Disposals	—	528	653	859	207	2,247
Effect of movements in foreign exchange	89	(51)	(16)	(16)	10	16
Balance at 31 March 2012	**(8,964)**	**(1,824)**	**(36,221)**	**(546)**	**(474)**	**(48,029)**
Net book value						
At 31 March 2012	**13,009**	**5,375**	**12,125**	**776**	**248**	**31,533**
At 31 March 2011	14,192	5,003	10,885	1,180	258	31,518

Depreciation is charged to either cost of sales, selling costs or administration costs within the income statement depending on the department to which the assets relate.

Leased plant and machinery
The net book value of property, plant and equipment included an amount of £160,000 (2011: £193,000) in respect of assets held under finance leases.

Impairment
The impairments are explained in note 6.

Apart from these specific items, all other property, plant and equipment have been compared with the value in use and no further impairments are required. The basis for these conclusions are explained in note 9.

Security
All freehold properties are subject to a fixed charge.

9 Intangible assets

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

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

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

Impairment
The Group tests goodwill each half year for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to the business unit, or group of business units, that are expected to benefit from the synergies of the combination (see table above), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is referred to below as a cash-generating unit. During the last few years the businesses have begun to work more closely with each other, exploiting the synergies that arise. The recoverable amounts of cash-generating units are determined from the higher of value in use and fair value less costs to sell.

The Group prepares cash flow forecasts for each cash-generating unit derived from the most recent financial budgets for the following three years. The key assumptions in these are sales, margins achievable and overhead costs which are reviewed and approved by the Board. The Group then extrapolates cash flows for the following ten years based on a conservative estimate of market growth of 2% (2011: 2%).

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

Pre-tax discount rates used were:

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

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

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

10 Deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

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

The deferred tax asset in respect of tax losses carried forward at 31 March 2012 of £3,817,000 (2011: £2,406,000) is comprised of UK tax losses of £1,943,000 (2011: £1,982,000) and US losses of £1,874,000 (2011: £424,000). US tax losses carried forward will become irrecoverable in March 2027. UK tax losses may be carried forward indefinitely. The deferred tax assets have been recognised where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Board expects that the tax losses will be

recoverable against future profits but given the level of tax losses brought forward recoverability has been assessed on the basis of expected profits currently forecast 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 brought forward UK losses of £444,000 (2011: £480,000) and £4,421,000 (2011: £5,336,000) in respect of brought forward US tax losses.

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

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

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

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

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

11 Cash and cash equivalents/bank overdrafts

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

Net debt

	Note	**2012 £000**	2011 £000
Cash and cash equivalents		**3,168**	1,885
Bank loans and overdrafts	12	**(45,266)**	(46,309)
Loan arrangement fees		**370**	—
Net debt as used in the Financial Review		**(41,728)**	(44,424)

The bank overdrafts are secured by a fixed charge on certain of the Group's land and buildings, a fixed charge on certain of the Group's book debts and a floating charge on certain of the Group's other assets.

12 Loans and borrowings

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

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

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

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

Terms and debt repayment schedule

Repayment analysis of bank loans and overdrafts	**2012 £000**	2011 £000
Due within one year:		
Bank loans and borrowings (see above)	**9,441**	34,312
Bank overdrafts (note 11)	**1,945**	3,620
Due between one and two years:		
Secured bank loans (see below)	**4,666**	975
Due between two and five years:		
Secured bank loans (see below)	**24,807**	2,324
Due after more than five years:		
Secured bank loans (see below)	**4,407**	5,078
	45,266	46,309

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

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

Secured bank loans

Loan 1

The principal of £588,000 (2011: £730,000) is repayable monthly on a reducing balance basis over a 15 year period,ending in March 2016. The loan is secured over the freehold land and buildings and the contents therein of International Greeting USA Inc. and is subject to a variable rate of interest linked to the US Federal Funds Rate (US FFR). The currency of denomination of the loan is US dollar.

Loan 2

The principal of £582,000 (2011: £739,000) is repayable monthly on a reducing balance basis over a nine year period ending in March 2016. The loan is secured over the freehold land and buildings and the content therein of International Greeting USA Inc. and is subject to a variable rate of interest linked to the US FFR. The currency of denomination of the loan is US dollar.

Loan 3
The principal of £6,281,000 (2011: £7,069,000) is repayable quarterly over a 20 year period ending in July 2028. The loan is secured over the freehold land and buildings and the content therein of Hoomark B.V. and is subject to a variable rate of interest linked to EURIBOR, that has been swapped to a fixed rate for a notional amount of £5,833,000 (2011: £6,195,000) and a period of three years ending in January 2017. The currency of denomination of the loan is euro.

Loan 4
The principal of £510,000 (2011: £801,000) is repayable monthly over a five year period ending November 2013. The loan is secured over the plant and machinery of International Greetings UK Ltd and is subject to a variable rate interest linked to the UK base rate. The currency of denomination of the loan is sterling.

Loan 5
The principal of £14,904,000 (2011: Nil) is repayable over a five year period with a bullet repayment on the fifth anniversary. £9,100,000 is denominated in sterling and £5,804,000 is denominated in US dollars. They are subject to a variable interest rate linked to LIBOR except for the element that has been swapped. At 31 March 2012 the Group had an interest rate cap on a notional amount of £8m, and a notional amount of $8m, whereby interest payable has been capped at 1.5% on both notional amounts. The terms of the hedge have been negotiated to match the terms of the commitments.

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

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

13 Earnings per share

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

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

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

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

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

A significant number of shares became exercisable during the year.

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 2012, but is derived from those accounts and the accompanying Directors' report. Statutory accounts for the year ended 31 March 2012 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 2012 were authorised for issue by the Board of Directors on 27 June 2012 and the balance sheet was signed on behalf of the Board by A Lawrinson.

The statutory accounts have been delivered to the Registrar of Companies in respect of the year ended 31 March 2011. The report of the auditors was unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.