International Greetings

Annual report and financial statements 2015

Welcome to International Greetings

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

Our mission

To succeed by design in all that we do. To drive profitable growth through exceptional customer service, industry leading innovation and great value.

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Financial highlights

Profit before tax, exceptional items and LTIP (£million)

+21% on 2014

2015	9.2
2014	7.6
2013	7.3
2012	7.1

Underlying diluted earnings per share* (pence)

+29% on 2014

2015	10.7
2014	8.3
2013	7.8
2012	6.7

Cash generated from operations (£million)

+18% on 2014

2015	17.9
2014	15.2
2013	7.5
2012	11.5

Net debt improvement (£million)

20% reduction on 2014

2015	29.4
2014	36.9
2013	42.1
2012	41.9

* Underlying diluted earnings per share is stated before exceptional items.

Operational highlights

Completion on time and on budget of major capital investment in production facilities in Wales

Underlying operating profits in Europe up by 32% following the successful acquisition and integration of Enper Giftwrap Business in Holland, Summer 2014

A full strength management team, together with a considerably strengthened balance sheet underpins opportunities for ongoing growth both organically and through further well-considered acquisitions

Installation of new gift bag manufacturing facilities within our plant in China to be fully deployed in 2015/16

Major licensing wins throughout the Group include new franchises with Disney and Universal Studios

Our year at a glance

UK

- Completion on time and on budget of major capital investment in production facilities in Wales
- Commencement of project to leverage synergies of common manufacturing platform in Wales and Holland
- Record volumes of gift wrap produced and sold
- Agreed three-year trading contract for solus supply of single greeting cards to UK's largest £1 retail chain
- Expanded portfolio of licenses, including the highly successful "Frozen" franchise from Disney and "Despicable Me" from Universal

Asia

- Over 70 million Christmas crackers produced on time and on budget
- Flawless order fulfilment and service levels underpinned by automated and semi-automated processes
- Installation of new gift bag manufacturing facilities to be fully deployed producing 20 million bags in 2015/16
- Ongoing improvements result in additional accreditations and recognition from world's major retailers
- Establishment of "Group Category Directors" to develop product strategies and leverage overall Group buying power
- Increasing utilisation of facilities in Hong Kong to support commercial activities
- Continued deployment of "on the ground" Quality Control and Quality Assurance resources based in China

£108.2m

(2014: £110.5m)

47%

USA

- Sales growth, particularly in expanding mass market retail channels
- Major focus on working capital improvements with a material reduction in inventory levels achieved, whilst sustaining excellent customer service
- Appointment of Gideon Schlessinger as CEO in April 2015 following the untimely death of his predecessor, Rich Eckman, in June 2014
- Next phase of investment to drive efficiencies in manufacturing based on proven platforms established in Wales and Holland
- IG USA was honoured to be awarded "Business of the year", by Liberty County Chamber of Commerce and the acknowledgement by Congressman Carter on behalf of the United States Congress for this prestigious award

£57.9m

(2014: £53.2m)

25%

Mainland Europe

- Record year of sales with resultant profits increased over 27%
- Trading with all mainland Europe's ten largest retail groups
- Largest volumes of gift wrap produced in Company's history utilising new high-speed, high-definition printing facilities in Holland
- Acquisition of trade and certain assets of Enper Giftwrap BV in June 2014, followed by full integration by September 2014
- Continued expansion of sales to Eastern European markets through locally-based sales and conversion operations
- Establishment of Training Academy to stimulate ongoing upskilling and development of people

£35.9m
(2014: £34.4m)

16%

Australia

- Sustained 12% of Group sales revenue
- Significant sales expansion of partyware with Australia's major grocery chains
- Increased focus in developing new but related product categories, reflecting strong demand from broad customer base
- Ongoing transition of administrative elements of product development to new facilities in Ningbo, China
- Deployment of additional resources to New South Wales region to facilitate future expansion
- Won Disney licenses, including Marvel and Star Wars franchises, across a broad portfolio of gift packaging, greetings and partyware products

£27.0m
(2014: £26.4m)

12%

Group

- Profit before tax, exceptional items and LTIP increased to £9.2 million (21%)
- Cash generated from operations was up 9.2% to £17.9 million
- Leverage reduction from 2.4 to 1.8 times (25%)
- Leverage outcome triggers recommencement of dividends
- Adjusted fully diluted earnings per share up from 8.4p to 11.5p (37%)
- Non-UK revenues by customer destination, now 67% of total Group revenues
- Second phase of upgrading global manufacturing platform completed on time and on budget
- Further improvements on funding terms concluded with our banks with funding costs reduced from FY14 levels by £0.5 million (14%)

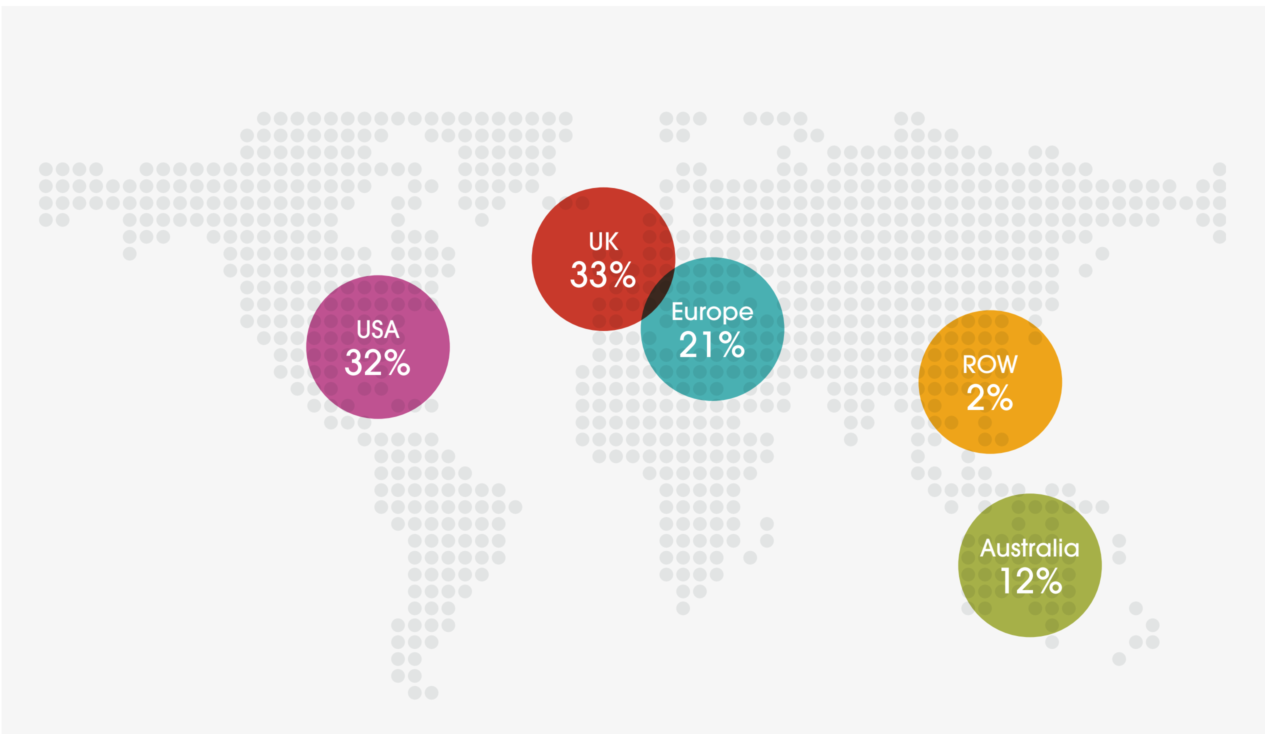
£229.0m
(2014: £224.5m)

100%

Where we operate

With over 5,000 customers selling our products in over 100,000 stores across 80 countries we enjoy a considerable market presence.

Group revenue by customer destination



Market opportunities

With over 5,000 customers selling our products in over 100,000 stores across 80 countries we enjoy a considerable market presence focusing on our two major product categories – gift packaging and greetings products, and stationery and creative play.

In addition to our own generic brands, we offer an excellent portfolio of licensed and customer bespoke products suitable for sale through multi-channel distribution.

United Kingdom

Our UK-based businesses focus activities by their individual specialist product categories whilst leveraging key customer relationships to ensure synergies are delivered to the benefit of our customers and our Group as a whole.

In recent years, the growth we have achieved has reflected the changing dynamics in the market place with a focus on:

- value and innovation by the traditionally dominant grocery multiples;
- the expanded market presence of Pan-European discounters;
- the prolific growth of specialist £1 only retail multiples; and
- the ever expanding online presence of existing and new customers.

Scope remains for profitable growth – both online and through "bricks and mortar" retailers – in other specialist areas, including garden centres and card and gift multiples, as well as through the network of applicable regional groups and independent stores.

In addition to our own generic brands, we offer an excellent portfolio of licensed and customer bespoke products suitable for sale through multi-channel distribution.

Our products are present in over 100,000 retail outlets

Across 80 countries

Mainland Europe

Continental Europe has seen a polarisation of buying power with the top ten retail groups enjoying a very dominant market share.

We shall continue to leverage the position we have achieved as the number one European player in gift packaging, working primarily with Europe's major retail chains, but we shall seek additional opportunities in new channels and territories throughout Europe where we can utilise our ability to efficiently produce quality, on trend and affordable products in the gift packaging, greetings, gift and stationery product categories.

The acquisition of trade and certain assets of Enper Giftwrap BV in June 2014 demonstrated our ability to leverage our existing assets and we shall continue to pursue opportunities to profitably expand in currently under-exploited areas.

USA

Recent years of significant top line growth has been achieved across all channels with particular success achieved through the nationally-based grocery chains, as well as discount and $1 retail specialists.

At the same time, the well-established Gift Wrap Company range of premium, innovative, high-end products has consolidated its market position in upscale multiples and independents throughout the USA.

Further growth opportunities have been established and traction gained in South America and Canada, both through partnership with USA-based multiples, who, themselves, are expanding into these territories and through relationships developed with indigenous customers with local knowledge and expertise.

Australia

The market dynamics in Australia have changed in recent years with the closure of one of Australia's largest discount chains impacting not only on our joint venture business Artwrap, but on the market overall.

Our strategy has been to seek new channels of distribution offering a flexible model of both free on board ("FOB") and domestic order fulfilment, whilst providing our customers the full availability of the portfolio of products available from our Group as a whole.

This has enabled us to expand our market presence, including sales to "neighbouring" countries, including New Zealand. Our business has also expanded its upscale activities, introducing premium brands, such as Card Couture as well as the full range of Tom Smith crackers, cards and gift packaging.

We shall now provide our customers with an increasingly efficient order fulfilment capability achieved both directly from Artwrap and, where appropriate, through a network of regional distributors.

Rest of world

Whilst our Group overall revenues have been overwhelmingly generated in those regions where our businesses are physically present, we have enjoyed growing sales in other territories, notably in Asia, Africa and the Middle East.

We shall continue to proactively identify opportunities for further growth in partnership with both existing and new customers.

Find out more online
internationalgreetings.co.uk

Delivering on strategy
Our strategy is core to our success

Our key focus points drive the Group forward and keep us reaching for the high standards and targets we set ourselves.

Strategic themes	Strategy
1 Achieve a market leading position in gift packaging	To be the world's largest and most efficient designer and manufacturer in our core category of gift packaging
2 Increasing our presence in the stationery and creative play product categories	To become an increasingly important and successful supplier of design-led stationery, creative play, gift ware and related products in the markets in which we operate
3 Nurturing valuable relationships	To nurture deep and mutually valuable relationships with our customers and suppliers across our core and associated product categories, growing our worldwide presence together
4 Leveraging Group expertise	To take every opportunity to share knowledge and exploit synergies across our business units, to leverage this efficient cost base and store of excellence through local entrepreneurial management teams focused on customer service, innovation and relevant product
5 Balancing our business	To improve our margins and the cash profile of our profitability by: • providing differentiated product offerings across the value, mass and upscale markets • balancing our business across geographies, seasons, brands and higher-margin product categories
6 Giving our people the knowledge they need	To give our people the knowledge they need, the tools and inspiration to create value for the Group and help pursue their careers and goals

Progress in year	KPI	
• World's largest supplier of consumer gift packaging • Investment in state-of-the-art equipment in Holland, followed by establishing a common manufacturing platform in Wales • Now evaluating similar investment in USA • Acquisition of the trade and certain assets of Enper Giftwrap BV	• Group sales of consumer gift packaging and greetings products reached record levels at £167.6 million – an increase of over 6% from the prior year • We are now Europe's largest supplier of consumer gift packaging products	**6%** growth in gift packaging and related product category

• Brand strategy developed across the Group for
  • 'Kids Create'
  • 'B' Unique
  • 'A' Star
  • 'Papercraft' brands
	• Our licensed categories represent the world's leading franchises including Frozen, Despicable Me, Star Wars, Peppa Pig and Hello Kitty franchises	**80** Sales of all Group stationery and creative play brands now made to over 80 countries

• A Group Category Director approach to establish a consolidated/preferred supplier base • Further enhanced customer service capability	• Sales at constant exchange rates up by 4.5% at £229.0 milion • Trading relationships now exist on a pan-European and global basis with several key customers	**4.5%** overall sales increase

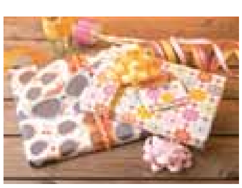
• Forums across several 'disciplines'
  • Design and product development
  • Purchasing
  • Manufacturing
  • Finance
	• Operating profit (before exceptional items and LTIP charges) grew to £11.9 million from £10.7 million	**10.6%** growth in operational profit

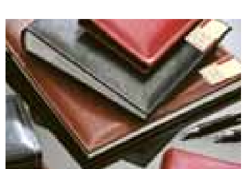
• Enhanced conversion of EBITDA to cash, resulting in reduced leverage • Overall net margins enhanced • Increased share of non-UK based revenue by destination	• Non-UK sales by destination are 67% of Group revenue • Cash generation up over 18% at £17.9 million • Leverage reduced from 2.4 times in 2014 to 1.8 times in 2015	**18%** increase in cash generation
• Upskilling of leadership teams throughout the Group and key appointments made • Group-wide approach to performance management • Establishment of Training Academies	• Earnings per share before exceptional items increased 29% to 10.7p	**29%** increase in earnings per share

Chief Executive Officer's review

Delivering strong results today and set for continued future improvement

Paul Fineman
CEO





Substantial cash generation and debt reduction has triggered the payment of a dividend.

I am very pleased to report an excellent set of results for the year in which we have exceeded our goals in profit generation, debt reduction and earnings per share.

This strong performance has been achieved whilst simultaneously meeting key operational goals that, together with other initiatives, provide us with further opportunities for future growth in all areas of Group activity.

We are therefore delighted that during a year in which sales were up 2% to £229.0 million, profit before tax, exceptional items and LTIP charges increased by 21% to £9.2 million, whilst net debt reduced by 20% from £36.9 million in 2014 to £29.4 million in 2015, a year ahead of schedule.

Of particular note, is the substantial reduction of leverage from 2.4 times in 2014 to 1.8 times in 2015, triggering the re-commencement of dividend payments. This has been achieved through our continued focus on balancing the delivery of cash generative sales and profits, reducing leverage and doing so whilst investing in fast payback opportunities across our business and our global manufacturing activities in particular.

With fully diluted earnings per share (before exceptional items) up 29% on the prior year at 10.7p (2014: 8.3p) we are certainly on track with our three-year plan to deliver overall double digit earnings per share growth.

Following the completion of the first phase of an upgrade to our global manufacturing facilities in 2012, with an environmentally-friendly, high-speed, high-definition gift wrap printing capability at our operation in Holland, 2014 has seen the installation of

Key achievements

- Profit before tax, exceptional items and LTIP increased by 21% to £9.2 million
- Focus on cash generation improved leverage by 25% from 2.4 to 1.8 times
- On track to meet our three-year plan of overall double digit earnings per share growth
- Non-UK revenues by customer destination now 67% of total Group revenues
- Major capital expenditure project in UK completed on time and on budget
- Excellent year of production and service levels from our recently relocated China factory
- Acquisition of trade and certain assets of Enper Giftwrap BV now fully integrated, building upon our capital investment there in 2012

a similar capability within our facility in Wales, officially opened on 30 April 2014 by Her Majesty the Queen together with His Royal Highness Prince Phillip. Our management teams at both facilities have driven efficiencies beyond expectations and enhanced our competitive position whilst continuing to deliver excellent quality and service.

We are now carefully evaluating the prospects for the next phase of similar fast payback investment in the USA, having successfully executed these comparable projects in Europe.

Geographical highlights

UK and Asia

Our UK and Asia business accounted for 47% (2014: 49%) of the Group's revenue for the year, and continues to deliver a portfolio of innovative and highly-competitive products with great efficiency and industry-leading customer service. This, together with a compelling offering of our generic, licensed and bespoke customer brands, has driven margins higher in this region.

Our UK and Far East operations continue to work collaboratively ensuring we leverage a joined-up commercial and strategic approach to the market. We continued to strengthen an important competitive advantage by broadening and upgrading compliance standards within our existing facilities in China, which led to the record sales of 74 million Christmas crackers produced during the year. We are now geared for even greater performance levels having invested in semi-automated processes for cracker manufacturing, which, together with enhanced production capability in gift bags and greetings cards, became operational in Spring 2014.

These facilities have enabled us to secure a three-year trading contract for sole supply of single greeting cards to the UK's largest £1 retail chain, whilst record levels of gift bag orders have been achieved for shipment during 2015.

We have achieved our objective to provide our customers with the ability to source a broad portfolio of complementary product categories from one fully compliant and competitive source.

We will continue to grow sales of licensed products with stationery and creative play categories being consolidated under our Copywrite brand in the UK. Sales of the highly popular Frozen and Despicable Me ranges were noteworthy and continue to thrive into the new year, alongside a continually refreshed and updated selection of licensed product ranges.

Mainland Europe

Our businesses in mainland Europe accounted for 16% (2014: 15%) of the Group's sales.

Although overall market conditions remain challenging, we are extremely pleased to report a strong performance with excellent levels of manufacturing efficiency and record sales volumes.

Our second full year of utilising our state-of-the-art printing facilities based in Holland, together with the delivery across all categories of innovative highly competitive product offerings, resulted in a continued growth of market share and the creation of even greater future opportunities.

Global consumer gift packaging market worth
£10bn

Revenues by destination are now
67%
non-UK based

Sales made to over
5,000
individual customers worldwide

The acquisition of the trade and certain assets of Enper Giftwrap BV, in June 2014, has been fully integrated and has strengthened our market share in the Benelux. This demonstrates our commitment to our key strategic objective to be the best and most successful supplier of gift packaging products in the European Union and we shall continue to seek similar fast payback investment opportunities.

We are now actively trading with mainland Europe's ten largest retail groups and scope exists for our future expansion in existing and new markets, both with core and developing product categories.

USA

The USA business accounted for 25% (2014: 24%) of Group's revenue.

Having achieved double digit sales growth in the recent years, the strong sales growth continued with USA representing 32% of Group revenues by destination in 2015 (2014: 31%).

In early June 2014, I announced that Rich Eckman, CEO of International Greetings, USA had tragically passed away. Rich had tirelessly lead our USA business during a period of significant transformation and created a strong platform for future growth. Considerable scope now exists for enhanced levels of profitability as well as continued growth in sales revenue under the leadership of Gideon Schlessinger, who joined us as CEO in April 2015.

Our USA-based gift wrap manufacturing facilities near Savannah were enhanced by the installation of new automated case packing equipment, which was fully operational from Spring 2014. We shall now progress to a further phase of fast payback investment during the current financial year through the installation of new high speed, state of the art paper conversion facilities.

The sales growth during the year included expansion within neighbouring markets in Canada, Mexico and to other South American regions. In the USA itself, notable growth was achieved within the major supermarket and discount channels.

We were especially successful in managing working capital, and, in particular, a 36% reduction in inventory levels was achieved without any detrimental impact to service levels.

Australia

Whilst the Australian economy experienced an overall slowdown during the year, our Australian revenues represented 12% of overall Group sales (2014: 12%).

Our ability to provide our customers with fast turnaround service levels was underpinned by our relatively recent investment in our logistics facilities, enabling us to provide unprecedented levels of order fulfilment to an ever increasing base of retail customers across the nation.

Having successfully achieved sales growth, our focus is on executing plans to improve profitability and we are pleased to now have in place the skillsets and experience required to optimise future returns.

Revenue by product category, brand and season

We continued to focus on our two core product categories, with sales of gift packaging and greetings related products accounting for 73% of Group revenues, whilst stationery and creative play products delivered 27% of revenues.

Earnings per share up by 29% to 10.7p

Profit before exceptional items and LTIP increased by 21% to £9.2m

Over £90m sales of product made under IG's generic brands

Sales of IG's generic brands achieved 39% of overall revenues, underpinned by the continued success of our Tom Smith brand, which holds the Royal Warrant for the supply of Christmas crackers and gift wrapping products to Her Majesty the Queen.

With sales of Everyday products at 44% and Christmas products at 56% of Group revenues, the Group's products are sold to over 5,000 customers in over 100,000 retail stores across more than 80 countries.

Our team

The dedication, enthusiasm and appetite of our team throughout the Group for ongoing improvement continues to be inspirational and provides the momentum for future growth across all regions. I am pleased to have the opportunity to thank all of my colleagues for another year of excellent progress and all other stakeholders, including our customers, shareholders, suppliers, advisers and bankers for their continued and much appreciated support.

Our strategy

Our strategic objectives are well documented and detailed on pages 6 and 7. They have been consistently applied and provide the foundation for the Group's recent years of ongoing improved performance.

The future

We are very pleased to have successfully completed the second year of a three-year plan, with outcomes effectively a year ahead of schedule. We are in good shape to deliver against our target of overall double digit cumulative average growth in earnings per share and have significantly reduced debt well beyond original plan levels with leverage now below two times debt/EBITDA. We are delighted to be able to resume dividend payments with a final dividend of 1p per share recommended for the year ended 31 March 2015.

Having considerably strengthened our financial position and management team, opportunities exist to grow in all regions, both organically and through well considered acquisitions.

We are determined to continue to drive performance and our Group is now positioned to deliver ongoing improvements, leveraging our achievement and investments made in recent years.

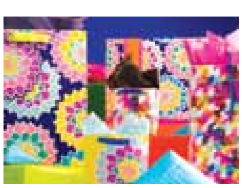
Paul Fineman
Chief Executive Officer

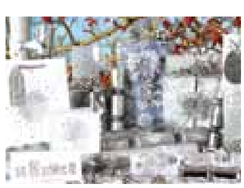
22 June 2015

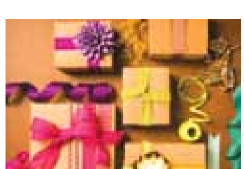
Financial review

Delivering our financial promises – ahead of schedule

Anthony Lawrinson
Chief Financial Officer







This year, we have achieved our goal to reduce year-end leverage below two times, grown underlying earnings per share by 29% and reintroduced a dividend – all ahead of schedule.

Group performance

Building on a sound performance and an important investment in Wales last year, the Group has again delivered strong results, not only in terms of profit and our key earnings per share growth target, but pivotally reducing leverage below our key target of two times.

Our businesses in the UK (including Asia) and Europe have delivered excellent performances, built on foundations of well-considered investment and faultless execution of both organic investment and the integration of our acquisition made early in the financial year. Our businesses in the USA and Australia are still not achieving their full potential, providing further opportunity to improve. We have already begun the initial process of further investment in the USA to support that improvement now that the leadership there has been bolstered with a new CEO. We now have sufficient confidence in the financial strength of the business to return to the dividend list – a year ahead of schedule. The Group's ability to generate cash should now be strong enough to support continued deleveraging, ongoing investment in growth and a sustainable dividend.

Continuing operations

Revenues for the year to 31 March 2015 were slightly up from £224 million in 2014 to £229 million. At constant exchange rates on overseas earnings this increase was greater at £10 million or 4.5%. Revenue in the UK segment again fell as we seek to focus on the preferred mix of sales and optimise profitability in our most mature markets. In underlying currencies sales in every other segment again grew well between 10% and 12% though with differing impacts to profitability. In Europe, our market leading printing platform continues to

Key achievements

- Sales up 2% on prior year (4.5% at constant exchange rates)
- Profit before tax, exceptional items and LTIP charges up 21% at £9.2 million (2014: £7.6 million)
- Fully diluted earnings per share before exceptional items increased 29% to 10.7p (2014: 8.3p)
- Cash generated from operations up over 18% at £17.9 million (2014: £15.2 million)
- Net debt down 20% to £29.4 million (2014: £36.9 million) with leverage at 1.8 times (2014: 2.4 times) comfortably below our key target of two times
- Return to the dividend list

provide competitive advantage enhanced further by the integration of the trade and certain assets of Enper Giftwrap BV (a small local competitor that was acquired during the year) and good growth in other non-manufactured categories through deep customer relationships. Our Australian JV and USA business both grew revenue well, but both can do more to achieve our expected level of net margin on this additional business.

Gross profit margin before exceptional items at 17.5% is down on the prior year (2014: 18.4%) much as we saw at the half-year point. Although net pre-tax profit margins have improved to 3.7% (2014: 3.3%) the Group margin effect reflects the mix of lower margin sales growth in Australia and USA and in both geographies we believe there is opportunity to do more to improve this, particularly in the USA now that we have a new CEO in place. Meanwhile margins in the UK and European segments developed well reflecting mainly efficiencies, economies of scale and careful mix management. The Group aims to improve margins commercially by increasing the balance of own brand products and non-Christmas business but efficiencies in sourcing and manufacturing will continue to contribute, especially following the investment in Wales where we will see the full effect of the investment in 2015/16.

An important dynamic to margin also continues to be the level of FOB business delivered directly to major customers at ports in China. This type of business continues to grow in all territories especially in the USA with the major value chains. This typically attracts lower gross margins but it is a means of retaining or winning large volumes of business, in a manner that avoids other costs and risks associated with domestic delivery; winning this business can therefore enhance net margins and return on capital even as gross margins are diluted.

Overheads (before exceptional items and LTIP charges) have decreased year-on-year by a pleasing 7.6% or £2.4 million reflecting in particular continuing initiatives in the mature UK market. Tight cost control is a feature of our business and opportunities to remove or reduce costs are constantly sought out, with new costs only incurred where actual or prospective value can be demonstrated.

As a result of the above, underlying operating profit before exceptional items and LTIP charges increased by nearly 11% to £11.9 million. Operating profit after exceptional items and LTIP charges increased even more markedly by 14% to £10.0 million (2014: £8.8 million).

Exceptional items during the year amounted to £1.2 million before tax (2014: £2.3 million) and this charge was lower than planned as a result of our strong execution. The majority of the charge related to the investment programme in high-definition printing in Wales and the associated restructuring, with smaller amounts relating to the restructuring of the leadership team in the USA following the death of the previous CEO, and the acquisition of the Enper Giftwrap business in the Netherlands. Of this charge, a significant element represents accelerated depreciation and thus the actual cash element was lower at £1.1 million even after including outflows deferred from last year.

Finance expenses (before exceptional charges) in the year were 14% lower at £2.7 million (2014: £3.2 million) reflecting the full year effect of improved margins negotiated with banks last year but importantly also lower average indebtedness and more effective use of lower cost facilities. Notes 8 and 17 to the financial statements provide further information.

Underlying profit before tax, exceptional items and LTIP charges was up 21% to £9.2 million (2014: £7.6 million) while profit before tax was up 41% to £7.3 million (2014: £5.2 million) after charging exceptional items of £1.2 million (2014: £2.3 million) and LTIP charges of £0.6 million (2014: £0.1 million).

Taxation

The headline taxation charge is slightly down at £1.3 million (2014: £1.5 million) though of course on a higher profit base so the overall tax charge has dropped significantly to 18.4% reflecting the ability to access tax losses through improved profitability and also fuller tax relief on exceptional items. The effective underlying tax charge on profits before exceptional items is also lower than the prior year at 20.0% (2014: 24.6%), again because greater profitability means more tax losses are now accessible.

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 25.9%. However, there are still tax losses in the USA with a current tax value of £1.7 million and in the UK and Asian segment with a current tax value of £0.3 million, not yet recognised in the balance sheet. The opportunity to recognise and utilise these as profitability is sustained and improves, will continue to suppress the actual tax rate for some time to come.

Actual taxation paid in cash during the year was greater than the prior year at £1.3 million (2014: £0.1 million) as our businesses in Australia, the Netherlands and China do not have sufficient losses to shield all of their profits – plus our Australian business took tax relief against the write off of a material bad debt in the prior year, reducing cash tax payable in that year only. With improving and sustained profitability, all of our businesses are likely to pay some cash tax in future periods, though this will continue to be mitigated in the UK and Asia and especially the USA by losses brought forward.

Profit for the year

Net profit for the year increased by a very material 60% to £6.0 million (2014: £3.7 million), even after removing the effect of exceptional items and LTIP charges the underlying profitability still improved by 30% to £7.5 million (2014: £5.7 million).

Earnings per share and dividends

Basic earnings per share were 9.7p (2014: 5.2p). After removing the effect of exceptional items, the adjusted earnings per share were 11.2p (2014: 8.5p) representing an increase of 32%.

Employee share options from the 2008 incentive scheme of 1,589,285 have vested but not yet been exercised as at 31 March 2015. Additionally 1,107,652 shares now vest in respect of the 2012-15 long term incentive plan and more shares may vest in future periods in respect of the 2014-17 and any subsequent schemes. As these are exercised, earnings per share will trend towards the fully diluted level and the Company targets growth in this fully diluted metric (before exceptional items) as a primary goal which ensures that incentive plan outcomes and shareholder interests remain aligned. Details of share plans can be found in note 25 to the financial statements.

Fully diluted earnings per share (stated before exceptional items) were 10.7p, up 29% on the prior year (2014: 8.3p), and well ahead of schedule.

The ratio of year end net debt to EBITDA (leverage) was 1.8 times, below our key target of two times, a year ahead of schedule. Accordingly the Board is pleased to propose a final dividend of 1p per share for the year (2014: nil) which will be paid during September, subject to shareholder approval. Clearly this dividend is comfortably covered by underlying earnings and there should be scope to increase this in future periods while still investing in growth and managing average leverage still lower. The Board has determined that any dividend will always be covered not less than three times by underlying earnings per share and the Company currently intends to trend towards this level of pay-out over time. However, dividend policy will be balanced against the attractive opportunities to invest in efficiency and growth that continue to present themselves and the desire to further reduce average net leverage, which is still regarded as higher than is optimal.

Balance sheet and cash flow

Net debt at 31 March 2015 was again much improved at £29.4 million (2014: £36.9 million) and this improvement would have been even stronger at like-for-like exchange rates. As referenced above leverage fell accordingly to 1.8 times from 2.4 times in the prior year. This is a very strong performance and well ahead of our plan despite investment in a small acquisition during the year.

US dollar exchange rate movement in the year effectively increased US dollar debt reported in sterling, partly offset by movement in euro exchange rates on euro denominated debt. Notes 17 and 26 to the financial statements provide further information. Year-end net debt included amounts denominated in US dollar of $7.9 million (2014: $25.5 million) and in euros of €7.2 million (2014: €5.8 million). The year-end exchange rates were $1.48 (2014: $1.67) and €1.38 (2014: €1.21). Therefore at like-for-like exchange rates debt would have improved by a further £1.5 million.

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 £18.3 million (2014: £16.1 million) at the year end. Sales towards the end of the year were stronger in the USA in contrast to the prior year when we experienced extraordinarily adverse weather conditions.

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

Net stock levels after provisioning for older stock reduced significantly by 4.7% from £48.5 million to £46.2 million. Stock levels fell particularly in the USA, more than reversing an increase we experienced in the prior year related to lower sales as a result of the poor weather conditions in Q4.

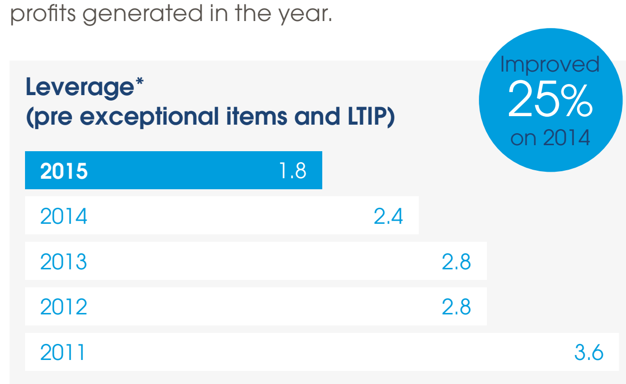
Older stock (measured as over 15 months since last purchase) fell slightly to £5.6 million (2014: £5.8 million). Provisioning remains adequate and similar to prior periods. Our businesses consistently achieve 100% recovery against written down values of old stock.

Group cash generated from operations was again very strong at £17.9 million (2014: £15.2 million), reflecting the strength of operating profitability and assisted by a net reduction in working capital of £2.1 million (2014: reduction of £0.7 million).

Investment in capital expenditure was lower than depreciation during the year at £2.3 million and much lower than the prior year (2014: £8.3 million), in which year we incurred the bulk of the investment in two new state-of-the-art printing presses and associated facilities at our gift wrap manufacturing operation in Wales. The Group continues to invest wherever we see strong returns and improved efficiencies. The manufacturing platforms across all our sites in China, UK and Europe are up to date underpinning our competitive position and yet we still see further opportunities for bolt on capital investment in these locations to add further capability. However, the greatest opportunity remains the USA where we have recently approved the next phase of an investment programme and are currently considering plans to do more.

With the investment in Wales complete, our site at Aberbargoed may shortly become available for sale, offering the opportunity to release cash in the near future. In addition the Group is in the third year of a five-year period by which a company has the option to purchase part of another under utilised site (net book value £0.8 million) for a price of £2.4 million. This is also generating premium income of £0.1 million p.a. over the option period, recognised within other operating income.

Equity attributable to shareholders has increased to £59.7 million from £53.5 million predominantly reflecting profits generated in the year.



* Leverage is calculated before exceptional items and LTIP charge.

Financial review continued

Risks and key performance indicators

Our areas of primary focus are:

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

Operationally this means a focus on:

- **nurturing valuable relationships:** monitoring the profitability, product mix and service delivered in respect of our customer base; growing those relationships in existing and new territories and product categories;
- **creating a toolbox of expertise:** ensuring that we have market leading design and product capability in our categories, sharing knowledge through common platforms;
- **providing best quality, value and service:** monitoring and benchmarking the key elements of our cost bases, buying or manufacturing as efficiently and effectively as possible from a total cost perspective across the whole season so that we can deliver great value to customers and strong returns to shareholders;
- **balancing our business:** we monitor the mix and profitability in each of our businesses across season, brand and product categories, seeking out those opportunities that yield the best returns on our scarce capital while rooting out those activities that consume resources for little or no gain; and
- **providing differentiated product offerings:** across the value, mass and upscale markets.

Foreign exchange impact to profit and earnings

Our diverse geographical revenue and profit streams continue to provide us with market resilience but naturally this carries with it the volatility of currency.

As noted above in the context of net debt, foreign exchange rates can impact significantly in the year on the translation of our overseas figures relative to prior years with the US dollar rate moving from 1.67 to 1.48 during the year, the euro from 1.21 to 1.38 and the Australian dollar rate moving from 1.80 to 1.95. As noted above this change in rates had a material impact on the sterling value of sales although the impact to net profit during the year was modest at only £0.2 million because the Group matches the currency of costs and funding where possible. However, the significantly weaker euro rates at the end of the year are likely to impact more materially in next year's results through the translation of overseas earnings.

Additionally, the relative strength of the US dollar against other currencies can materially impact purchase prices out of China. This is most noticeable in the weakness of the euro and Australian dollar and our European and Australian businesses are finding their margins are squeezed through substantial FX headwinds on bought in product from the Far East. It is a feature of our business that we innovate, invest and commercially redesign product to combat this effect but this can take more than one season.

Treasury operations

The Group operates with four supportive bankers, each addressing one of our geographic segments. Current global facilities comprise:

- term facilities at Group level in sterling and US dollar, repayable in tranches with bullets in May 2018;
- leasing facilities for seven and five years respectively in the UK and Netherlands for key plant and machinery;
- asset-backed facilities secured on the stock and debtors of the relevant operating businesses in each segment, all of which have at least one more year to run and are usually renewed for two to three years at a time; and
- a revolving multi-currency credit facility and overdraft to manage peak working capital requirements; these are renewed in May annually.

These facilities provide the Group with the operational flexibility it requires in a highly-seasonal business on a cost-effective basis. As noted above, interest margins have been falling as leverage has improved and the Group works with its lenders to find the most cost-effective solutions to its working capital needs. Accessing the lowest cost facilities more effectively had a material benefit in the current year.

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

- debt service, being the ratio of cash flow available to finance costs on a rolling twelve-month basis;
- interest cover, being the ratio of earnings before interest, depreciation and amortisation to interest on a rolling twelve-month basis;
- leverage, being the ratio of debt to pre-exceptional EBITDA on a rolling twelve-month basis; and
- appropriate local covenants in the individual businesses, which have asset-backed facilities.

The Group has various interest rate swaps denominated in US dollar, sterling and euros to improve certainty over interest charges. The Group adopts hedge accounting for some of these instruments. No new interest rate contracts were entered into during the year. The Group also actively manages FX transaction exposure in each of its businesses, with advice and support from the central treasury team.

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

Conclusion

The Group delivered another very strong year, building on past achievements, placing us a full year ahead of schedule and thus able to declare a dividend for the first time in many years. Net debt and earnings per share performance were especially pleasing and continued outperformance in the arena of cash management is providing the Group with additional flexibility and options to create value for shareholders in the future.

Anthony Lawrinson
Chief Financial Officer

22 June 2015

Risk management

Identifying and managing risks and uncertainties.

Category	Description of risk	Mitigation
Currency exposure	The Group is exposed to currency risk, which impacts in three principal ways: i. translation of the results of our overseas businesses, which account for nearly half of the Group's sales and over 60% of profit before tax: the businesses are seasonal and this can mean that fluctuations in periodic results can be exacerbated by exchange movements in that period; ii. purchase prices are subject to currency fluctuations against the local currency sales price: in particular approximately half of the Group's sales are of items which are bought or manufactured in Asia and are paid for using US dollar or Chinese renminbi; and iii. the Group is funded in a mixture of currencies, tailored where possible to match the needs of each business and to reduce the effect of currency fluctuations on the Group's financial results. However, the main banking facility is denominated in sterling with some balances drawn in US dollar: hence should exchange rates move adversely this has implications on the available headroom.	The Directors mitigate these risks using a mixture of natural hedges and, where appropriate, spot purchases, forward contracts and occasionally other similar instruments. Translation risks are only hedged selectively.
Availability of liquidity	The Group's operations are highly seasonal and significant flexible working capital funding is required during the course of the annual trading cycle. The Group is dependent on the continuing support of its bankers for these working capital facilities. A reduction in the availability of these facilities would materially impact the Group's ability to fulfil its obligations as they fall due.	The Group budgets carefully and cautiously and operates regular forecasting and cash monitoring processes against facilities available. Based on budgeted requirements, the Group maintains borrowing lines with a range of counterparties and maturities, estimated to be sufficient to cover funding requirements. These borrowing lines range from short-term facilities of one year to long-term debt of up to 20 years (13 years remaining). Significant tranches of funding were refreshed in August 2014 with repayments extended to 2018.
Inventory obsolescence	The Group's business remains highly seasonal and fashions in some products change from year to year. Poor sell-through where the Group carries inventory risk can result in the value realised falling below cost.	The Group maintains a blend of business between customer brands and its own brands. Purchasing and production decisions are carefully controlled at local level and KPIs including inventory turn and ageing are monitored by the Board. Each business aims to minimise its inventory holdings relative to economic return and provides appropriately to ensure inventory is held at the lower of cost and net realisable value.

Any commercial opportunities bring a degree of risk.

Category	Description of risk	Mitigation
Supply chain	The Group uses a large number of external suppliers, with bought-in goods for resale purchased mainly from Asia. Issues with the quality or integrity of supply chain, particularly at peak season, could result in contractual penalties or adversely impact the Group's ability to maintain supply to its customers.	The Group manufactures, where expedient to do so, more of its own goods in China and other locations throughout the world. Suppliers are carefully selected and their performance monitored by our businesses and locally from our sourcing office in Hong Kong through means such as clear contractual terms of business, robust quality control and on-site visits. Alternative routes of supply are maintained wherever possible to ensure keen pricing and continuity of supply.
Economic climate	Given the relatively low-value product within our market, with an average retail price of less than £2, the Directors believe that aggregate end customer demand remains relatively unaffected by the current economic climate. However, while fewer customers have gone into administration relative to recent years, risks associated with the current economic circumstances remain prominent. These manifest through loss of sales if customers stop trading or we elect not to do business with them, pressure to margins, particularly in the more commoditised products, and bad debts arising.	The Group maintains tight credit control procedures, regularly reviews credit limits and avoids concentrating on any one geographic location or placing over reliance on any one customer. The largest single customer accounts for approximately 8% of overall sales. Amounts presented in the balance sheet are net of allowances for doubtful receivables, which are made both for identified loss events which evidence a reduction in the recoverability of the cash, and to provide against the probability of a number of as yet unidentified loss events based on the age of overdue debts.
Management risk	The Group operates subsidiaries in a number of geographical locations across four continents with tight margins requiring close attention to detail both in supply and sale. A number of our businesses benefit from close local entrepreneurial management from skilled management teams particularly in this challenging economic climate. Loss of key management personnel could adversely impact the results of one or more of those businesses.	The Group's activities in Asia are particularly integral to the supply chain for our UK operations. The China factory benefits from carefully selected local management but is also monitored by the UK management team by way of on-site reviews and regular monitoring of key performance indicators. The Group considers succession planning and seeks to develop strong teams around key individuals to reduce the impact of potential loss.
Operational disruption	The Group operates four major factories plus several trading sites across the world including China, UK, USA, Australia and mainland Europe. The Group's business is dependent on the ongoing operation of these facilities, particularly at peak season. A significant operational disruption could adversely affect its ability to make and supply products to customers on a timely basis.	The Group has implemented policies and procedures to efficiently and safely manage its operations and to maintain continuity of supply. The factories operate to quality standards and are subject to regular customer, internal, health, safety and environmental audits. The Group insures against a range of known operational risks and maintains an actively managed programme with its insurers and advisers to manage both operational risks and insurance premiums.

Board of Directors

John Charlton

Non-Executive Chairman

John joined the Board in April 2010 and was appointed Chairman of the Board on 7 September 2011. John is a member of the Audit Committee and the Remuneration Committee. John is also Chairman of South Africa Greetings Corporation (PTY) Ltd. He was previously Senior Vice President International of American Greetings Corporation and Chief Executive of UK Greetings Ltd.

Paul Fineman

Chief Executive Officer

Paul joined the Board in May 2005 as Chief Executive Officer of Anker International PLC. He was appointed Group Managing Director in January 2008 and then appointed Group CEO in January 2009.

Anders Hedlund

Founder and Non-Executive Deputy Chairman

Anders founded the Group in 1979 and was joint Chief Executive Officer of International Greetings until December 2007, when he was appointed Non-Executive Deputy Chairman.

Anthony Lawrinson

Chief Financial Officer and Company Secretary

Anthony joined the Board in October 2011 as Chief Financial Officer and Company Secretary. Anthony's former roles include Group Finance Director of Reliance Security Group, Chief Financial Officer at O2 Airwave and Group Treasurer at O2 PLC and Hickson International PLC. Anthony is a member of the ICAEW and the Association of Corporate Treasurers.

Elaine Bond

Non-Executive Director

Elaine joined the Board as a Non-Executive Director on 1 February 2012. Elaine chairs the Remuneration Committee and is a member of the Audit Committee. She was until recently a Non-Executive Director of Yorkshire Ambulance Service and was previously Group Operations Director of UK Greetings Ltd, the UK subsidiary of American Greetings.

Phil Dutton
Non-Executive Director
Phil Dutton joined the Board on 28 May 2012. Phil's former roles include Group Finance Director of Punch Taverns and Finance Director of Matalan. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Lance Burn
Managing Director
Lance joined the Board in October 2012 and has been Managing Director of International Greetings UK Limited since 2009 and International Greetings China since 2011. Lance's previous roles include directing businesses for Rank Hovis McDougal plc, Saint Gobian Solaglas UK and also international overseas-based roles for Pepsico International in Africa and India. Lance has been a member of the Institute of Directors since 1998.

Advisers

Financial and nominated adviser and broker
Cenkos Securities Plc
6, 7, 8, Tokenhouse Yard
London EC2R 7AS

Auditor
Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

Registered office
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Water End
Eversholt MK17 9EA

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

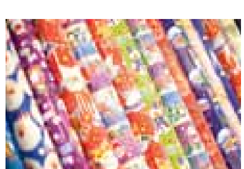
Share registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham BR3 4TU

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

Chairman's corporate governance review

Continuing to promote a culture of respect, integrity, openness and honesty

John Charlton
Chairman



Dear shareholder

As already stated, we are very pleased with the performance of our Group during the year ended 31 March 2015. It was particularly pleasing that we achieved our profit and earnings per share goals and at the same time reduced our debt and improved our leverage ratio. Our capital expenditure projects within our manufacturing facilities in Holland and the UK have been well implemented, thereby improving our operating efficiencies and we believe that we have strengthened our position as being one of the world's leading designers, manufacturers, importers and distributors of each of the core product categories on which we focus.

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

Corporate governance

The UK Corporate Governance Code (formerly the Combined Code) sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Whilst there is no obligation for AIM-listed companies to comply with this Code, your Board endorses the principles of effective corporate governance and is committed to maintaining the highest standards of ethics, and professional competence. That said, your Directors do not consider that full compliance with all aspects of the Code is appropriate for our Group at this stage of its development, but we shall keep the matter under review and continue to develop procedures and policies as the Group grows.

Board of Directors

The principal duty of the Board is to represent and protect the interests of the Company's shareholders. The Board plays an important role in working with management to ensure that our businesses are well governed, financially strong, that we mitigate any risks that our managers identify and that we strike a balance between achieving our short-term objectives and longer-term growth and development. As a consequence, the Board works closely with management in developing proposals on strategy for each of our businesses and for our Group, as a whole.

Division of responsibilities

There is a distinct and defined division of responsibilities between the Chairman and the Chief Executive Officer ("CEO"). The Chairman is primarily responsible for the effective working of the Board and the CEO for the operational management of the business and for the implementation of the agreed strategy.

Composition of the Board

As advised within last year's annual report, it was with immense sadness that I had to report that our Board colleague Rich Eckman passed away on 1 June 2014. There were no other changes to the composition of our Board. We operate with three Executive Directors balanced by three Non-Executive Directors, with myself then as Chairman. Our Non-Executive Directors have an important role in constructively challenging and helping to develop proposals on strategy; on scrutinising management's performance in meeting agreed goals and objectives and the monitoring of performance reports.

I also need to advise that Phil Dutton, one of our Non-Executive Directors will not be seeking re-election at our forthcoming Annual General Meeting. Phil is currently residing in the USA and has now informed us that he will continue to live in the USA, thus making attendence at Board Meetings and involvement in International Greetings plc matters impractical. Phil was appointed to our Board in May 2012.

Phil currently chairs our Audit Committee and is also a member of our Remuneration Committee. Whilst Phil will not be stepping down from our Board until 16 September, I should like to place on record the valuable contribution he has made to our Board and committees these past three years and the support that he has given to our Group. We wish Phil and his family every success.

The Board has two committees – Remuneration and Audit. Our Remuneration and Compensation Committee is now chaired by Elaine Bond, one of our Non-Executive Directors and the Committee comprises Phil Dutton, another of our Non-Executive Directors and myself. Our Audit Committee comprises Elaine Bond and myself and is chaired by Phil Dutton.

The Audit Committee satisfies itself on the integrity of financial information and that controls and risk management systems are robust and defensible. The Committee meets as required during the year and at least twice with the Group's external auditor. Its role is to review the interim and final financial statements for approval by the Board, to ensure that operational and financial controls are functioning properly, and to provide the forum through which the Group's external auditor reports to the Board.

The Remuneration Committee ("RemCom"), determines appropriate levels of remuneration and compensation for Executive Directors. The Committee meets as required during the year and this year was heavily involved in agreeing the positions within our senior management team that should participate in our Long Term Incentive Plan ("LTIP"), together with the level of awards. RemCom is also responsible for agreeing the performance criteria for the annual bonuses and LTIP for Executive Directors and senior management.

Anders Hedlund also holds the position of Non-Executive Director on the Board. Anders Hedlund is presumed not independent because, as founder, he has served on the Board since the Company's inception, he holds significant interests in the shareholding of the Company and he also fulfils a consultancy role within one of the Group's businesses.

As at the date of this report, all of the other Non-Executive Directors are considered independent under the UK Corporate Governance Code.

Chairman's corporate governance review continued

Board process and information

The Board met six times during the year, including an in depth review of FY16 budgets with senior management over three days. The Board aims to meet at least six times a year for formal Board meetings and up to five further times in between for informal business reviews, to review budgets and to focus on strategy. Where possible and cost effective, the Board tries to meet on the premises of various of its subsidiaries during the year, which provides an opportunity for the Directors to visit our businesses and meet with the senior management.

Dialogue occurs regularly between Directors outside of scheduled meetings. Meeting agendae include review and approval of minutes recorded, matters arising, a review of material operational matters relating to our businesses and other special items for discussion or consideration. Board papers are usually circulated at least three business days in advance to allow Directors adequate time to prepare.

The Board receives operational and financial information and reports from the CEO/CFO to assist in monitoring and assessing the ongoing performance of the business on a monthly basis.

Accountability and audit

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

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

Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management systems, policies and procedures are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. Such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives and, can only provide a reasonable and not absolute assurance against material misstatement or loss.

Risk management processes are reviewed regularly by the Audit Committee to reflect changes in market conditions and the Group's activities.
The Board's oversight covers all controls, including financial, operational and compliance controls and general risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate the need for more extensive monitoring.

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

John Charlton
Chairman

22 June 2015

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2015.

Likely future developments

See strategic report on pages 6 to 19.

Financial risk

See strategic report on pages 6 and 19.

Dividends

No interim dividend was paid (2014: nil). The Directors are recommending a final dividend of 1p per share (2014: nil). If approved it will be paid in September 2015 to shareholders on the register at the close of business on 10 July 2015.

Capital structure

Details of the issued share capital, together with details of movements in the Company's issued share capital during the year are shown in note 22. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation.

Details on share-based payments are set out in note 25 to the financial statements and the Directors' remuneration report. No person has any special rights or control over the Company's share capital and all issued shares are fully paid.

Directors and Directors' interests

The Directors who held office during the year were as follows:

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

*Rich Eckman passed away on 1 June 2014.

In accordance with the Company's Articles of Association, Elaine Bond will stand for re-election at the forthcoming Annual General Meeting.

Phil Dutton will not stand for re-election and will stand down on 16 September 2015.

The Directors who held office during the year had the following direct interests in the ordinary shares of the Company:

	Interest at end of year				Interest at beginning of year			
	Ordinary shares	Executive Share Options 2008[e]	LTIP Vested 2012-2015[e]	LTIP Not yet vested 2014-2017[e]	Ordinary shares	Executive Share Options 2008[e]	LTIP Vested 2012-2015[e]	LTIP Not yet vested 2014-2017[e]
Lance Burn	—	—	—	262,083	—	—	—	—
John Charlton [a]	620,000	—	—	—	620,000	—	—	—
Richard Eckman [b]	—	—	—	—	—	200,000	—	—
Paul Fineman [c]	4,239,249	214,285	—	—	4,239,249	214,285	—	—
Anders Hedlund [d]	448	—	—	—	448	—	—	—
Anthony Lawrinson	60,000	—	1,107,652	283,334	60,000	—	—	—

In addition to the above holdings:

(a) 57,500 (2014: 57,500) shares are held by the wife of John Charlton.

(b) Rich Eckman passed away on 1 June 2014. Rich Eckman's 200,000 options were exercised by his estate on 24 September 2014 in accordance with the scheme rules.

(c) Paul Fineman owns a non-beneficial interest in 174,608 (2014: 174,608) ordinary shares of 5p each.

(d) 17,142,640 (2014: 17,142,640) and 5,275,116 (2014: 5,275,116) ordinary shares of 5p each are respectively registered in the names of AC Artistic Limited ("Artistic") and Malios Limited, companies incorporated in the British Virgin Islands, and under the ultimate control of the Hedlund family. In addition to the Hedlund family's beneficial interest set out above, the Hedlund family is also interested in a further 1,150,790 ordinary shares, representing a further 1.98% of the current issued share capital of the Company. These ordinary shares are held by West Coast Trust, a trust for the benefit of Anders Hedlund's adult children, which holds 900,790 ordinary shares and Claes Hedlund, Anders Hedlund's brother, who owns 250,000 ordinary shares. In total the Hedlund family is interested in 23,568,994 ordinary shares, representing 40.49% of the current issued share capital of Company.

(e) For details of the Executive Share Option and LTIP Schemes see page 27 to 31.

Directors' report continued

No shares were purchased by Directors between 31 March 2015 and the date of this annual report.

Employees

The Group recognises the benefits of keeping employees informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through employee briefings that are held in most businesses at least twice a year and regular team briefings.

The Group conforms to current employment laws on the employment of disabled persons and, where we are informed of any employee disability, management makes all reasonable efforts to accommodate that employee's requirements.

Health and safety

The Group is committed to maintaining high standards of health and safety in every area of the business.

It is the aim of the Group to exceed the requirements of health and safety legislation and we have established a Group Board level health and safety co-ordinator to ensure continuous improvement of health and safety across the Group.

Going concern

The Group's business activities, together with the factors likely to affect its future development, its performance and position are set out in the Chief Executive Officer's review. The financial position of the Group, its cash flows, liquidity position and its management of both working capital and capital expenditure are set out in the financial review. Details of bank loans and borrowings are given in note 17 to the financial statements and liquidity risks are given in note 26 to the financial statements.

The Group relies on its banks for financial support and is confident that the facilities in place are sufficient to meet its needs for the foreseeable future (see note 1 to the financial statements). Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

Purchase of own shares

The Directors are authorised to make market purchases of the Company's own shares under an authority granted at the last Annual General Meeting. The Directors will seek renewal of this authority at the forthcoming Annual General Meeting. During the year the Company did not buy back any of its shares. If passed, the resolution would give the Company authority to purchase in the market up to 5,820,490 ordinary shares (representing approximately 10% of the Company's issued share capital).

Any shares purchased under this authority would either be treated as cancelled (and the number of shares in issue reduced accordingly) or held in treasury, available for re-sale by the Company or transferred to an employees' share scheme. This general authority, if approved, would expire on the date of the Company's 2016 Annual General Meeting or, if earlier, 15 months from the date the resolution is passed. The Directors presently intend that a resolution to renew this authority will be proposed at next year's Annual General Meeting and at each succeeding Annual General Meeting.

Auditor

The Directors who held office at the date of approval of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and, each Director has taken all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

Anthony Lawrinson
Director

22 June 2015

Directors' remuneration report

This report sets out the remuneration of International Greetings' Directors for the year to March 2015 and is in three parts: (1) overview of the year, (2) remuneration strategy and (3) regulatory disclosures.

Part 1: overview of the year

Information not subject to audit

Company performance

The Group has achieved and in places substantially exceeded its financial targets this year with profit before tax, exceptional items and LTIP charges up 21% at £9.2 million from £7.6 million, net debt reduced by £7.6 million to £29.4 million, and fully diluted earnings per share before exceptional items and LTIP charges at 11.5p up 3.1p or 37%. The key financial objectives remain sustainable growth in profits and associated earnings per share, along with near-term reduction in net debt and leverage. These measures are therefore used to determine the Executive Directors' annual bonus.

Annual bonus and base salaries

The bonus opportunity for Executive Directors and senior management during the last year was based on the achievement of targets around Group profit before tax and approved exceptional items, net debt and earnings per share as delivered above, as long as personal performance was at the level required. Similar measures applied within the individual businesses. The level of bonuses is approved by the Remuneration Committee, which retains reasonable discretion over the level of pay-out depending on the quality of the financial performance in achieving the result. The bonus scheme for the coming year for Executive Directors and other senior management again includes the same or similar objectives relating to profit, net debt and earnings per share.

This year's pleasing results for profit, net debt and earnings per share will result in annual bonuses for Executive Directors of between 81% and 84% of the maximum potential award.

Changes in underlying base salaries for Executive Directors during the year generally matched inflation and pay awards made to other staff. However, in the case of Lance Burn, his salary reflects the full year effect of an increase of 10% made in the prior year to reflect the increase in his responsibilities and aligning his remuneration with market rates.

Executive share options 2008

In September 2008, the Board put in place an HMRC approved employee share option scheme to assist in the motivation of Executive Directors and senior managers. Some Directors and managers received shares that were in addition to the HMRC approved amounts (being 214,285 options each) and these are denoted as "unapproved".

Executive share awards were made at the prevailing market rate on the date of the grant. Options are normally exercisable between three and ten years after grant and upon the achievement of stated performance criteria. The options issued in December 2008 were not subject to performance criteria (other than continued employment), except for unapproved options issued to Executive Directors. No further options are being granted under this scheme. These options may be exercised between 17 December 2011 and 17 December 2018.

Directors currently holding share options are:

	2008 share options
Paul Fineman [(1)]	214,285

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

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

No other options were exercised by Directors in their time in office, in the current year or prior year other than those noted above. Rich Eckman passed away on 1 June 2014. Rich Eckman's 200,000 options were exercised by his estate on 24 September 2014 in accordance with the scheme rules.

There have been no grants under this scheme during the year. 5,000 of share options lapsed during the year.

The mid market price of the Company's shares on 31 March 2015 was 74.4p per share; the highest and lowest mid market prices of the Company's shares during the year were 86.0p and 68.3p respectively.

Long Term Incentive Plan

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

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

LTIP 2012-2015 Awards

Under the 2012-2015 scheme, the Company also announced that it intended to issue up to 1,400,000 ordinary shares to Anthony Lawrinson, a Director of the Company. The arrangement forms part of Anthony Lawrinson's remuneration package agreed at the time of his appointment to the Board in October 2011. Vesting was conditional upon and proportionate to the cumulative average growth in fully diluted earnings per share before exceptional items over a defined period from 1 April 2012 to 31 March 2015 with a cumulative average growth rate ("CAGR") of 20% required for the whole amount to vest. The cost to Anthony Lawrinson of any ordinary shares issued under the LTIP will be nil.

The three-year CAGR from 1 April 2012 to 31 March 2015 has been calculated to be 16.93% based on the scheme rules, resulting in 1,107,652 shares vesting in June 2015. The balance of 292,348 will lapse.

LTIP 2014-2017 Awards

Provisional share awards totalling 1,297,698 were issued during the year to 18 members of the leadership teams across the Group. The performance condition applied is CAGR in fully diluted earnings per share before exceptional items and this must be not less than 10% for any initial vesting to take place and up to 20% for the whole amount to vest. Both Anthony Lawrinson and Lance Burn as Executive Directors hold provisional awards under the scheme as disclosed on page 25.

Total performance related remuneration

The aggregate performance related remuneration of the Executive Directors to be paid in respect of the year ended 31 March 2015 has increased from £459,000 in the prior year to approximately £537,000. This remuneration is directly linked to meeting profit, net debt and earnings per share targets, which have been reflected in the Company's increased share price.

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

Other Remuneration Committee highlights

During the year the Committee considered the following:

- overall remuneration structure and levels for Executive Directors and other senior management;
- targets for the annual bonus potential for Executive Directors and senior management for 2015/16, including the consistency of bonus targets with other management and staff; and
- awards under the new LTIP Scheme, and appropriate performance criteria.

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

Part 2: remuneration strategy and policy

Information not subject to audit

The Group's remuneration policy is to ensure that the remuneration of Executive Directors is sufficiently competitive to enable the Group to retain and motivate existing Directors and attract high-quality performers in the future. The Group aims to incentivise and reward its Executive Directors in a way that is consistent with the Group's commercial objectives and to align the interests of the Directors with those of the shareholders. To achieve this, the Executive Directors' total remuneration comprises both fixed remuneration and variable reward, the latter reflecting Company performance. The main elements of remuneration for Executive Directors are set out below. Only the basic salary is pensionable.

The Group's remuneration policy in respect of Non-Executive Directors is to pay annual fees which reflect the responsibilities and duties placed upon them, whilst also having regard to market practice.

The remuneration of the Non-Executive Directors and of the Chairman is set by the Board.

Part 3: additional regulatory disclosures

Information not subject to audit

The Remuneration Committee

The Remuneration Committee was established by the Board and operates under terms of reference agreed by the Board on 29 September 2008 and updated on 25 February 2015. Elaine Bond was appointed Chair so as to have a fully independent Chairperson who is not the Chairperson for the Main Board.

The Remuneration Committee consists of:

- Elaine Bond
  (Chairperson of the Remuneration Committee);
- John Charlton
  (Non-executive Chairman); and
- Phil Dutton
  (Non-Executive Director).

Role of Remuneration Committee

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

Remuneration Committee workplan

The Remuneration Committee takes the following approach in the course of the year:

Standing compliance items:

- minutes of the last meeting, action log and matters arising;
- feedback from the Board meetings;
- compensation authorisation for CEO direct reports, prior to appointment, as necessary;
- approval of payments to CEO direct reports to apply on termination of employment, as necessary;
- approval of any remuneration consultants to advise Committee, as necessary;
- due regard to published information regarding pay, bonuses and other executive benefits in companies comparable to the Company (benchmarking), as proposed by CEO or work independently commissioned by the Committee; and
- due regard to published documents regarding remuneration and changes to UK Corporate Governance Code (as advised by the Company Secretary).

Meeting date and specific/assurance Items
April
Agree bonus targets for next financial year
Agree any changes to remuneration for Chairman, CEO, CEO direct reports and information on SMT members
Agree bonus awards for current financial year
Review detail of LTIPs vesting
June
Agree LTIP awards
Agree LTIP scheme for next financial year
Review and agreement of service agreements for CEO direct reports and SMT (to include notice periods and compensation commitment on early termination)
Review and agreement of expense claims policy
Agree remuneration section of Company annual report
November
Review and agreement of pension contribution arrangements for CEO direct reports and SMT
Review and agreement of benefits in kind awards for CEO direct reports and SMT
Annual review of terms of reference
Review of training requirements for RemCom members

Assistance to the Committee

During the period the Committee received input from the Chief Executive Officer, the Chief Financial Officer, the Senior Human Resources Manager and Deloitte LLP, in connection with remuneration matters.

Dilution of share capital by employee share plans

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

Pension Plan Auto-Enrolment

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

Specific information in respect of Executive Directors' pension entitlements is detailed below.

Service contracts

The Executive Directors have service contracts which can be terminated by either side on no greater than one year's notice. Non-Executive Directors do not have service contracts and their appointments may be terminated without compensation at any time. All Non-Executive Directors have letters of appointment and their appointment and subsequent re-appointment is subject to approval by shareholders.

Directors' remuneration

The summary of Directors' remuneration is as follows:

	Aggregate for all Directors		Highest paid Director	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Remuneration	**1,543**	1,548	**541**	505
Pension contribution	**83**	89	**—**	—
Total remuneration	**1,626**	1,637	**541**	505

The remuneration in respect of 31 March 2015 of the Directors by individual was as follows:

	Salary/fees	Bonus	Benefits*	Subtotal 2015	Pension 2015	Total 2015
Executive Directors						
Lance Burn	188,700	152,849	2,291	343,840	41,059	384,899
Rich Eckman	46,142	—	4,814	50,956	1,978	52,934
Paul Fineman	305,415	213,513	22,566	541,494	—	541,494
Anthony Lawrinson	198,165	170,810	5,630	374,605	40,000	414,605
Total Executive	**738,422**	**537,172**	**35,301**	**1,310,895**	**83,037**	**1,393,932**
Non-Executive Directors						
Elaine Bond	30,600	—	1,971	32,571	—	32,571
John Charlton	71,400	—	6,064	77,464	—	77,464
Phil Dutton	32,506	—	—	32,506	—	32,506
Anders Hedlund	86,700	—	3,150	89,850	—	89,850
Total Non-Executive	**221,206**	**—**	**11,185**	**232,391**	**—**	**232,391**
Total Directors	**959,628**	**537,172**	**46,486**	**1,543,286**	**83,037**	**1,626,323**

* The benefits relate primarily to private health benefits.

The bonuses are the estimated expected amounts based on the results for the current year and are expected to be paid in June/July 2015 once the year end statutory accounts have been approved.

The highest paid Director is Paul Fineman (2014: Paul Fineman).

The Group operated a Group personal pension plan to which the Group contributed for one Director (2014: one). The Group also contributes to the personal pension plan of two Directors (2014: two). The Group also provides death in service life assurance to the value of between four and six times pensionable salary.

An expense of £499,000 has been recognised in the year in respect of share-based payments relating to Directors in respect of the long term incentive plan (2014: £82,000).

The remuneration in respect of 31 March 2014 of the Directors by individual was as follows:

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

* The benefits relate primarily to private health benefits.

During 2013/14 Paul Fineman also received £375,747 payment related to an arrangement with AC Artistic, a company under the control of the Hedlund family. The full cost including the related employer's national insurance cost of £51,853 was fully reimbursed to the Group by AC Artistic.

On behalf of the Board

Elaine Bond
Chairperson of the Remuneration Committee

Directors' responsibilities

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Under Company law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Independent auditor's report
to the members of International Greetings plc

We have audited the Group financial statements of International Greetings plc for the year ended 31 March 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet and the consolidated cash flow statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement as set out on page 32, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of International Greetings plc for the year ended 31 March 2015.

Anup Sodhi
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Luton

22 June 2015

Consolidated income statement
year ended 31 March 2015

	Notes	2015 Before exceptional items £000	2015 Exceptional items (note 10) £000	2015 Total £000	2014 Before exceptional items £000	2014 Exceptional items (note 10) £000	2014 Total £000
Revenue	4	**229,025**	**—**	**229,025**	224,462	—	224,462
Cost of sales		**(189,048)**	**(592)**	**(189,640)**	(183,238)	(2,006)	(185,244)
Gross profit		**39,977**	**(592)**	**39,385**	41,224	(2,006)	39,218
		17.5%		**17.2%**	18.4%		17.5%
Selling expenses		**(11,063)**	**—**	**(11,063)**	(12,108)	—	(12,108)
Administration expenses		**(18,395)**	**(716)**	**(19,111)**	(19,191)	—	(19,191)
Other operating income	7	**745**	**73**	**818**	737	147	884
Operating profit/(loss)	5	**11,264**	**(1,235)**	**10,029**	10,662	(1,859)	8,803
Finance expenses	8	**(2,726)**	**—**	**(2,726)**	(3,177)	(439)	(3,616)
Profit/(loss) before tax		**8,538**	**(1,235)**	**7,303**	7,485	(2,298)	5,187
Income tax (charge)/credit	9	**(1,708)**	**362**	**(1,346)**	(1,840)	381	(1,459)
Profit/(loss) for the period		**6,830**	**(873)**	**5,957**	5,645	(1,917)	3,728
Attributable to:							
Owners of the Parent Company				**5,605**			3,010
Non-controlling interests				**352**			718

	Notes	2015 Diluted	2015 Basic	2014 Diluted	2014 Basic
Adjusted earnings per share excluding exceptional items and LTIP charges	**23**	**11.5p**	**12.0p**	8.4p	8.6p
Cost per share on LTIP charges	**23**	**(0.8p)**	**(0.8p)**	(0.1p)	(0.1p)
Adjusted earnings per share excluding exceptional items	**23**	**10.7p**	**11.2p**	8.3p	8.5p
Cost per share on exceptional items	**23**	**(1.4p)**	**(1.5p)**	(3.2p)	(3.3p)
Earnings per share		**9.3p**	**9.7p**	5.1p	5.2p

Consolidated statement of comprehensive income
year ended 31 March 2015

	2015 £000	2014 £000
Profit for the year	**5,957**	3,728
Other comprehensive income:		
Exchange difference on translation of foreign operations (net of tax)	**(1,405)**	(2,257)
Transfer to profit and loss on maturing cash flow hedges (net of tax)	**577**	451
Net profit/(loss) on cash flow hedges (net of tax)	**572**	(577)
Other comprehensive income for period, net of tax items which may be reclassified to profit and loss in subsequent periods	**(256)**	(2,383)
Total comprehensive income for the period, net of tax	**5,701**	1,345
Attributable to:		
Owners of the Parent Company	**5,601**	1,366
Non-controlling interests	**100**	(21)
	5,701	1,345

Consolidated statement of changes in equity

year ended 31 March 2015

	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 2013	2,838	4,658	17,164	(451)	846	26,833	51,888	4,684	56,572
Profit for the year	—	—	—	—	—	3,010	3,010	718	3,728
Other comprehensive income	—	—	—	(126)	(1,518)	—	(1,644)	(739)	(2,383)
Total comprehensive income for the year	—	—	—	(126)	(1,518)	3,010	1,366	(21)	1,345
Equity-settled share-based payment (note 25)	—	—	—	—	—	82	82	—	82
Options exercised (note 22)	58	118	—	—	—	—	176	—	176
Equity dividends paid	—	—	—	—	—	—	—	(1,014)	(1,014)
At 31 March 2014	2,896	4,776	17,164	(577)	(672)	29,925	53,512	3,649	57,161
Profit for the year	—	—	—	—	—	5,605	5,605	352	5,957
Other comprehensive income	—	—	—	1,149	(1,153)	—	(4)	(252)	(256)
Total comprehensive income for the year	—	—	—	1,149	(1,153)	5,605	5,601	100	5,701
Equity-settled share-based payment (note 25)	**—**	**—**	**—**	**—**	**—**	**512**	**512**	**—**	**512**
Options exercised (note 22)	**14**	**25**	**—**	**—**	**—**	**—**	**39**	**—**	**39**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(829)**	**(829)**
At 31 March 2015	**2,910**	**4,801**	**17,164**	**572**	**(1,825)**	**36,042**	**59,664**	**2,920**	**62,584**

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 2015

	Notes	As at 31 March 2015 £000	As at 31 March 2014 £000
Non-current assets			
Property, plant and equipment	11	**29,875**	32,049
Intangible assets	12	**31,692**	31,950
Deferred tax assets	13	**4,121**	3,665
Total non-current assets		**65,688**	67,664
Current assets			
Inventory	14	**46,162**	48,460
Trade and other receivables	15	**21,525**	19,690
Derivative financial assets		**779**	—
Cash and cash equivalents	16	**2,846**	8,111
Total current assets		**71,312**	76,261
Total assets		**137,000**	143,925
Equity			
Share capital	22	**2,910**	2,896
Share premium		**3,461**	3,436
Reserves		**17,251**	17,255
Retained earnings		**36,042**	29,925
Equity attributable to owners of the Parent Company		**59,664**	53,512
Non-controlling interests		**2,920**	3,649
Total equity		**62,584**	57,161
Non-current liabilities			
Loans and borrowings	17	**23,089**	28,145
Deferred income	18	**1,277**	1,592
Provisions	19	**862**	860
Other financial liabilities	20	**3,466**	4,202
Total non-current liabilities		**28,694**	34,799
Current liabilities			
Bank overdraft	16	**1,568**	2,529
Loans and borrowings	17	**3,546**	9,695
Deferred income	18	**632**	1,202
Provisions	19	**106**	165
Income tax payable		**2,192**	2,052
Trade and other payables	21	**26,868**	25,818
Other financial liabilities	20	**10,810**	10,504
Total current liabilities		**45,722**	51,965
Total liabilities		**74,416**	86,764
Total equity and liabilities		**137,000**	143,925

These financial statements were approved by the Board of Directors on 22 June 2015 and were signed on its behalf by:

Paul Fineman
Director

Anthony Lawrinson
Director

The notes on pages 39 to 76 form part of the financial statements.

Consolidated cash flow statement
year ended 31 March 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the year		**5,957**	3,728
Adjustments for:			
Depreciation	11	**4,535**	5,032
Amortisation of intangible assets	12	**428**	576
Finance expenses	8	**2,726**	3,616
Income tax charge	9	**1,346**	1,459
(Profit)/loss on sales of property, plant and equipment	5	**206**	(53)
(Profit)/loss on external sale of intangible fixed assets		**10**	57
Equity-settled share-based payment	25	**623**	82
Operating profit after adjustments for non-cash items		**15,831**	14,497
Change in trade and other receivables		**(1,269)**	1,520
Change in inventory		**3,223**	(722)
Change in trade and other payables		**1,409**	(48)
Change in provisions and deferred income		**(1,343)**	(84)
Cash generated from operations		**17,851**	15,163
Tax paid		**(1,263)**	(60)
Interest and similar charges paid		**(2,775)**	(3,221)
Net cash inflow from operating activities		**13,813**	11,882
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**55**	140
Acquisition of businesses	29	**(1,451)**	—
Acquisition of intangible assets	12	**(234)**	(206)
Acquisition of property, plant and equipment		**(2,322)**	(5,085)
Receipt of government grants		**401**	1,049
Net cash outflow from investing activities		**(3,551)**	(4,102)
Cash flows from financing activities			
Proceeds from issue of share capital		**39**	176
Repayment of secured borrowings		**(7,133)**	(5,646)
Net movement in credit facilities		**(4,840)**	(2,671)
Payment of finance lease liabilities		**(599)**	(296)
New bank loans raised		**365**	5,000
Loan arrangement fees		**(183)**	(180)
Dividends paid to non-controlling interests		**(829)**	(1,014)
Net cash (outflow)/inflow from financing activities		**(13,180)**	(4,631)
Net increase in cash and cash equivalents		**(2,918)**	3,149
Cash and cash equivalents at beginning of period		**5,582**	1,965
Effect of exchange rate fluctuations on cash held		**(1,386)**	468
Cash and cash equivalents at 31 March	16	**1,278**	5,582

Notes to the financial statements
year ended 31 March 2015

1 Accounting policies

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

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

The Group financial statements have been prepared and approved by the Directors in accordance with EU adopted International Financial Reporting Standards. The Company has elected to prepare its Company financial statements in accordance with UK GAAP; these are presented on pages 77 to 84.

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

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

Going concern basis

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

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

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

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

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments 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 2015, except for the adoption of new standards and interpretations as of 1 April 2015.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Generally there is a presumption that a majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all facts and circumstances in assessing whether it has the power to control an investee, including rights arising from shareholder agreements, contractual arrangements and potential voting rights held by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1 Accounting policies continued

Foreign currency translation

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

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

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

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

Classification of financial instruments issued by the Group

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

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

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

Amounts previously recognised in other comprehensive income are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contract hedging export sales is recognised in the income statement within "sales". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold (in case of inventory).

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

Property, plant and equipment

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

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

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

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

- freehold buildings — 25–30 years
- leasehold land and buildings — life of lease
- plant and equipment — four–25 years
- fixtures and fittings — three–five years
- motor vehicles — four years

No depreciation is provided on freehold land.

Included within plant and machinery are assets with a range of depreciation rates. These rates are tailored to the nature of the assets to reflect their estimated useful lives.

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

1 Accounting policies continued

Intangible assets and goodwill

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested every half year for impairment.

In respect of acquisitions prior to 1 April 2006, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated.

If the cost of an acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Other intangible assets

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

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

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

Amortisation

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

Amortisation charges are included under "administrative expenses" in the income statement.

Inventories

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

Impairment

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

For goodwill, the recoverable amount is estimated at each half-year.

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

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

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

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

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and announced its main provisions. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as borrowing costs.

Deferred consideration

Where considered material, the Group calculates deferred consideration by discounting it to its fair value. This fair value is used to calculate the total purchase consideration and hence the goodwill figure. As the discount unwinds it is charged as a finance expense within the income statement and added to the deferred consideration creditor.

Revenue recognition

Revenue represents the amounts, net of discounts, allowances for volume and promotional rebates and other payments to customers (excluding value added tax) derived from the provision of goods and services to customers during the year. Sales of goods are recognised when a Group entity has despatched products to the customer, legal title has passed and the collectability of the related receivable is reasonably assured. Provisions are made for volume and promotional rebates where they have been agreed or are reasonably likely to arise, based upon actual and forecast sales.

Exceptional items

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

Discontinued operations

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

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

Government grants

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

Supplier income

The Group does not have material retrospective supplier incentive arrangements but where these do arise, they are recognised within cost of sales on an accruals basis as earned for each relevant supplier rebate.

1 Accounting policies continued

Expenses

Operating lease payments

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

Finance lease payments

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

Finance income and expenses

Finance expenses comprise interest payable, finance charges on finance leases and unwinding of the discount on provisions and deferred consideration. Finance income comprises interest receivable on funds invested and dividend income.

Net movements in the fair value of derivatives which have not been designated as an effective hedge, and any ineffective portion of fair value movement on derivatives designated as a hedge are also included within finance income or expense.

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

Taxation

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

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

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

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

Dividend distribution

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

Employee benefits

Pensions

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

The Netherlands subsidiary operates an industrial defined benefit fund, based on average wages, that has an agreed maximum contribution. The pension fund is a multi-employer fund and there is no contractual or constructive obligation for charging the net defined benefit cost of the plan to participating entities other than an agreed maximum contribution for the period, that is shared between employer (4/7) and employees (3/7). The Dutch Government is not planning to make employers fund any deficits in industrial pension funds; accordingly the Group treats the scheme as a defined contribution scheme for disclosure purposes. The Group recognises a cost equal to its contributions payable for the period.

Share-based payment transactions

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

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

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

Borrowing costs

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

New standards

There are no IFRS or IFRIC interpretations or amendments effective for the first time this financial year that have any material impact on the Group.

New standards and interpretations not applied

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

1 Accounting policies continued

New standards and interpretations not applied continued

The following standards, interpretations and amendments issued by the IASB have an effective date after the date of these financial statements and are considered by management to be relevant to the Group:

New pronouncement	Effective date	To be adopted by the Group
Annual Improvements 2010-2012 Cycle	1 Jul 2014	1 Apr 2015
Annual Improvements 2011-2013 Cycle	1 Jul 2014	1 Apr 2015
Annual Improvements 2012-2014 Cycle*	1 Jan 2016	1 Apr 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*	1 Jan 2016	1 Apr 2016
IFRS 15 Revenue from Contracts with Customers*	1 Jan 2017	1 Apr 2017
IFRS 9 Financial Instruments*	1 Jan 2018	1 Apr 2018

* Not yet endorsed by EFRAG.

- **IFRS 9 'Financial Instruments'** replaces the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including the new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group are currently assessing the impact of IFRS 9.
- **IFRS 15**: IFRS 15 replaces existing IFRS revenue recognition requirements in IAS 18 Revenue. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g. disposals of property, plant and equipment). The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application is required for annual periods beginning on or after 1 January 2017. The Group are currently assessing the impact of IFRS 15.

No other standards, interpretations or amendments which have been issued but are not yet effective are expected to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure.

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

The estimates and assumptions that have had a significant bearing on the financial statements in the current year or could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Critical judgements in applying the Group's accounting policies

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

Exceptional items

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed in the strategic report and below.

Impairment of goodwill and property, plant and equipment

Determining whether goodwill and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated or to which property, plant and equipment belong. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £31.1 million (2014: £31.2 million). No impairment (2014: nil) was required. The carrying amount of property, plant and equipment was £29.9 million (2014: £32.0 million). No impairment loss (2014: nil) was required, (see note 12).

Provision for slow moving inventory

The Group has guidelines for providing for inventory which may be sold below cost due to its age or condition. Directors assess the inventory at each location and in some cases decide that there are specific reasons to provide more than the guideline levels, or less if there are specific action plans in place which mean the guideline provision level is not required. Determining the level of inventory provision requires an estimation of likely future realisable value of the inventory in various time frames and comparing with the cost of holding stock for those time frames. Regular monitoring of stock levels, the ageing of stock and the level of the provision is carried out by the Directors. Details of inventory carrying values are provided in note 14. At the year end, stock purchased more than 15 months previously had decreased from £5.8 million to £5.6 million and the Group has provisions of £3.8 million (2014: £3.3 million) over the total inventory value.

2 Critical accounting judgements and key sources of estimation uncertainty continued

Share-based payments

The Directors are required to estimate the fair value of services received in return for share options granted to employees that are measured by reference to the fair value of share options granted. For the long term incentive plan the estimate of the fair value is based on the share price on the date the scheme was approved and the proportion of shares expected to vest. Details of the key assumptions made in the measurement of share-based payments are provided in note 25.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. Significant judgement is required in determining the Group's tax assets and liabilities. Deferred tax assets have been recognised to the extent they are recoverable based on profit projections for future years. Income tax liabilities for anticipated issues have been recognised based on estimates of whether additional tax will be due. Notwithstanding the above, the Group believes that it will recover tax assets and has adequate provision to cover all risks across all business operations. See note 13 for more details.

3 Financial risk management

Risk management is discussed in the strategic report and a discussion of risks and uncertainties can be found on pages 18 and 19, along with the Group's key risks. See note 26 for additional information about the Group's exposure to each of these risks and the ways in which they are managed. Below are key financial risk management areas:

- currency risk is mitigated by a mixture of forward contracts, spot currency purchases and natural hedges;
- liquidity risk is managed by monitoring daily cash balances, weekly cash flow forecasts, regular reforecasting of monthly working capital and regular dialogue with the Group's banks; and
- credit risk is managed by constant review of key debtors and banking with reputable banks.

4 Segmental information

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

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

The results below are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure. The decision was made during 2011 to focus Asia as a service provider of manufacturing and procurement operations, whose main customers are our UK businesses. Both the China factory and the majority of the Hong Kong procurement operations are now overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise an operating segment. The Chief Operating Decision Maker is the Board.

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

Financial performance of each segment is measured on operating profit. Interest expense or revenue and tax are managed on a Group basis and not split between reportable segments. However the related financial liability and cash has been allocated out into the reportable segments as this is how they are managed by the Group.

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

	UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2015						
Revenue – external	**108,255**	**35,871**	**57,921**	**26,978**	**—**	**229,025**
– inter segment	**1,572**	**180**	**—**	**—**	**(1,752)**	**—**
Total segment revenue	**109,827**	**36,051**	**57,921**	**26,978**	**(1,752)**	**229,025**
Segment result before exceptional items	**5,258**	**3,263**	**2,409**	**1,092**	**—**	**12,022**
Exceptional items	**(786)**	**(99)**	**(350)**	**—**	**—**	**(1,235)**
Segment result	**4,472**	**3,164**	**2,059**	**1,092**	**—**	**10,787**
Central administration costs						**(758)**
Net finance expenses						**(2,726)**
Income tax						**(1,346)**
Profit for the year ended 31 March 2015						**5,957**
Balances at 31 March 2015						
Segment assets	**101,139**	**15,692**	**8,242**	**7,806**	**4,121**	**137,000**
Segment liabilities	**(36,695)**	**(9,957)**	**(21,725)**	**(3,721)**	**(2,318)**	**(74,416)**
Capital expenditure						
– property, plant and equipment	**1,562**	**355**	**325**	**80**	**—**	**2,322**
– intangible	**157**	**12**	**25**	**40**	**—**	**234**
Depreciation	**2,862**	**731**	**714**	**228**	**—**	**4,535**
Amortisation	**282**	**41**	**64**	**41**	**—**	**428**

4 Segmental information continued

	UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2014						
Revenue – external	110,516	34,396	53,153	26,397	—	224,462
– inter segment	1,583	292	—	—	(1,875)	—
Total segment revenue	112,099	34,688	53,153	26,397	(1,875)	224,462
Segment result before exceptional items	3,533	2,556	3,026	2,107	—	11,222
Exceptional items	(1,859)	—	—	—	—	(1,859)
Segment result	1,674	2,556	3,026	2,107	—	9,363
Central administration costs						(560)
Net finance expenses						(3,616)
Income tax						(1,459)
Profit for the year ended 31 March 2014						3,728
Balances at 31 March 2014						
Segment assets	105,987	15,983	10,395	8,230	3,330	143,925
Segment liabilities	(47,428)	(10,390)	(24,730)	(2,499)	(1,717)	(86,764)
Capital expenditure						
– property, plant and equipment	6,923	296	952	153	—	8,324
– intangible	225	20	111	—	—	356
Depreciation	3,403	750	653	226	—	5,032
Amortisation	386	59	47	84	—	576

(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 £4,121,000 (2014: £3,665,000) and income tax payable of £2,192,000 (2014: £2,052,000). In addition, the assets and liabilities include the VAT debtor of £126,000 (2014: £335,000) (creditor) 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	
	2015 £000	2014 £000
UK and Asia	**40,655**	42,087
USA	**6,568**	6,245
Europe	**12,727**	13,756
Australia	**1,617**	1,911
	61,567	63,999

Turnover by customer destination

	Turnover 2015 £000	Turnover 2014 £000	2015 %	2014 %
UK	**75,419**	75,488	**33**	33
USA	**73,473**	69,849	**32**	31
Europe	**48,148**	46,996	**21**	21
Australia and New Zealand	**26,978**	26,397	**12**	12
Rest of the world	**5,007**	5,732	**2**	3
	229,025	224,462	**100**	100

Turnover by product

	2015 £000	2014 £000	2015 %	2014 %
Gift packaging and greetings	**167,627**	157,503	**73**	70
Stationery and creative play products	**61,398**	66,959	**27**	30
	229,025	224,462	**100**	100

5 Expenses and auditor's remuneration

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

	Notes	2015 £000	2014 £000
Depreciation	11	**4,535**	5,032
Profit on sales of property, plant and equipment and intangible assets		**(216)**	(4)
Release of deferred grant income	7	**(645)**	(570)
Amortisation of intangible assets	12	**428**	576
Operating lease payment – minimum lease payment	27	**3,765**	4,307
Sub-lease rental income	7	**(447)**	(304)
Write down of inventories to net realisable value	14	**2,565**	2,963
Reversal of previous write downs on inventory	14	**(224)**	(226)
Loss on foreign exchange		**896**	411

Auditor's remuneration:

	2015 £000	2014 £000
Amounts receivable by auditor and its associates in respect of:		
Audit of these financial statements	**42**	42
Audit of financial statements of subsidiaries pursuant to legislation		
– overseas subsidiaries	**136**	138
– UK subsidiaries	**58**	58
Other services relating to taxation	**12**	—

Notes to the financial statements continued
year ended 31 March 2015

6 Staff numbers and costs

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

	Number of employees	
	2015	2014
Selling and administration	**370**	401
Production and distribution	**1,323**	1,400
	1,693	1,801

The aggregate payroll costs of these persons were as follows:

	Note	**2015 £000**	2014 £000
Wages and salaries		**36,848**	37,165
Share-based payments – long term incentive plan	25	**623**	82
Social security costs		**2,899**	3,050
Other pension costs		**2,676**	2,498
		43,046	42,795

For information on Directors' remuneration please refer to the sections titled "Executive share options" and "Directors' remuneration" within the Directors' remuneration report.

7 Other operating income

	2015 £000	2014 £000
Grant income received	**645**	570
Sub-lease rentals credited to the income statement	**447**	304
Other	**(347)**	(137)
	745	737
Exceptional items	**73**	147
	818	884

8 Finance expenses

	2015 £000	2014 £000
Interest payable on bank loans and overdrafts	**2,106**	2,463
Other similar charges	**421**	528
Finance charges in respect of finance leases	**190**	110
Unwinding of fair value discounts	**14**	7
Interest payable under the effective interest method	**2,731**	3,108
Derivative financial instruments at fair value through income statement	**(5)**	69
	2,726	3,177
Exceptional items	**—**	439
	2,726	3,616

9 Taxation

Recognised in the income statement

	2015 £000	2014 £000
Current tax expenses		
Current year – UK corporation tax	**(1)**	173
Current year – foreign tax	**1,264**	1,372
Adjustments for prior years	**215**	(324)
	1,478	1,221
Deferred tax expense		
Original and reversal of temporary differences	**123**	390
Adjustments in respect of previous periods	**(255)**	(152)
	(132)	238
Total tax in income statement	**1,346**	1,459

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit before tax	**7,303**	5,187
Profit before tax multiplied by the standard rate of corporation tax rate of 21% in the UK (2014: 23%)	**1,534**	1,193
Effects of:		
Expenses not deductible for tax purposes	**277**	219
Previously unrecognised tax assets	**(984)**	(295)
Deferred tax effect on tax rate changes	**131**	213
Differences between UK and overseas tax rates	**363**	200
Other items	**64**	405
Adjustments in respect of prior years	**(39)**	(476)
Total tax in income statement	**1,346**	1,459

10 Exceptional items

2015	Cost of sales £000	Admin expenses £000	Other operating income £000	Loss on disposal of property, plant and equipment £000	Total £000
Restructuring of operational activities					
Efficiency programmes in the UK and Asia (a)	481	145	(73)	233	786
Management restructuring in the USA (b)	111	239	—	—	350
Costs relating to acquisition of Enper Giftwrap Business (c)	—	99	—	—	99
Total before tax	592	483	(73)	233	1,235
Income tax credit					(362)
					873

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

(a) Costs associated with major upgrade to manufacturing facilities in Wales they include accelerated depreciation of £571,000 (2014: £1,174,00). Other operating income relates to accelerated release of a grant.

(b) Costs associated with restructuring the leadership team in the USA.

(c) Costs relating to acquisition of trade and certain assets of Enper Giftwrap BV.

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

Impact of exceptional items on cash flow

There was a £1,114,000 impact on the current years cash flow (2014: £201,000) which included £812,000 of outflow deferred from last year. £200,000 of the current year's exceptional item remains to be paid in 2015/16. In 2014 exceptional items of £201,000 were included in that year's cash flow.

11 Property, plant and equipment

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Plant and equipment £000	Fixtures and fittings £000	Motor Vehicles £000	Total £000
Cost						
Balance at 1 April 2013	21,803	7,749	49,803	1,339	683	81,377
Additions	1,839	107	6,011	270	97	8,324
Disposals	—	(24)	(67)	(563)	(79)	(733)
Reclassification from computer software	—	—	—	(389)	—	(389)
Effect of movements in foreign exchange	(166)	(690)	(1,563)	(210)	(59)	(2,688)
Balance at 1 April 2014	**23,476**	**7,142**	**54,184**	**447**	**642**	**85,891**
Additions	566	161	1,311	175	109	2,322
Disposals	—	(9)	12,512	(41)	(104)	(12,666)
Additions on acquisition of businesses	—	—	328	—	14	342
Transfers between categories	—	269	(234)	(35)	—	—
Effect of movements in foreign exchange	(922)	913	823	(73)	(48)	693
Balance at 31 March 2015	**23,120**	**8,476**	**43,900**	**473**	**613**	**76,582**
Depreciation and impairment						
Balance as at 1 April 2013	(9,770)	(2,301)	(38,094)	(787)	(432)	(51,384)
Depreciation charge for the year	(1,307)	(482)	(2,762)	(416)	(65)	(5,032)
Disposals	—	8	65	548	25	646
Reclassification from computer software	—	—	—	359	—	359
Effect of movements in foreign exchange	46	225	1,090	177	31	1,569
Balance at 1 April 2014	**(11,031)**	**(2,550)**	**(39,701)**	**(119)**	**(441)**	**(53,842)**
Depreciation charge for the year	(892)	(520)	(2,731)	(282)	(110)	(4,535)
Disposals	—	9	12,264	48	84	12,405
Transfers between categories	—	(269)	234	35	—	—
Effect of movements in foreign exchange	287	(361)	(767)	61	45	(735)
Balance at 31 March 2015	**(11,636)**	**(3,691)**	**(30,701)**	**(257)**	**(422)**	**(46,707)**
Net book value						
Balance at 31 March 2015	**11,484**	**4,785**	**13,199**	**216**	**191**	**29,875**
At 31 March 2014	12,445	4,592	14,483	328	201	32,049

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 £5,328,000 (2014: £4,894,000) in respect of assets held under finance leases.

Security

All freehold properties are subject to a fixed charge.

12 Intangible assets

	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
Balance at 1 April 2013	40,700	3,225	498	44,423
Additions	—	356	—	356
Reclassification to property, plant and equipment	—	389	—	389
Disposals	—	(197)	(467)	(664)
Effect of movements in foreign exchange	(874)	(132)	(7)	(1,013)
Balance at 1 April 2014	**39,826**	**3,641**	**24**	**43,491**
Additions	—	234	—	234
Additions on acquisition of businesses	509	—	80	589
Disposals	—	(108)	—	(108)
Effect of movements in foreign exchange	(83)	54	(2)	(31)
Balance at 31 March 2015	**40,252**	**3,821**	**102**	**44,175**
Amortisation and impairment				
Balance at 1 April 2013	(9,157)	(2,182)	(289)	(11,628)
Amortisation for the year	—	(536)	(40)	(576)
Reclassification to property, plant and equipment	—	(359)	—	(359)
Disposals	—	76	323	399
Effect of movements in foreign exchange	529	92	2	623
Balance at 1 April 2014	**(8,628)**	**(2,909)**	**(4)**	**(11,541)**
Amortisation for the year	—	(406)	(22)	(428)
Disposals	—	98	—	98
Effect of movements in foreign exchange	(565)	(49)	2	(612)
Balance at 31 March 2015	**(9,193)**	**(3,266)**	**(24)**	**(12,483)**
Net book value				
Balance at 31 March 2015	**31,059**	**555**	**78**	**31,692**
At 31 March 2014	31,198	732	20	31,950

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

	2015 £000	2014 £000
UK and Asia	**25,600**	25,600
Europe	**4,409**	4,461
Australia	**1,050**	1,137
Total	**31,059**	31,198

Impairment

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

For the purposes of impairment testing, goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to the business unit, or group of business units, that are expected to benefit from the synergies of the combination (see table on page 56), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is referred to below as a cash-generating unit. During the last few years the businesses have begun to work more closely with each other, exploiting the synergies that arise. The recoverable amounts of cash-generating units are determined from the higher of value in use and fair value less costs to sell.

The Group prepares cash flow forecasts for each cash-generating unit derived from the most recent financial budgets for the following three years which are approved by the Board. The key assumptions in those budgets are sales, margins achievable and overhead costs, which are based on past experience and future expectations. The Group then extrapolates cash flows for the following seven years based on a conservative estimate of market growth of 2% (2014: 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:

	2015	2014
UK and Asia	**13.7%**	12.7%
Europe	**13.3%**	14.3%
Australia	**16.3%**	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.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 £000	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Property, plant and equipment	**1,119**	1,317	**(1,246)**	(1,304)	**(127)**	13
Capital gains deferred	**—**	—	**(280)**	(294)	**(280)**	(294)
Tax loss carried forward	**3,334**	2,488	**—**	—	**3,334**	2,488
Other temporary differences	**1,194**	1,458	**—**	—	**1,194**	1,458
Net tax assets/(liabilities)	**5,647**	5,263	**(1,526)**	(1,598)	**4,121**	3,665

The deferred tax asset in respect of tax losses carried forward at 31 March 2015 of £3,334,000 (2014: £2,219,000) is comprised of UK tax losses of £773,000 (2014: £530,000) and US losses of £2,561,000 (2014: £1,689,000). 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 £272,000 (2014: £310,000) and £1,719,000 (2014: £2,194,000) 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 (2014: nil) would be payable.

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

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

Movement in deferred tax during the year

	1 April 2014 £000	Recognised in income £000	Recognised in the SOCI* £000	**31 March 2015 £000**
Property, plant and equipment	13	(143)	3	**(127)**
Capital gains deferred	(294)	14	—	**(280)**
Tax loss carried forward	2,488	358	488	**3,334**
Other temporary differences	1,458	(97)	(167)	**1,194**
Net tax assets	3,665	132	324	**4,121**

Movement in deferred tax during the prior year

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

* SOCI – statement of comprehensive income

14 Inventory

	2015 £000	2014 £000
Raw materials and consumables	**5,495**	4,531
Work in progress	**7,414**	9,435
Finished goods	**33,253**	34,494
	46,162	48,460

Of the £46,162,000 (2014: £48,460,000) stock value £41,896,000 (2014: £43,870,000) is held at cost and £4,266,000 (2014: £4,590,000) is held at net realisable value. The write down of inventories to net realisable value amounted to £2,565,000 (2014: £2,963,000). The reversal of previous write downs amounted to £224,000 (2014: £226,000). The reversal is due to the inventory being either used or sold.

Materials, consumables, changes in finished goods and work in progress recognised as a cost of sale amounted to £162,340,000 (2014: £158,590,000).

Part of the Group's funding is via asset-backed loans from our bankers. These loans are secured on part of the inventory and trade receivables of the UK, European and American businesses. The amount of the inventory that is used to secure an asset-backed loan is £38,043,000 (2014: £42,298,000). In addition bank loans to Hoomark and International Greetings USA are secured on a freehold property and contents, including inventory, therein.

Refer to note 17 for outstanding balance on asset-backed loans and details of the secured bank loans.

15 Trade and other receivables

	2015 £000	2014 £000
Trade receivables	**18,281**	16,078
Prepayments and accrued income	**1,226**	1,770
Other receivables	**2,018**	1,699
VAT receivable	**—**	143
	21,525	19,690

Part of the Group's funding is via asset-backed loans from our bankers. These loans are secured on part of the inventory and trade receivables of the UK, European and American businesses. The amount of the trade receivables that is used to secure the asset-backed loans is £15,223,000 (2014: £12,469,000).

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

There are no trade receivables in the current year (2014: nil) expected to be recovered in more than twelve months.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 26.

16 Cash and cash equivalents/bank overdrafts

	2015 £000	2014 £000
Cash and cash equivalents	**2,846**	8,111
Bank overdrafts	**(1,568)**	(2,529)
Cash and cash equivalents per cash flow statement	**1,278**	5,582

Net debt

	Note	2015 £000	2014 £000
Cash and cash equivalents		**2,846**	8,111
Bank loans and overdrafts	17	**(28,537)**	(40,622)
Loan arrangement fees		**334**	253
Finance leases		**(4,016)**	(4,689)
Net debt as used in the financial review		**(29,373)**	(36,947)

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 26.

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

17 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 26.

	2015 £000	2014 £000
Non-current liabilities		
Secured bank loans (see page 61)	**23,259**	28,222
Loan arrangement fees	**(170)**	(77)
	23,089	28,145
Current liabilities		
Asset-backed loan	**544**	5,336
Current portion of secured bank loans (see page 61)	**3,166**	4,535
Bank loans and borrowings (see page 61)	**3,710**	9,871
Loan arrangement fees	**(164)**	(176)
	3,546	9,695

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

Following the negotiations of modified banking facilities in August 2014, the Group accrued additional 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	2015 £000	2014 £000
Due within one year:			
Bank loans and borrowings (see below)		**3,710**	9,871
Bank overdrafts	16	**1,568**	2,529
Due between one and two years:			
Secured bank loans (see below)		**5,318**	6,071
Due between two and five years:			
Secured bank loans (see below)		**15,087**	18,525
Due after more than five years:			
Secured bank loans (see below)		**2,854**	3,626
		28,537	40,622

In August 2014 the Group extended the maturity profile of its core borrowings as reflected in loans 5 and 6 shown below:

Secured bank loans

Bank overdraft and ABL

Included in the above table are bank overdrafts and ABL balances of £1,568,000 (2014: £2,529,000) and £544,000 (2014: £5,336,000). Overdrafts are secured on the assets of the Group, ABL balances are secured over inventory and trade receivable balances (see notes 14 and 15 for further details).

Loan 1

The principal of £176,000 (2014: £303,000) 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 £132,000 (2014: £275,000) 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

A new loan of £365,000 was taken out during the year and is secured over part of the plant and machinery of International Greetings USA. The principle of £328,000 (2014: nil) was outstanding at 31 March 2015 and is repayable over a five-year period ending September 2019. It is subject to a variable rate of interest linked to the US FRR. The currency of denomination of the loan is US dollars.

Loan 4

The principal of £4,483,000 (2014: £5,486,000) is repayable quarterly over a 20-year period ending in July 2028. The loan is secured over the freehold land and buildings and the content therein of Hoomark BV and is subject to a variable rate of interest linked to EURIBOR, that has been swapped to a fixed rate for a notional amount of £5,072,000 (2014: £5,785,000) over a period of five years ending in January 2017. The currency of denomination of the loan is euros.

Loan 5

The principal of £9,010,000 is repayable in May 2018. £6,925,000 is denominated in sterling and £2,085,000 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 2015 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.

17 Loans and borrowings continued

Secured bank loans continued

Loan 6

The principal of £12,297,000 is repayable and amortised to May 2017. £7,229,000 is denominated in sterling and £5,068,000 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 2015, the Group had an interest rate swap in place with a notional amount of £0.6 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 2015, the Group had an interest rate swap in place with a notional amount of $2.8 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.

Previous amounts outstanding at 31 March 2014 were £14,859,000 repayable in May 2016, £8,035,000 repayable over two years to May 2015 and £4,000,000 repayable over three years to May 2016.

18 Deferred income

	2015 £000	2014 £000
Included within non-current liabilities		
Deferred grant income	1,277	1,592
Included within current liabilities		
Deferred grant income	619	620
Other deferred income	13	582
Deferred grant income	632	1,202

The deferred grant income is in respect of government grants relating to the development of the site in Wales. This is being amortised in line with depreciation on the new investment. All conditions on the old grant have been met and there is no requirement to repay. It is being amortised in line with the depreciation on the site development.

19 Provisions

	Property £000
Balance at 1 April 2014	1,025
Unwinding of fair value discounts	14
Provisions utilised during the year	(71)
Balance at 31 March 2015	**968**

	2015 £000	2014 £000
Non-current	862	860
Current	106	165
	968	1,025

The provision represents the estimated reinstatement cost of two of the Group's leasehold properties under fully repairing leases and provision for an onerous lease for one of those properties. A professional valuation was performed during 2012 for one of the leasehold properties and the provision was reassessed and is stated after discounting. £664,000 of the non-current balance relates to a lease expiring in 2025, the balance relates to items between two and five years.

20 Other financial liabilities

	2015 £000	2014 £000
Included within non-current liabilities		
Finance lease	**3,390**	4,087
Other creditors and accruals	**76**	115
	3,466	4,202
Included within current liabilities		
Finance lease	**626**	602
Other creditors and accruals	**9,867**	9,210
Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	**110**	115
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	**207**	577
	10,810	10,504

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2015 £000	Interest 2015 £000	Principal 2015 £000	Minimum lease payments 2014 £000	Interest 2014 £000	Principal 2014 £000
Less than one year	**781**	**(155)**	**626**	795	(193)	602
Between one and five years	**3,268**	**(317)**	**2,951**	3,538	(400)	3,138
More than five years	**444**	**(5)**	**439**	968	(19)	949
	4,493	**(477)**	**4,016**	5,301	(612)	4,689

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

21 Trade and other payables

	2015 £000	2014 £000
Trade payables	**25,887**	25,031
Other payables including income taxes and social security	**981**	787
	26,868	25,818

22 Share capital

Authorised share capital at 31 March 2015 and 2014 was £6,047,443 divided into 120,948,860 ordinary shares of 5p each.

In thousands of shares	Ordinary shares 2015	2014
In issue at 1 April	**57,926**	56,768
Options exercised during the year	**280**	1,158
In issue at 31 March – fully paid	**58,206**	57,926

	2015 £000	2014 £000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each	**2,910**	2,896

Share options exercised during the year amounted to 280,000 (2014: 1,158,000) which generated cash proceeds of £39,000 (2014: £176,000).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23 Earnings per share

	2015		2014	
	Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items and LTIP charges	**11.5p**	**12.0p**	8.4p	8.6p
Cost per share on LTIP charge	**(0.8p)**	**(0.8p)**	(0.1p)	(0.1p)
Adjusted earnings per share excluding exceptional items	**10.7p**	**11.2p**	8.3p	8.5p
Cost per share on exceptional items	**(1.4p)**	**(1.5p)**	(3.2p)	(3.3p)
Earnings per share	**9.3p**	**9.7p**	5.1p	5.2p

The basic earnings per share is based on the profit attributable to equity holders of the Company of £5,605,000 (2014: £3,010,000) and the weighted average number of ordinary shares in issue of 58,071,000 (2014: 57,519,000) calculated as follows:

	2015	2014
Issued ordinary shares at 1 April	**57,926**	56,768
Shares issued in respect of exercising of share options	**145**	751
Weighted average number of shares at 31 March	**58,071**	57,519

Adjusted basic earnings per share excludes exceptional items charged of £1,235,000 (2014: £2,298,000) and the tax relief attributable to those items of £362,000 (2014: £381,000), to give adjusted profit of £6,478,000 (2014: £4,927,000).

Diluted earnings per share

The average number of share options outstanding in the year is 1,723,833 (2014: 2,281,351), at an average exercise price of 17.4p (2014: 19.6p). The diluted earnings per share is calculated assuming all these options were exercised, and taking into account LTIP awards whose specified performance conditions were satisfied at the end of the reporting period. At 31 March the diluted number of shares was 60,531,000 (2014: 59,098,460).

24 Dividends paid and proposed

No dividends were paid in the year (2014: nil). The Directors are recommending a final dividend of 1p (2014: nil). If approved, the dividend will be paid in September 2015 to shareholders on the register at the close of business on 10 July 2015.

	2015		2014	
Proposed for approval at Annual General Meeting	**Pence per share**	**£000**	Pence per share	£000
Final equity dividend for current year	**1.00**	**582**	—	—

25 Share-based payments

Executive Share Options 2008

Options to subscribe for ordinary shares have been granted, pursuant to the Company's approved and unapproved Employee Share Option Schemes, which are exercisable at dates ranging up to January 2021. At 31 March 2015, outstanding options were as follows:

	Number of ordinary shares	Exercise price (p)	Exercise dates
Approved:	1,382,140	14	December 2011 – December 2018
	38,000	31.25	July 2012 – July 2019
	12,000	50	September 2012 – September 2019
	48,387	62	January 2014 – January 2021
Unapproved:	107,145	14	December 2011 – December 2018
	1,613	62	January 2014 – January 2021
	1,589,285		

All share-based payments are equity-settled.

There were no performance conditions attached to the approved options (other than continued employment). Conditions related to profitability for the two years to March 2011 were attached to the unapproved options awarded to Executive Directors and these conditions have now been fully met.

For the share options outstanding at 31 March 2015, the weighted average remaining contract life was 3.8 years (2014: 4.7 years).

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

	2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**17p**	**1,874,285**	17p	3,141,956
Approved options granted during the period	**0p**	**—**	0p	—
Unapproved options granted in the period	**0p**	**—**	0p	—
Lapsed during the year	**14p**	**(5,000)**	58p	(110,000)
Exercised during the period	**14p**	**(280,000)**	15p	(1,157,671)
Outstanding at the end of the period	**16p**	**1,589,285**	16p	1,874,285
Exercisable at the end of the period	**16p**	**1,589,285**	16p	1,874,285

The weighted average share price at the date of exercise of share options exercised during the period was 73.7p (2014: 47.4p).

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

25 Share-based payments continued

Long-Term Incentive Plan (LTIP)

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

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

Under the scheme, the Company also announced that it intends to issue up to 1,400,000 ordinary shares to Anthony Lawrinson, a Director of the Company. The arrangement forms part of Anthony Lawrinson's remuneration package agreed at the time of his appointment to the Board in October 2011. Vesting is conditional upon and proportionate to the cumulative average growth in fully diluted earnings per share before exceptional items over a defined period from 1 April 2012 to 31 March 2015 with a cumulative average growth rate (CAGR) of 20% required for the whole amount to vest. The cost to Anthony Lawrinson of any ordinary shares issued under the LTIP will be nil.

The award periods now in place under the LTIP are as follows:

2012-2015: Anthony Lawrinson only

The three year CAGR from 1 April 2012 to 31 March 2015 has been calculated to be 16.93% based on the scheme rules, resulting in 1,107,652 shares vesting. The balance of 392,348 will lapse.

2014-2017: provisional share awards totalling 1,297,698 shares

Share awards totalling 1,297,698 were issued during the year to 18 members of the leadership teams across the Group. The performance condition applied is CAGR in fully diluted earnings per share before exceptional items and this must be not less than 10% for any initial vesting to take place and up to 20% for the whole amount to vest.

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

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

	2015 £000	2014 £000
Charge in relation to the 2012-15 LTIP scheme	483	82
Charge in relation to the 2014-17 LTIP scheme	29	—
Equity-settled share-based payments	512	82
National Insurance charge on LTIP awards	111	—
	623	82

26 Financial instruments

a) Fair values of financial instruments

The carrying values for each class of financial assets and financial liabilities in the balance sheet, which are given below, are not considered to be materially different to their fair values.

As at 31 March 2015, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of £779,000 and a liability of £317,000 (2014: liability of £692,000).

Derivative financial instruments

The fair value of forward exchange contracts is assessed using valuation models taking into account market inputs such as foreign exchange spot and forward rates, yield curves and forward interest rates.

Fair value hierarchy

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is managed by dealing only with banks and financial institutions with strong credit ratings. The Group's financial credit risk is primarily attributable to its trade receivables.

The Group has no significant concentration of credit risk exposure as revenues are split across a large number of customers in different geographical areas. The main customers of the Group are large and mid-sized retailers, other manufacturers and wholesalers of greetings products, service merchandisers and trading companies. The Group has established procedures to minimise the risk of default of trade receivables including detailed credit checks undertaken before new customers are accepted and rigorous credit control procedures after sale. These processes have proved effective in minimising the level of impairments required.

The amounts presented in the balance sheet are net of allowances for doubtful receivables estimated by the Group's management, based on prior experience and their assessment of the current economic environment.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £23,924,000 (2014: £25,888,000) being the total of the carrying amount of financial assets.

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

	2015 £000	2014 £000
UK and Asia	**7,754**	6,850
USA	**5,327**	4,237
Europe	**2,823**	2,306
Australia	**2,377**	2,685
	18,281	16,078

26 Financial instruments continued

b) Credit risk continued

Credit quality of financial assets and impairment losses

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

	2015		2014	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	**14,020**	**(8)**	11,408	(5)
Past due 0-90 days	**3,704**	**(48)**	4,025	(46)
More than 90 days	**766**	**(153)**	926	(230)
	18,490	**(209)**	16,359	(281)

There were no unimpaired balances outstanding at 31 March 2015 (2014: nil) where the Group had renegotiated the terms of the trade receivable.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 £000	2014 £000
Balance at 1 April	**281**	464
Charge for the year	**154**	310
Unused amounts reversed	**(105)**	(211)
Amounts written off	**(118)**	(270)
Effects of movement in foreign exchange	**(3)**	(12)
Balance at 31 March	**209**	281

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

c) Liquidity risk

Financial risk management

The Group's policy with regard to liquidity ensures adequate access to funds by maintaining an appropriate mix of short-term and longer-term facilities, which are reviewed on a regular basis. The maturity profile and details of debt outstanding at 31 March 2015 is set out in note 17.

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

31 March 2015	Notes	Nominal interest rate %	Carrying amount £000	Contractual Cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Non-derivative financial liabilities								
Secured bank loans – sterling		2.9 – 3.1	14,154	(14,596)	(1,493)	(2,982)	(10,121)	—
Secured bank loans – US dollar		3.1 – 3.5	7,788	(8,099)	(1,453)	(2,183)	(4,463)	—
Secured bank loans – euros		4.3	4,483	(6,137)	(585)	(644)	(1,518)	(3,390)
Total secured bank loans	17		26,425	(28,832)	(3,531)	(5,809)	(16,102)	(3,390)
Finance leases	20							
– sterling leases		3.9	2,773	(3,084)	(523)	(526)	(1,591)	(444)
– euro leases		4.9	1,242	(1,408)	(257)	(257)	(894)	—
– other leases		6.0	1	(1)	(1)	—	—	—
Other financial liabilities			9,943	(9,943)	(9,868)	(75)	—	—
Trade payables	21		25,887	(25,887)	(25,887)	—	—	—
Other payables	21		981	(981)	(981)	—	—	—
Asset-backed loans		2.1 – 3.5	544	(544)	(544)	—	—	—
Bank overdraft		1.0 – 3.9	1,568	(1,568)	(1,568)	—	—	—
Derivative financial liabilities								
Financial liabilities at fair value through the income statement – interest rate swaps [a]			110	—	—	—	—	—
Financial liabilities carried at fair value through the hedging reserve – interest rate swaps [a]			207	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve			(779)	(17,710)	(17,710)	—	—	—
			68,902	(89,958)	(60,870)	(6,667)	(18,587)	(3,834)

(a) The interest rate swaps with fair values of £110,000 and £207,000 mature over a period of three years ending January 2017.

26 Financial instruments continued

Financial risk management continued

c) Liquidity risk continued

31 March 2014	Notes	Nominal interest rate %	Carrying amount £000	Contractual Cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Non-derivative financial liabilities								
Secured bank loans – sterling		3.4-3.8	17,900	(18,833)	(2,359)	(3,898)	(12,576)	—
Secured bank loans – US dollar		3.1-3.6	9,372	(9,936)	(1,908)	(2,053)	(5,975)	—
Secured bank loans – euros		4.3	5,485	(7,023)	(574)	(574)	(1,649)	(4,226)
Total secured bank loans	17		32,757	(35,792)	(4,841)	(6,525)	(20,200)	(4,226)
Finance leases	20							
– sterling leases		3.9	3,176	(3,614)	(529)	(529)	(1,588)	(968)
– euro leases		4.8	1,505	(1,679)	(258)	(258)	(1,163)	—
– other leases		6.0	8	(8)	(8)	—	—	—
Other financial liabilities			9,325	(9,325)	(9,210)	(115)	—	—
Trade payables	21		25,031	(25,031)	(25,031)	—	—	—
Other payables	21		787	(787)	(787)	—	—	—
Asset-backed loans		1.7 – 3.5	5,336	(5,336)	(5,336)	—	—	—
Bank overdraft		1.5 – 5.1	2,529	(2,529)	(2,529)	—	—	—
Derivative financial liabilities								
Financial liabilities at fair value through the income statement – interest rate swaps [(a)]			49	—	—	—	—	
Financial liabilities carried at fair value through the hedging reserve – interest rate swaps [(a)]			399	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the income statement			66	(150)	(150)	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve			178	(21,374)	(21,374)	—	—	—
			81,146	(105,625)	(70,053)	(7,427)	(22,951)	(5,194)

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

The following shows the facilities for bank loans, overdrafts, asset-backed loans and revolving credit facilities:

	31 March 2015				31 March 2014			
	Carrying amount £000	Facility used contractual cash flows £000	Facility unused £000	Total facility £000	Carrying amount £000	Facility used contractual cash flows £000	Facility unused £000	Total facility £000
Secured bank loans (see above)	**26,425**	**(28,832)**	**—**	**(28,832)**	32,757	(35,792)	—	(35,792)
Asset-backed loans	**544**	**(544)**	**(16,533)**	**(17,077)**	5,336	(5,336)	(9,283)	(14,619)
Revolving credit facilities	**—**	**—**	**—**	**—**	—	—	(500)	(500)
Bank overdraft	**1,568**	**(1,568)**	**(4,972)**	**(6,540)**	2,529	(2,529)	(4,537)	(7,066)
	28,537	**(30,944)**	**(21,505)**	**(52,449)**	40,622	(43,657)	(14,320)	(57,977)

The asset-backed loan facilities are dependent upon the levels of the relevant inventory and receivables.

The major bank facilities vary in the year depending on forecast debt requirements. The maximum limit across all facilities with the major bank was £74 million (2014: £74 million). At 31 March 2015 the facility amounted to £35.3 million (2014: £42.9 million).

Additional facilities were available at other banks of £14.7 million (2014: £17.0 million), including asset-backed loans according to the level of receivables and inventory.

The short term overdraft, RCF and the asset-backed loan elements of those facilities was renewed on improved terms in May 2014, which will slightly lower the blended rate in the forthcoming year.

The asset-backed loan facilities are to be renewed on:

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

d) Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

31 March 2015	Carrying amount £000	Contractual cash flows £000	One year or less £000
Interest rate swaps:			
Liabilities	**207**	**—**	**—**
Forward exchange contracts:			
Assets	**779**	**(17,710)**	**(17,710)**

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

At 31 March 2015 the Group had an interest rate swap in place with a notional amount of €7 million (£5.1 million), whereby it receives a floating rate of interest based on EURIBOR and pays a fixed rate of interest at 2.29% on the notional amount. This swap is to hedge the exposure to changes in the interest rate. The terms of the hedge have been negotiated to match the terms of the commitments. The fair value of the swap at the balance sheet date was a liability of £207,000.

26 Financial instruments continued

Financial risk management continued

d) Cash flow hedges continued

The Group has forward currency hedging contracts outstanding at 31 March 2015 designated as hedges of expected future purchases in US dollars and Chinese renminbi for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments.

The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments.

The cash flow hedges of the expected future purchases in 2015/16 were assessed to be highly effective and as at 31 March 2015 a net unrealised gain of £779,000 with related deferred tax credit of nil was included in other comprehensive income in respect of these hedging contracts.

e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

The Group hedges a proportion, as deemed appropriate by management, of its UK subsidiaries' sales and purchases of inventory denominated in foreign currency by entering into foreign exchange contracts. Such foreign exchange contracts typically have maturities of less than one year.

The Group rarely hedges profit translation exposure, since such hedges provide only a temporary deferral of the effects of movement in foreign exchange rates. Similarly, the Group does not hedge its long-term investments in overseas assets.

However, the Group holds loans that are denominated in the functional currency of certain overseas entities.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 March 2015	Notes	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	16	1,960	789	89	8	2,846
Trade receivables	15	6,827	2,742	6,179	2,533	18,281
Other receivables		1,140	22	4	—	1,166
Financial assets at fair value through income statement		779	—	—	—	779
Secured bank loans	17	(14,154)	(4,483)	(7,788)	—	(26,425)
Loan arrangement fees	17	256	—	78	—	334
Finance leases	20	(2,773)	(1,242)	—	(1)	(4,016)
Asset-backed loans	17	—	(58)	(486)	—	(544)
Bank overdrafts	16	(346)	(386)	282	(1,118)	(1,568)
Trade payables	21	(11,341)	(3,020)	(7,419)	(4,107)	(25,887)
Other payables	21	(678)	(303)	—	—	(981)
Financial liabilities at fair value through hedging reserve	20	(207)	—	—	—	(207)
Balance sheet exposure		(18,537)	(5,939)	(9,061)	(2,685)	(36,222)

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

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	**2015**	2014
Euro	**1.29**	1.19	**1.38**	1.21
US dollar	**1.61**	1.59	**1.48**	1.67

Sensitivity analysis

A 10% weakening of the following currencies against sterling at 31 March 2015 would have increased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This is translational exposure.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 March 2014.

	Equity		Profit/(loss)	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Euro	**127**	(285)	**(25)**	(148)
US dollar	**824**	(1,528)	**(617)**	(247)

On the basis of the same assumptions, a 10% strengthening of the above currencies against sterling at 31 March 2015 would have decreased equity and profit or loss by the following amounts:

	Equity		Profit/(loss)	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Euro	**(155)**	349	**31**	181
US dollar	**(1,007)**	(1,868)	**754**	302

26 Financial instruments continued

Interest rate risk

Profile

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

	Note	2015 £000	2014 £000
Fixed rate instruments			
Financial liabilities		**(20,969)**	(24,757)
Variable rate instruments			
Financial assets		**2,846**	8,111
Financial liabilities		**(7,568)**	(15,865)
Loan arrangement fees		**334**	253
Finance leases		**(4,016)**	(4,689)
Net debt	16	**(29,373)**	(36,947)

The fixed rate borrowings above are shown after taking account of interest rate swaps and interest rate caps (see note 17 for details).

A change of 50 basis points (0.5%) in interest rates at the balance sheet date would have decreased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect on financial instruments with variable interest rates, financial instruments at fair value through profit or loss. The analysis is performed on the same basis for 31 March 2014.

	2015 £000	2014 £000
Equity		
Increase	**—**	—
Decrease	**24**	68
Profit or loss		
Increase	**—**	—
Decrease	**24**	68

f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group is dependent on the continuing support of its bankers for working capital facilities and so the Board's major objective is to keep borrowings within these facilities.

The Board manages as capital its trading capital, which it defines as its net assets plus net debt. Net debt is calculated as total debt (bank overdrafts, loans and borrowing as shown in the balance sheet), less cash and cash equivalents. The banking facilities with our principal bank have covenants relating to interest cover, cash flow cover and leverage, and our articles currently permit borrowings (including letter of credit facilities) to a maximum of four times equity.

		Equity	
	Note	2015 £000	2014 £000
Net assets attributable to owners of the Parent Company		**59,664**	53,512
Net debt	16	**29,373**	36,947
Trading capital		**89,037**	90,459

The main areas of capital management revolve around the management of the components of working capital including monitoring inventory turn, and months' production or cost of sales outstanding, age of inventory, age of trade receivables, balance sheet reforecasting, monthly profit and loss, weekly cash flow forecasts and daily cash balances. Major investment decisions are based on reviewing the expected future cash flows and all major capital expenditure requires sign off by the Chief Executive Officer and Chief Financial Officer. There were no major changes in the Group's approach to capital management during the year. A particular focus of the Group is leverage measured as the ratio of net debt to pre-exceptional EBITDA which is measured on a monthly basis.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	**3,389**	3,921
Between one and five years	**9,871**	8,737
More than five years	**7,476**	9,178
	20,736	21,836

The Group leases a number of warehouse and factory facilities as well as vehicles and office equipment under operating leases. The leases of warehouse and factory facilities typically have an option to renew at the end of the lease term and lease payments are subject to five-yearly rent reviews.

One of the leased properties has been sublet by the Group and part of a second. The sub-leases have periods to run of more than five years. Sub-lease payments of £447,000 (2014: £303,000) are expected to be received during the financial year.

During the year £3,765,000 was recognised as an expense in the income statement in respect of operating leases (2014: £4,307,000).

28 Capital commitments

At 31 March 2015, the Group had outstanding authorised capital commitments to purchase plant and equipment for £313,000 (2014: £1,076,000).

29 Acquisition of business

On 5 June 2015, the Group acquired the trade and certain assets of Enper Giftwrap BV for a cash consideration of £1,451,000 (€1,854,000). The fair value of the identifiable assets and liabilities acquired as at the date of acquisition were:

	£000
Intangible fixed assets	**80**
Plant and equipment	**342**
Stock	**684**
Accruals	**(54)**
Finance lease acquired	**(110)**
Total identifiable net assets at fair value	**942**
Goodwill arising on acquisition (note 12)	**509**
Total purchase consideration transferred	**1,451**
Cash consideration	**1,451**

Transaction costs of £99,000 have been expensed and are included in administrative expenses as an exceptional item.

From the date of acquisition to 31 March 2015 the Enper Giftwrap business acquired contributed £2,481,000 of turnover of the Group.

If the combination had taken place at the beginning of the year the consolidated turnover of the Group would have been £229,490,000.

The trade of Enper Giftwrap has been incorporated into that of Hoomark BV. It is not possible to separate out and disclose separately the profit of the Enper Giftwrap business.

30 Related parties

	2015 £000	2014 £000
Sale of goods:		
AB Alrick – Hedlund	**245**	413
Hedlunds Pappers Industri AB	**97**	62
Festive Productions Ltd	**55**	57
Hedlund Import AB	**8,078**	8,186
	8,475	8,718
Purchase of goods:		
AB Alrick – Hedlund	**—**	706
Hedlund Import AB	**20**	173
	20	879
Receivables		
AB Alrick – Hedlund	**—**	11
Hedlunds Pappers Industri AB	**4**	1
Balance at 31 March 2014	**4**	12
Payables		
Hedlund Import AB	**(144)**	(436)
Balance at 31 March 2014	**(144)**	(436)

Identity of related parties and trading

Hedlund Import AB and AB Alrick – Hedlund are under the ultimate control of the Hedlund family. Anders Hedlund is a Director of Hedlunds Pappers Industri AB which is under the ultimate control of the Hedlund family. Festive Productions Ltd is a subsidiary undertaking of Malios Holding AG, a company under the ultimate control of the Hedlund family.

Phil Dutton, Non-Executive Director, is married to Judith McKenna who was Executive Vice President of Strategy and International Development at Walmart International and is now Executive Vice President, Chief Development Officer of Walmart US. Walmart are a significant customer of the Group.

The above trading takes place in the ordinary course of business and on normal commercial terms.

Other related party transactions

Directors of the Company and their immediate relatives have an interest in 49% (2014: 50%) of the voting shares of the Company. The shareholdings of Directors are shown in the Directors' report on pages 25 and 26. No other shares were issued to Directors during the year (2014: nil).

Directors' remuneration

	2015 £000	2014 £000
Remuneration	**1,543**	1,941
Share-based payments – LTIP	**578**	82
Pension contributions	**83**	71
Employer national insurance contributions on the above remuneration	**207**	242
	2,411	2,336

Statement of Directors' responsibilities
for the Parent Company financial statements

The Directors are responsible for preparing the strategic report and Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report
to the members of International Greetings plc

We have audited the Parent Company financial statements of International Greetings plc for the year ended 31 March 2015 which comprise the Company balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement as set out on page 77, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of International Greetings plc for the year ended 31 March 2015.

Anup Sodhi
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Luton

22 June 2015

Company balance sheet
as at 31 March 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	3	**57**	59
Investments	4	**25,777**	25,770
Total non-current assets		**25,834**	25,829
Current assets			
Debtors – due within one year	5	**1,712**	364
Debtors – due after more than one year	6	**35,353**	35,667
Cash at bank and in hand		**8,709**	12,675
		45,774	48,706
Creditors: amounts falling due within one year	8	**(5,375)**	(6,265)
Net current assets		**40,399**	42,441
Creditors: amounts falling due after more than one year	9	**(18,677)**	(22,760)
Net assets		**47,556**	45,510
Capital and reserves			
Called up share capital	10	**2,910**	2,896
Share premium account	11	**3,461**	3,436
Capital redemption reserve	11	**1,340**	1,340
Merger reserve	11	**17,164**	17,164
Profit and loss account	11	**22,681**	20,674
Equity shareholders' funds		**47,556**	45,510

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

These financial statements were approved by the Board of Directors on 22 June 2015 and were signed on its behalf by:

Paul Fineman
Director

Anthony Lawrinson
Director

The notes on pages 80 to 84 form part of the financial statements.

Notes to the Company financial statements
year ended 31 March 2015

1 Accounting policies – Company

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards (UK Generally Accepted Accounting Practice) and under the historical cost accounting rules. The following accounting policies have been applied consistently in dealing with matters which are considered material in relation to the financial statements.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account and under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The Company has taken advantage of the exemption in FRS 8 not to disclose transactions with its wholly-owned subsidiaries.

The Company has taken advantage of the exemption in paragraph 2d of FRS 29 Financial Instruments: Disclosures and has not disclosed information required by that standard as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosures.

Investment in subsidiary undertakings

The Company's investment in subsidiary undertakings is stated at cost less any provision for impairment.

Property, plant and equipment and depreciation

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

- leasehold land and buildings — life of lease
- office equipment — three to five years
- motor vehicles — four years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight-line basis over the life of the lease, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rentals payable are charged to the profit and loss account on a straight-line basis over the life of the lease.

Share-based payments

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

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

1 Accounting policies – Company continued

Share-based payments continued

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

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary. If the amount recharged exceeds the increase in the cost of investment, the excess is recognised as a dividend to the extent that it reflects post-acquisition profits of the subsidiary.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Deferred tax

The Company takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Full provision without discounting is made for all timing differences which have arisen but not been reversed at the balance sheet date.

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee benefits

Pensions

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

2 Dividends paid and proposed

There were no dividends paid in the year (2014: nil). The Directors are recommending a final dividend of 1p (2014: nil). If approved, the dividend will be paid in September 2015 to shareholders on the register at the close of business on 10 July 2015.

	2015		2014	
Proposed for approval at Annual General Meeting	Pence per share	£000	Pence per share	£000
Final equity dividend for current year	**1.00**	**582**	—	—

3 Tangible assets

	Fixtures and fittings £000	Software £000	Total £000
Cost			
Balance at 1 April 2014	130	10	140
Additions	4	20	24
Balance at 31 March 2015	**134**	**30**	**164**
Depreciation and impairment			
Balance as at 1 April 2014	(71)	(10)	(81)
Depreciation charge for the year	(26)	—	(26)
Balance at 31 March 2015	**(97)**	**(10)**	**(107)**
Net book value			
At 31 March 2015	**37**	**20**	**57**
At 31 March 2014	59	—	59

4 Investments

Shares in subsidiary undertakings	Cost £000	Impairment £000	Net book value £000
At 1 April 2014	27,219	(1,449)	25,770
Share option charge relating to subsidiary employees	7	—	7
At 31 March 2015	**27,226**	**(1,449)**	**25,777**

The main trading subsidiaries and associate undertakings of the Company are as follows:

Company	Country of incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary			
International Greetings (UK) Limited	Great Britain	Manufacture of gift wrapping paper, bows distribution of photo albums, frames, and ribbons, stationery and Christmas related products, children's book publisher and packaged gifts	100
International Greetings USA, Inc.	US	Manufacture of gift wrapping paper, bows and ribbons	100
International Greetings Asia Limited	Hong Kong	Trading company	100
The Huizhou Gift International Greetings Company Limited	China	Manufacture of Christmas crackers	100 (indirect holding)
Hoomark BV	Netherlands	Manufacture of gift wrapping paper	100 (indirect holding)
Anchor International BV	Netherlands	Distribution of photo albums, frames, stationery and Christmas related products	100 (indirect holding)
Artwrap Pty Ltd	Australia	Design and distribution of gift wrap and greetings products	50

4 Investments continued

Artwrap Pty Ltd has been accounted for as a subsidiary from 1 August 2009. The Group exercises power over the strategic decision making within Artwrap by way of a shareholder agreement.

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

5 Debtors – due within one year

	2015 £000	2014 £000
Trade debtors	**3**	3
Amounts owed by Group undertakings	**1,493**	—
Other debtors	**—**	200
Prepayments	**216**	161
	1,712	364

6 Debtors – due after more than one year

	Note	2015 £000	2014 £000
Amounts owed by Group undertakings		**34,849**	34,849
Deferred tax assets	7	**504**	818
		35,353	35,667

7 Deferred tax asset

	2015 £000	2014 £000
Difference between accumulated depreciation and capital allowance	**84**	83
Tax loss carried forward	**329**	530
Other timing differences	**91**	205
	504	818

8 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank loans, overdrafts and revolving credit facility	**2,460**	3,857
Loan arrangement fees	**(86)**	(78)
Trade creditors	**425**	498
Amounts owed to undertakings	**248**	319
Other taxes and social security	**238**	58
Other creditors and accruals	**2,090**	1,611
	5,375	6,265

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

Notes to the Company financial statements continued

year ended 31 March 2015

9 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Bank loans	**18,847**	22,837
Loan arrangement fees	**(170)**	(77)
	18,677	22,760

10 Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
58,204,896 (2014: 57,924,496) ordinary shares of 5p each	**2,910**	2,896

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

11 Reconciliation of movements in shareholders' funds

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 1 April 2013	2,838	3,318	1,340	17,164	20,221	44,881
Profit for the year	—	—	—	—	371	371
Options exercised	58	118	—	—	—	176
Share-based payments	—	—	—	—	82	82
At 1 April 2014	2,896	3,436	1,340	17,164	20,674	45,510
Profit for the year	—	—	—	—	1,495	1,495
Options exercised	14	25	—	—	—	39
Share-based payments	—	—	—	—	505	505
Share options charge relating to subsidiary employees	—	—	—	—	7	7
At 31 March 2015	**2,910**	**3,461**	**1,340**	**17,164**	**22,681**	**47,556**

Within the profit and loss account is a cumulative amount of £168,000 (2014: £161,000) which is unrealised in respect of share options granted to subsidiary employees.

12 Share-based payments

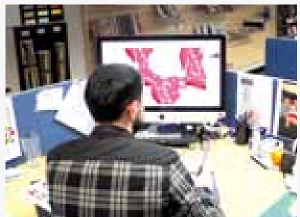
Please see note 25 of the Group's financial statements for details of share-based payments.

13 Contingencies

The Company has given, together with certain of its subsidiary undertakings, an unlimited composite joint and several guarantee in respect of the bank loans and overdrafts of itself and its subsidiaries. The total of this guarantee at the year end, in relation to the Company only, was £4,070,000 (2014: £11,904,000) in excess of the amount dealt with in the Company's financial statements.

The life of a roll of gift wrap

1 Market research and trend development begins

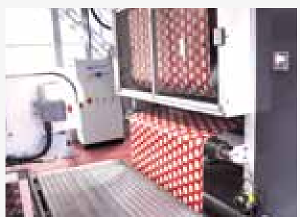


2 Designer starts digital development

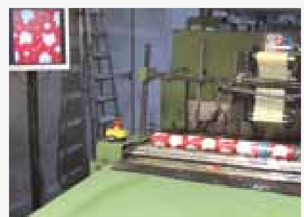
3 Retail buyer selects design for instore range

4 Raw materials are ordered

5 The bulk roll is loaded onto the print press



6 The design is printed on the press



7 The design is converted into smaller rolls

8 The rolls are packed into cartons and palletised

9 The pallets are loaded and head for stores

10 The design catches the customer's eye in store

11 Wrapped with love for that special someone

12 Creating smiles for life's precious moments!

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lyonsbennett
www.lyonsbennett.com

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