3rd July 2013

International Greetings PLC

Preliminary Results for the year ended 31 March 2013

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 2013.

Financial Highlights:

- Revenue from continued operations increased by 2% to £225.2 million
- Operating profit after exceptional items up 34% to £9.1 million (2012: £6.8 million)
- Profit after tax and exceptional items up £2.7 million to £4.1 million (2012: £1.4 million)
- Fully diluted earnings per share before exceptional items increased 16% to 7.8 pence (2012: 6.7 pence)
- Net debt up just £0.2 million to £42.1 million (2012: £41.9 million) despite the effect of exchange rates (£0.6 million) and the investment in working capital to fund new everyday contracts and low season manufacturing opportunities

Operational Highlights:

- Continued double digit growth in sales and profits in USA
- Completion of China factory relocation
- Gift packaging and greetings product sales exceed £150 million
- Major £6 million gift wrap capital investment project commenced in the UK
- Pressure on margins fully mitigated through effective cost control

Paul Fineman, CEO commented:

"We are pleased to report another year of progress in which our manufacturing businesses continued to produce record volumes of product and importantly we achieved our key objective of double digit earnings per share growth.

"It was a pivotal year in the Group's development as we commenced a compelling programme of investment in manufacturing in the USA and the UK having completed a major factory relocation in China and significant investments in Europe and Australia. We have secured increased funding on improved terms to facilitate this.

"Our new three year plan is on track to delivery double digit cumulative average growth in earnings per share, whilst remaining committed to debt reduction and leverage below two times debt/EBITDA. We have identified new opportunities for incremental growth and shall continue to deploy our resources and energy in accelerating and enhancing this process."

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Chairman's statement

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

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

Revenues for the year ended 31 March 2013 rose by 2% to £225 million from continuing operations. Operating profit after exceptional items was up 34% to £9.1 million, whilst profit after exceptional items and tax increased from £1.4 million for the year ended 31 March 2012 to £4.1 million, in the year under review.

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

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

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

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

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

John Charlton
Chairman

Chief Executive Officer's review

Growing today and investing for the future.

I am pleased to report a year of progress on many fronts resulting in the achievement of our key objective of double digit earnings per share growth, with operating profit after exceptional items of £9.1 million, up 34%.

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

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

Geographical highlights

UK and Asia

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

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

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

Mainland Europe

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

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

USA

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

The businesses outstanding innovation and customer service was recognised by the world's third largest retailer, Target Corporation, with a Vendor Partner Award, demonstrating that we continue to grow whilst focusing on delivering customer needs. The ongoing growth in demand for gift wrap manufactured within our operations based in Savannah, Georgia, will be further supported by a £0.5m fast pay back capital investment programme during 2013.

Australia

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

Customers and licences

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

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

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

Our team

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

Our strategy

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

- nurturing the mutually valuable relationships we enjoy with our customers, suppliers and stakeholders;
- creating a toolbox of marketing, design, product and brand category expertise;
- providing best quality, value and service through optimum product development, manufacturing, sourcing and supply;
- giving our teams across the world the knowledge and tools needed to achieve their goals; and

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

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

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

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

Paul Fineman
CEO

Financial review

Driving growth in earnings

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

Continuing operations
Revenues from continuing operations for the year to 31 March 2013 were up slightly by 2% to £225.2 million (2012: £220.8 million). Sales from the UK, Europe and Australia all fell slightly, the latter due to the insolvency of a major customer but continued strong double digit growth in North America more than outweighed these.

Gross profit margin before exceptional items has fallen back slightly to 18.3% (2012: 19.3%) reflecting the mix effect of lower sales in our Australian joint venture (0.7%) where margins have historically been better, but also higher freight costs to Europe/UK during the year (0.4%), a risk that was identified in last year's report. However, this margin level is still well ahead of the 2011 level of 17.4%. The Company aims to improve margins by increasing the balance of own brand products and non Christmas business. Success in the former goal, together with innovative design engineering to price points have helped us to otherwise successfully combat deflationary pressure on selling prices and inflationary pressure on raw materials and goods sourced from the Far East.

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

Overheads pre exceptionals have decreased year on year by a net of £1.0 million, reflecting tight cost control and substantially mitigating the margin effect identified above. Cost savings were greater in the UK while modest investment occurred in our growing US market. Cost control remains tight and opportunities to remove or reduce costs are constantly sought out and new costs are only incurred where actual or prospective value can be demonstrated.

Operating profit before exceptional items was flat at £10.7 million due to the net effect of the above items. However, after exceptional items, operating profit was up 34% to £9.1 million (2012: £6.8 million).

Exceptional items during the year amounted to £1.6 million before tax (2012: £3.9 million). As previously announced these relate to:

- a bad debt of £0.5 million in Australia after a major customer went into voluntary administration;
- costs of £0.9 million associated with disruption to operations in China; and

- management restructuring in our UK businesses (£0.2 million) which is expected to result in a payback of less than one year.

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

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

Finance expenses in the year were lower at £3.5 million (2012: £3.6 million) despite the full year effect of bank charges for longer dated facilities. This reflected the effect of strong cash control throughout the year but in particular two reductions in margin during the year as key leverage targets were achieved. Notes 4 and 11 to the financial statements provide further information.

Profit before exceptional items and tax was up 3% to £7.3 million (2012: £7.1 million).

Profit before tax from continuing operations was up 79% to £5.7 million (2012: £3.2 million) after charging exceptional items of £1.6 million (2012: £3.9 million).

Taxation

The headline taxation charge of £1.6 million (2012: £1.8 million) or 28.2% arises because of the exceptional costs associated with the disruption to operations in China, where no taxation relief has been recognised as the prospect of this crystallising is low.

The effective underlying tax charge on profits before exceptional items is lower at 26% (2012: 27.5%). Actual taxation paid in cash during the year amounted to £0.9 million (2012: £1.1 million) and arose entirely in Australia.

The current geographical profile of Group profits before exceptional items at current local rates of tax would result in an underlying blended tax rate of just under 30%. However, there are still tax losses in the USA with a current tax value of £2.2 million and in the UK with a current tax value of £0.9 million, not yet recognised in the balance sheet. The opportunity to recognise and utilise these as profitability is sustained and improves, will suppress the actual tax rate for some time to come.

Profit for the year

Profit for the year was up 188% to £4.1 million (2012: £1.4 million). This was after charging £1.3 million (2012: £3.7 million) in respect of exceptional items.

Earnings per share and dividends

Basic earnings per share were 6.0p (2012: 0.3p). After removing the effect of exceptional items, the adjusted earnings per share increased to 8.1p (2012: 7.2p) representing an increase of 12.5%.

Employee share options of 3.0 million had vested but not yet been exercised as at 31 March 2013. As these are exercised, earnings per share will trend towards the fully diluted level and the Company targets growth in this fully diluted metric as a primary goal. Fully diluted earnings per share (stated before exceptional items) were 7.8p, up a pleasing 16% on the prior year (2012: 6.7p).

No dividend was paid during the year (2012: £nil) and the Board does not propose a final dividend for the year. The other primary focus remains the reduction of leverage from the current level of 2.8 times EBITDA to below 2.0 times EBITDA. At this point, the Board will consider whether it is appropriate to resume dividends.

Balance sheet and cash flow

Net debt at 31 March 2013 was steady at £42.1 million (2012: £41.9 million) and leverage steady at 2.8 times despite the effect of exchange rates and investment in working capital towards year end to fund operationally compelling manufacturing opportunities and new contracts. Note 11 provides further information.

Year end net debt included amounts denominated in US dollars of $22.6 million (2012: $20.7 million) and in euros of €12.4 million (2012: €11.0 million). The year end exchange rates were $1.52 (2012: $1.60) and €1.19 (2012: €1.20). Allowing for this, debt stated at constant exchange rates would have been £0.8 million lower.

Working capital management continues to be a priority. Outstanding debtors are monitored closely, both to maximise cash but also to reduce our credit risk. Trade debtors increased to £18.8 million (2012: £17.1 million) at the year end. This increase related partly to a change in payment terms to one major customer in the USA but also to sales made pursuant to a material new contract in the UK (see also below relating to stock).

The charge for bad and doubtful debts in the year was £0.3 million or just 0.1% of turnover, excluding the exceptional bad debt in Australia.

Gross stock levels increased by 13.5% from £47.3 million to £53.8 million including £1 million relating to the effect of exchange rates. The underlying increase reflected further success in obtaining early firm customer orders, which allowed more factory production to begin for the coming season ahead of the traditional summer peak. This allowed more efficient use of resources throughout the year, reducing costs. However, of even greater impact was the effect of a material new everyday contract which required that product be manufactured and bought in during Q4 to meet customer demand early in the new financial year.

Older stock (measured as over 15 months since last purchase) remained stable at £5.5 million (2012: £5.2 million). Our businesses have consistently achieved in excess of 100% recovery against written down values of old stock, indicating adequate provisioning levels.

Group cash generated from operations was £7.5 million (2012: £11.5 million) which as noted above reflects an increase in trading working capital employed by £5.7 million (2012: decrease £0.2 million) as a result of higher stock and debtor balances at year end. This related to new everyday contracts, required to meet customer demand in late Q4 and early Q1 of the new financial year, and to manufacturing opportunities during the 'low' season January to March.

Net investment in capital expenditure was just £1.7 million (2012: £4.3 million), well below depreciation and the prior year, which reflected the investment in a new state of the art printing press at our gift wrap manufacturing operation in Europe. Investments approved for the financial year 2013/14 include £6 million (net of grants) for our manufacturing site in Wales to mirror the technology installed in 2012/13 in Europe and a further £0.5 million investment in our fast growing US business. Both investments will provide efficiencies and enhance our ability to provide market leading service and value, with the benefits arising after commissioning in the 2014 calendar season and beyond.

The UK investment will also result in a consolidation of our operations, freeing up one site for potential sale. The market value of this site is estimated to be in excess of £1 million. In addition the Company has granted a five year option to purchase part of another under utilised site (net book value c. £1 million) to a power company at a price of £2.4 million and generating premium income of £0.5 million over the option period.

Equity attributable to shareholders has increased to £51.9 million from £47.8 million predominantly reflecting profits generated in the year.

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

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

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

- different territories – revenue to "rest of world" destinations has increased materially in recent years (see note 2);
- different products – although stationery and creative play products have dropped to 31% of turnover following particular strength in the gift packaging and greetings segment this year (see note 2);
- more everyday products across the year – everyday product reverted to 47% of sales in the year after an increase last year to 49% but a material new everyday contract will impact in 2013/14; and
- brands – the profile of IG brands and licensed products continues to grow with sales in this category now representing 56% of our revenue up from 54% last year.

Treasury operations

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

- an additional £5 million term loan, repayable over three years, with a final repayment coterminous with the main facility;
- an extension to August 2015 of the asset backed loan facility secured on the stock and debtors of the two largest UK businesses;
- a one year renewal of the revolving multi currency credit facility of up to £28.9 million and the multi currency overdraft facility of up to £5 million; and
- credit approval to provide an additional £3.25 million hire purchase facility repayable over seven years to fund new printing equipment in our site in Wales, once delivered to site.

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

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

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

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

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

Anthony Lawrinson
CFO

Consolidated income statement

year ended 31 March 2013

	Notes	2013 Before exceptional items £000	2013 Exceptional items (note 6) £000	2013 Total £000	2012 Before exceptional items £000	2012 Exceptional items (note 6) £000	2012 Total £000
Continuing operations							
Revenue	2	**225,211**	**—**	**225,211**	220,755	—	220,755
Cost of sales		**(183,941)**	**(953)**	**(184,894)**	(178,190)	—	(178,190)
Gross profit		**41,270**	**(953)**	**40,317**	42,565	—	42,565
		18.3%		**17.9%**	19.3%		19.3%
Selling expenses		**(12,790)**	**(455)**	**(13,245)**	(13,003)	—	(13,003)
Administration expenses		**(18,789)**	**(195)**	**(18,984)**	(19,580)	(3,635)	(23,215)
Other operating income	3	**803**	**—**	**803**	678	—	678
Profit/(loss) on disposal of property, plant and equipment		**252**	**—**	**252**	63	(283)	(220)
Operating profit/(loss)		**10,746**	**(1,603)**	**9,143**	10,723	(3,918)	6,805
Finance expenses	4	**(3,466)**	**—**	**(3,466)**	(3,635)	—	(3,635)
Profit/(loss) before tax		**7,280**	**(1,603)**	**5,677**	7,088	(3,918)	3,170
Income tax (charge)/credit	5	**(1,890)**	**289**	**(1,601)**	(1,948)	195	(1,753)
Profit/(loss) from continuing operations for the period		**5,390**	**(1,314)**	**4,076**	5,140	(3,723)	1,417
Attributable to:							
Owners of the Parent Company				**3,401**			177
Non controlling interests				**675**			1,240

Earnings per ordinary share

	Notes	2013 Diluted	2013 Basic	2012 Diluted	2012 Basic
Adjusted earnings per share excluding exceptional items	12	**7.8p**	**8.1p**	6.7p	7.2p
Loss per share on exceptional items	12	**(2.0p)**	**(2.1p)**	(6.4p)	(6.9p)
Earnings per share from continuing operations	12	**5.8p**	**6.0p**	0.3p	0.3p
Earnings per share	12	**5.8p**	**6.0p**	0.3p	0.3p

Consolidated statement of comprehensive income

year ended 31 March 2013

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

Consolidated statement of changes in equity
year ended 31 March 2013

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non controlling interest £000	Total £000
At 1 April 2011	2,698	4,386	17,164	(124)	776	23,190	48,090	4,220	52,310
Profit for the year	—	—	—	—	—	177	177	1,240	1,417
Other comprehensive income	—	—	—	(322)	(330)	—	(652)	242	(410)
Total comprehensive income for the year	—	—	—	(322)	(330)	177	(475)	1,482	1,007
Equity settled share based payment	—	—	—	—	—	43	43	—	43
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
Profit for the year	**—**	**—**	**—**	**—**	**—**	**3,401**	**3,401**	**675**	**4,076**
Other comprehensive income	**—**	**—**	**—**	**(5)**	**400**	**—**	**395**	**233**	**628**
Total comprehensive income for the year	**—**	**—**	**—**	**(5)**	**400**	**3,401**	**3,796**	**908**	**4,704**
Equity settled share based payment	**—**	**—**	**—**	**—**	**—**	**22**	**22**	**—**	**22**
Options exercised	**88**	**178**	**—**	**—**	**—**	**—**	**266**	**—**	**266**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(968)**	**(968)**
At 31 March 2013	**2,838**	**4,658**	**17,164**	**(451)**	**846**	**26,833**	**51,888**	**4,684**	**56,572**

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

Capital redemption reserve
The capital redemption reserve comprises amounts transferred from retained earnings in relation to the redemption of preference shares. For ease of presentation, the amount of £1.34 million relating to the capital redemption reserve has been included within the column of share premium and capital redemption reserve in the balances at both the beginning and end of each year, with no movements.

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

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

Shareholders' equity
Shareholders' equity represents total equity attributable to owners of the Parent Company.

Consolidated balance sheet
as at 31 March 2013

	Notes	**As at 31 March 2013 £000**	As at 31 March 2012 £000
Non current assets			
Property, plant and equipment	7	**29,993**	31,533
Intangible assets	8	**32,795**	32,916
Deferred tax assets	9	**4,250**	4,640
Total non current assets		**67,038**	69,089
Current assets			
Inventory		**50,114**	42,628
Trade and other receivables		**23,285**	20,942
Cash and cash equivalents	10	**2,301**	3,168
Total current assets		**75,700**	66,738
Total assets		**142,738**	135,827
Equity			
Share capital		**2,838**	2,750
Share premium		**3,318**	3,140
Reserves		**18,899**	18,504
Retained earnings		**26,833**	23,410
Equity attributable to owners of the Parent Company		**51,888**	47,804
Non controlling interests		**4,684**	4,744
Total equity		**56,572**	52,548
Non current liabilities			
Loans and borrowings	11	**29,479**	33,622
Deferred income		**1,329**	1,879
Provisions		**862**	1,003
Other financial liabilities		**1,803**	447
Total non current liabilities		**33,473**	36,951
Current liabilities			
Bank overdraft	10	**336**	1,945
Loans and borrowings	11	**12,847**	9,329
Deferred income		**550**	550
Provisions		**107**	317
Income tax payable		**904**	855
Trade and other payables		**28,995**	23,133
Other financial liabilities		**8,954**	10,199
Total current liabilities		**52,693**	46,328
Total liabilities		**86,166**	83,279
Total equity and liabilities		**142,738**	135,827

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

P Fineman **A Lawrinson**

Director Director

Company number 1401155

Consolidated cash flow statement

year ended 31 March 2013

	Notes	**2013 £000**	2012 £000
Cash flows from operating activities			
Profit for the year		**4,076**	1,417
Adjustments for:			
Depreciation	7	**3,807**	3,753
Amortisation of intangible assets	8	**494**	534
Finance expenses – continuing operations	4	**3,466**	3,635
Income tax charge – continuing operations	5	**1,601**	1,753
(Profit)/loss on sales of property, plant and equipment		**(252)**	220
Loss on external sale of intangible fixed assets		**—**	4
Profit on disposal of assets held for resale		**—**	(8)
Equity settled share based payment		**22**	43
Operating profit after adjustments for non cash items		**13,214**	11,351
Change in trade and other receivables		**(1,965)**	224
Change in inventory		**(7,171)**	2,840
Change in trade and other payables		**4,356**	(1,799)
Change in provisions and deferred income		**(901)**	(1,102)
Cash generated from operations		**7,533**	11,514
Tax paid		**(937)**	(1,131)
Interest and similar charges paid		**(3,285)**	(3,491)
Receipts from sales of property for resale		**—**	528
Net cash inflow from operating activities		**3,311**	7,420
Cash flow from investing activities			
Proceeds from sale of property plant and equipment		**421**	122
Acquisition of intangible assets	8	**(242)**	(399)
Acquisition of property, plant and equipment	7	**(1,884)**	(4,015)
Net cash outflow from investing activities		**(1,705)**	(4,292)
Cash flows from financing activities			
Proceeds from issue of share capital		**266**	146
Repayment of secured borrowings		**(4,060)**	(1,473)
Net movement in credit facilities		**2,748**	(27,785)
Payment of finance lease liabilities		**(115)**	(49)
New bank loans raised		**—**	30,170
New finance leases (a)		**1,764**	—
Loan arrangement fees		**(444)**	(370)
Payment of deferred consideration		**—**	(111)
Dividends paid to non controlling interests		**(968)**	(918)
Net cash outflow from financing activities		**(809)**	(390)
Net increase in cash and cash equivalents		**797**	2,738
Cash and cash equivalents at beginning of period		**1,223**	(1,735)
Effect of exchange rate fluctuations on cash held		**(55)**	220
Cash and cash equivalents at 31 March	10	**1,965**	1,223

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

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

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

Going concern basis

The financial statements have been prepared on the going concern basis.

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

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

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

Measurement convention

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

Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012, except for the adoption of new standards and interpretations as of 1 April 2012.

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 during 2011 to focus Asia as a service provider of manufacturing and procurement operations, whose main customers are our UK businesses. Both the China factory and the majority of the Hong Kong procurement operations are now overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise an operating segment. The Chief Operating Decision Maker is the Board.

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

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

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

	UK and Asia	Europe	USA	Australia	Eliminations	Group
	£000	£000	£000	£000	£000	£000
Year ended 31 March 2013						
Continuing operations						
Revenue – external	**118,765**	**28,499**	**50,104**	**27,843**	**—**	**225,211**
– inter segment	**1,433**	**143**	**—**	**—**	**(1,576)**	**—**
Total segment revenue	**120,198**	**28,642**	**50,104**	**27,843**	**(1,576)**	**225,211**
Segment result before exceptional items	**3,974**	**1,151**	**3,796**	**2,431**	**—**	**11,352**
Exceptional items	**(1,084)**	**—**	**(64)**	**(455)**	**—**	**(1,603)**
Segment result	**2,890**	**1,151**	**3,732**	**1,976**	**—**	**9,749**
Central administration costs						**(606)**
Net finance expenses						**(3,466)**
Income tax						**(1,601)**
Profit from continuing operations for the year ended 31 March 2013						**4,076**
Balances at 31 March 2013						
Continuing operations						
Segment assets	**100,336**	**17,605**	**11,170**	**9,852**	**3,775**	**142,738**
Segment liabilities	**(41,297)**	**(14,025)**	**(27,286)**	**(3,129)**	**(429)**	**(86,166)**
Capital expenditure						
– property, plant and equipment	**795**	**153**	**230**	**706**	**—**	**1,884**
– intangible	**159**	**11**	**40**	**32**	**—**	**242**
Depreciation	**2,237**	**716**	**644**	**210**	**—**	**3,807**
Amortisation	**310**	**57**	**39**	**88**	**—**	**494**

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

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

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

(c) The assets and liabilities that have not been allocated to segments consist of deferred tax assets £4,250,000 (2012: £4,640,000) and income tax payable of £904,000 (2012: £855,000). In addition, the assets and liabilities have been grossed up for VAT of £475,000 (2012: £399,000) to reflect the net position of the Group.

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

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

Geographical information

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

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

Turnover by customer destination

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

Turnover by product

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

3 Other operating income

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

4 Finance expenses

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

5 Taxation

Recognised in the income statement

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

Reconciliation of effective tax rate

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

6 Exceptional items

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

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

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

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

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

(d) Redundancies relating to the termination costs of key executives who left the business following a review of Board responsibilities and as a result of business reorganisation in the UK subsidiaries.

(e) Loss on disposal of leasehold land and buildings in China as a result of the decision to relocate the China factory.

(f) Costs associated with moving the China factory.

7 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 2011	22,315	6,971	45,895	2,023	853	78,057
Additions	141	723	2,832	194	125	4,015
Disposals	—	(721)	(658)	(947)	(263)	(2,589)
Effect of movements in foreign exchange	(483)	226	277	52	7	79
Balance at 1 April 2012	21,973	7,199	48,346	1,322	722	79,562
Additions	47	220	1,288	257	72	1,884
Disposals	(302)	(66)	(559)	(437)	(134)	(1,498)
Transfers between categories	—	—	(103)	103	—	—
Effect of movements in foreign exchange	85	396	831	94	23	1,429
Balance at 31 March 2013	21,803	7,749	49,803	1,339	683	81,377
Depreciation and impairment						
Balance as at 1 April 2011	(8,123)	(1,968)	(35,010)	(843)	(595)	(46,539)
Depreciation charge for the year	(930)	(333)	(1,848)	(546)	(96)	(3,753)
Disposals	—	528	653	859	207	2,247
Effect of movements in foreign exchange	89	(51)	(16)	(16)	10	16
Balance at 1 April 2012	(8,964)	(1,824)	(36,221)	(546)	(474)	(48,029)
Depreciation charge for the year	(921)	(415)	(1,893)	(499)	(79)	(3,807)
Disposals	149	66	546	435	133	1,329
Transfers between categories	—	—	91	(91)	—	—
Effect of movements in foreign exchange	(34)	(128)	(617)	(86)	(12)	(877)
Balance at 31 March 2013	(9,770)	(2,301)	(38,094)	(787)	(432)	(51,384)
Net book value						
At 31 March 2013	12,033	5,448	11,709	552	251	29,993
At 31 March 2012	13,009	5,375	12,125	776	248	31,533

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

Leased plant and machinery

The net book value of property, plant and equipment included an amount of £1,850,000 (2012: £160,000) in respect of assets held under finance leases.

Security

All freehold properties are subject to a fixed charge.

8 Intangible assets

	Goodwill	Computer software	Other intangibles	Total
	£000	£000	£000	£000
Cost				
Balance at 1 April 2011	40,585	2,916	495	43,996
Additions	—	399	—	399
Disposals	—	(356)	—	(356)
Effect of movements in foreign exchange	(290)	4	—	(286)
Balance at 1 April 2012	40,295	2,963	495	43,753
Additions	—	242	—	242
Disposals	—	(48)	—	(48)
Effect of movements in foreign exchange	405	68	3	476
Balance at 31 March 2013	40,700	3,225	498	44,423
Amortisation and impairment				
Balance at 1 April 2011	(8,822)	(1,596)	(193)	(10,611)
Amortisation for the year	—	(486)	(48)	(534)
Disposals	—	352	—	352
Effect of movements in foreign exchange	(39)	(5)	—	(44)
Balance at 1 April 2012	(8,861)	(1,735)	(241)	(10,837)
Amortisation for the year	—	(447)	(47)	(494)
Disposals	—	48	—	48
Effect of movements in foreign exchange	(296)	(48)	(1)	(345)
Balance at 31 March 2013	(9,157)	(2,182)	(289)	(11,628)
Net book value				
At 31 March 2013	31,543	1,043	209	32,795
At 31 March 2012	31,434	1,228	254	32,916

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

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

Impairment

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

For the purposes of impairment testing, goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to the business unit, or group of business units, that are expected to benefit from the synergies of the combination (see table 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 which are approved by the Board. The key assumptions in those budgets are sales, margins achievable and overhead costs. The Group then extrapolates cash flows for the following seven years based on a conservative estimate of market growth of 2% (2012: 2%).

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

Pre- tax discount rates used were:

	2013	2012
	£000	£000
UK and Asia	**12.7%**	13.2%
Europe	**15.3%**	15.4%
USA	**16.7%**	16.7%
Australia	**14.3%**	14.3%

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

The Directors do not believe a reasonably possible change to the assumptions would give rise to an impairment.

The Directors have considered a 3% movement in the discount rate and a flat budget growth rate assumption in their assessment.

9 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

The deferred tax asset in respect of tax losses carried forward at 31 March 2013 of £2,819,000 (2012: £3,817,000) is comprised of UK tax losses of £29,000 (2012: £1,943,000) and US losses of £2,790,000 (2012: £1,874,000). US tax losses carried forward will become irrecoverable in March 2027. UK tax losses may be carried forward indefinitely. The deferred tax assets have been recognised where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Board expects that the tax losses will be recoverable against future profits but given the level of tax losses brought forward, recoverability has been assessed on the basis of expected profits currently forecast. Deferred tax assets in respect of taxable losses that are expected to be recovered outside this forecast period have not been recognised. This includes unrecognised deferred tax assets in respect of brought forward UK losses of £858,000 (2012: £444,000) and £2,153,000 (2012: £4,421,000) in respect of brought forward US tax losses.

No deferred tax is recognised on unremitted earnings of overseas subsidiaries. Overseas reserves can now be repatriated to the UK with no tax cost. If all overseas earnings were repatriated with immediate effect, no tax charge (2012: £nil) would be payable.

At the balance sheet date the UK government enacted a 2% reduction in the main rate of UK corporation tax from 26% to 24% effective from 1 April 2012. The rate is 23% from 1 April 2013 and the government has also proposed reducing the UK corporation tax rate by a further 3% per annum to 20% by 1 April 2015. However, these further rate changes had not been substantively enacted at the balance sheet date and their effects are not, therefore, included in these financial statements.

The enactment of these changes would reduce the deferred tax balance of the Group by £0.1 million.

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

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

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

10 Cash and cash equivalents/bank overdrafts

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

Net debt

	Note	**2013 £000**	2012 £000
Cash and cash equivalents		**2,301**	3,168
Bank loans and overdrafts	11	**(43,215)**	(45,266)
Loan arrangement fees		**553**	370
Finance leases		**(1,777)**	(126)
Net debt as used in the Financial Review		**(42,138)**	(41,854)

The 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.

11 Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings.

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

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

The revolving credit facilities are secured on the assets of the Group, in the same way as the bank overdraft above. The interest rate is 3.2% over LIBOR. The facilities are drawn for periods from one day up to six months.

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

Terms and debt repayment schedule

Repayment analysis of bank loans and overdrafts	Note	**2013** **£000**	2012 £000
Due within one year:			
Bank loans and borrowings (see below)		**13,104**	9,441
Bank overdrafts	10	**336**	1,945
Due between one and two years:			
Secured bank loans (see below)		**4,725**	4,666
Due between two and five years:			
Secured bank loans (see below)		**20,984**	24,807
Due after more than five years:			
Secured bank loans (see below)		**4,066**	4,407
		43,215	45,266

Secured bank loans

Loan 1

The principal of £487,000 (2012: £588,000) is repayable monthly on a reducing balance basis over a 15 year period, ending in March 2016. The loan is secured over the freehold land and buildings and the contents therein of International Greetings USA, Inc. and is subject to a variable rate of interest linked to the US Federal Funds Rate (US FFR). The currency of denomination of the loan is US dollars.

Loan 2

The principal of £470,000 (2012: £582,000) is repayable monthly on a reducing balance basis over a nine year period ending in March 2016. The loan is secured over the freehold land and buildings and the content therein of International Greetings USA, Inc. and is subject to a variable rate of interest linked to the US FFR. The currency of denomination of the loan is US dollars.

Loan 3

The principal of £5,956,000 (2012: £6,281,000) is repayable quarterly over a 20 year period ending in July 2028. The loan is secured over the freehold land and buildings and the content therein of Hoomark B.V. and is subject to a variable rate of interest linked to EURIBOR, that has been swapped to a fixed rate for a notional amount of £5,882,000 (2012: £5,833,000) over a period of three years ending in January 2017. The currency of denomination of the loan is euros.

Loan 4

The principal of £218,000 (2012: £510,000) is repayable monthly over a five year period ending November 2013. The loan is secured over the plant and machinery of International Greetings UK Ltd and is subject to a variable rate interest linked to the UK base rate. The currency of denomination of the loan is sterling.

Loan 5

The principal of £15,208,000 (2012: £14,904,000) is repayable over a five year period with a bullet repayment in May 2016. £9,100,000 is denominated in sterling and £6,108,000 is denominated in US dollars. They are subject to a variable interest rate linked to LIBOR except for the element that has been swapped. At 31 March 2013 the Group had an interest rate cap on a notional amount of £8 million, and a notional amount of $8 million, whereby interest payable has been capped at 1.5% on both notional amounts. The terms of the hedge have been negotiated to match the terms of the commitments.

Loan 6

The principal of £12,199,000 (2012: £14,988,000) is repayable and amortised over a four year period to May 2015. £7,000,000 is denominated in sterling and £5,199,000 is denominated in US dollars. They are subject to a variable interest rate linked to LIBOR except for the elements that have been swapped. At 31 March 2013, the Group had an interest rate swap in place with a notional amount of £5.1 million whereby it receives a floating rate of interest based on LIBOR and pays a fixed rate of interest at 0.92% on the notional amount. The terms of the hedge have been negotiated to match the terms of the commitments.

At 31 March 2013, the Group had an interest rate swap in place with a notional amount of $7.9 million whereby it receives a floating rate of interest based on LIBOR and pays a fixed rate of interest at 0.77% on the notional amount. The terms of the hedge have been negotiated to match the terms of commitment.

12 Earnings per share

	2013		2012	
	Diluted	**Basic**	Diluted	Basic
Adjusted earnings per share excluding exceptional items and discontinued operations	**7.8p**	**8.1p**	6.7p	7.2p
Loss per share on exceptional items	**(2.0p)**	**(2.1p)**	(6.4p)	(6.9p)
Earnings per share from continuing operations	**5.8p**	**6.0p**	0.3p	0.3p
Earnings per share	**5.8p**	**6.0p**	0.3p	0.3p

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

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

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

Diluted earnings per share

The average number of share options outstanding in the year is 3,664,232 (2012: 5,787,000), at an average exercise price of 19.6p (2012: 16.9p). The diluted earnings per share is calculated assuming all these options were exercised. At 31 March the diluted number of shares was 58,794,617 (2012: 58,486,612).

13 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 2013, but is derived from those accounts and the accompanying Directors' report. Statutory accounts for the year ended 31 March 2013 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 2013 were authorised for issue by the Board of Directors on 26 June 2013 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 2012. The report of the auditors was unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.