International Greetings plc

(“International Greetings” or the “Company”)

Continued success in the US, Europe and Asia underpins international diversification strategy

International Greetings PLC (AIM: IGR), the leading designer and manufacturer of greetings, stationery and licensed published products announces results for the year to 31 March 2007.

Financial highlights:

- Year-on-year sales maintained at £197 million
- 3% rise in pre-tax profits to £18.1 million* (2006: £17.6 million**)
- Earnings per share up 5% to 29.5p* (2006: 28.0p**)
- Recommended final dividend of 7.75p, bringing the total dividend for the year to 10p, an increase of 11%

Operational highlights:

- Strategy for international growth progressing well:
  - Non UK sales now account for 40% of turnover (2006: 38%) and expected to continue to increase
  - European turnover grew by 32% to £30.0 million (2006: £22.7 million)
  - IG Asia sales up 52% to $32 million (2006: $21 million)
- Strategic acquisitions strengthen Group’s product offering, and international distribution
  - Alligator Books, Anchor International and Eick Pack acquired during the period
  - Weltec, Artex and Pinwheel acquired post year-end
- Seasonal UK operating divisions restructured to ensure they remain cost effective and efficient

Commenting on the results, Nick Fisher, joint CEO said: “These results not only reflect a year of operational consolidation but also show clearly that our strategy to re-position International Greetings as a truly global business, with a diverse product range is progressing well. 40% of turnover is now derived outside of the UK, a figure that we expect to continue to increase.

“We will continue to make acquisitions which provide us with new product ranges, new distribution channels and access to new geographical markets, whilst at the same time ensuring that we can achieve the maximum possible growth from our existing businesses.”

For further information:

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Nick Fisher, Joint Chief Executive		Jeremy Carey / Rachel Drysdale	

* Adjusted to exclude exceptional costs of £1,252,000 (2006: £3,310,000), profit on disposal of fixed assets of £2,240,000 (2006: £1,838,000), and amortisation of goodwill of £1,458,000 (2006: £1,031,000)

** Restated following adoption of FRS20 Share based payments

Chairman's Statement 2007

As stated in my interim announcement, our strategy for growth continues to focus upon international expansion, particularly across Europe, reducing our reliance on the UK market which has experienced a challenging trading climate and seen the demise of a number of retailers during the past year. Against this background, I am pleased to report a 3% rise in adjusted profits before tax* to £18.1m, on sales of £197m, with adjusted earnings per share* growing to 29.5p, a 5% increase.

Reflecting our continued confidence in our business and its future prospects, we are recommending a final dividend of 7.75p, making a total of 10p for the year, an increase of 11% on last year. This will be paid on 27th September 2007 to shareholders on the register at 7th September 2007.

Sales outside the UK now account for 40% of the Group's turnover, up from 38% last year. We expect this trend to continue as we develop our international businesses. In particular, turnover of our European division grew by 32%, as a result of acquisitions and a concerted sales effort in the region.

In addition to the Alligator and Anchor International acquisitions announced in the Interim Report, we also completed the acquisition of Eick Pack towards the year end. Based in Germany, this business supplies gift wrap for in-store gift wrapping across Europe and we expect to increase our market share in this sector in the future. Subsequent to the financial year end, we announced three further acquisitions – Weltec, Artex and Pinwheel.

Weltec provides a step change in our photoframe business across Europe and will operate through Anchor International based in Holland. Artex, a gift wrap business located in Poland, gives us a manufacturing and distribution platform from which we can continue to grow our presence in the important emerging Eastern European market. In the UK, our children's book division, Alligator, acquired the business of Pinwheel, a children's book publisher, complementing their existing portfolio of children's licensed activity products.

This is my first full period as chairman. I am delighted with the strategic progress the Group has made this year, and am confident that strong foundations have been laid to ensure our future success.

I welcome all our new employees, particularly those working in the companies we acquired this year, and thank all our staff for their commitment to the Group and to serving the needs of our customers around the world.

Keith James OBE
Chairman

* adjusted to exclude exceptional costs of £1,252,000 (2006: £3,310,000), profit on disposal of fixed assets of £2,240,000 (2006: £1,838,000), and amortisation of goodwill of £1,458,000 (2006: £1,031,000)

Chief Executive's Report

The past year has been extremely active for all areas of the Group's business. Consistent with our stated strategy, acquisitions have been made that have enabled us to both enter new geographical regions and strengthen our position in existing ones. In addition, a number of operating divisions have been restructured and refocused to ensure all opportunities to grow organically are maximised to their full potential.

UK

The UK market place, which historically formed the cornerstone of International Greetings' business, has encountered some well documented difficulties in recent years. We have experienced the closure of a number of retailers, difficult trading conditions and intense pricing pressure. To combat this we have clearly identified those opportunities that offer us growth potential, and have put in place a three point strategy which reduces our reliance on our traditional private label seasonal business.

We have reorganised our UK seasonal trading divisions into one business unit based in South Wales; this new structure will reduce costs, streamline our supply and logistic functions and simplify the buying process for our customers.

We are expanding our proprietary range business by developing the trading brands of Anker, Tom Smith, Giftmaker and Copywrite, with a focus on selling higher volumes of these branded ranges to a broader customer base throughout the UK.

We will continue to diversify our business with a highly focused acquisition programme, investing in businesses where we can add value and which will complement our existing operations. This is illustrated by last year's acquisition of Alligator Books and our more recent purchase of Pinwheel Children's Books, which takes us into a new product category that utilises our core strengths of design, sourcing and distribution.

Europe

Mainland Europe has once again been a key growth region for the Group, achieving a 32% increase in turnover.

The Hoomark division is targeted to manufacture and distribute greetings products with Anchor International BV, now a wholly owned subsidiary, concentrating on selling photographic and stationery products throughout Europe.

The acquisition of Weltec, with its associated brand of B+H, has made us a major supplier to the German photoframes market and we intend to develop this product category further in other European territories.

Mass market licensed stationery ranges have been developed by Copywrite for the European market and early sales indications have been very encouraging.

The acquisition of Artex in Poland provides International Greetings with a gift wrap manufacturing base in Eastern Europe and, coupled with our investment in Latvia, we now feel we have the foundations in place to build a solid business in the region.

US

Our marketing and product development strategy introduced last year to stratify the market into entry level, mass market and premium ranges for our US retail customer base, has performed well.

Our top end brands, marketed as premium product, feature innovative designs and materials and, in particular, the Pepperpot brand of stationery is carving a niche of its own in the department store and independent sectors.

The mass market product offers the largest volume of retail distribution in the US and we continue to add new customers both for proprietary Giftwrap Company ranges and private label brands.

Our entry level product is being marketed through the recently formed Anker USA division, with goods initially being fulfilled direct to customers from IG Asia. This new division has proved to be very successful and we intend to launch a catalogue of standard products, mirroring the Anker UK collection, from March 2008 for next year's season.

Sales in the US now account for 23% of the Group's total turnover, and we believe the US market place offers significant potential for future growth.

Far East

Last year's factory move in China and investment in a new sourcing and trading office in Hong Kong have both yielded significant benefits to the Group. Direct sales to customers around the globe from IG Asia now represent approximately 9% of Group turnover, a 50% increase over last year's 6%.

In addition to the production of Christmas crackers, we have increased output of products that require a high labour content in their manufacture, particularly gift bags, which are a growth product in the worldwide gift wrapping sector. We have also invested $3.7m, primarily in new printing and conversion machinery during the past 12 months in order to obtain the benefits of lower costs through vertical integration.

We will continue to develop our activities in Asia, to meet the demands of our customers around the world.

Design and Licensing

Product development and design still remains a vital part of our industry and its importance to our future development cannot be overstated. We now employ over 120 people in the creative areas of our business and have recently introduced an intranet based system to allow each trading division within the Group, wherever geographically located, to share its intellectual assets with all Group companies. This

Digital Asset Management System will allow us to minimise our design costs by maximising the potential of each design created across the global market-place.

Licensed properties continue to feature heavily within our portfolio of products, and we are delighted to have obtained merchandise rights for ranges of products for the UK release this week of Shrek 3 and The Simpsons Movie in July.

Conclusion

We have now put in place a business strategy and operational structure to deliver consistent growth for the next three years. Both organic growth and acquisition opportunities have been identified in all the product categories and geographical regions in which we operate. Our management teams and staff are focused and motivated to achieve our corporate goals and we look forward to the future with confidence.

Anders Hedlund and Nick Fisher
Joint Chief Executives
26 June 2007

Finance Review

1 Group Performance

Reported turnover for the year to 31st March 2007 amounted to £196.7m (2006: £196.6m). With an increasing proportion of our business being overseas, the Group's results are affected by movements in exchange rates on the translation of the results of overseas subsidiaries, particularly in relation to the US$. Last year the results of US$ denominated subsidiaries were translated at $1.73 compared with $1.88 this year. Excluding the effect of this, Group turnover would have shown an increase of 2%. Overseas sales of £77.7m (2006: £74.1m) accounted for 40% (2006: 38%) of the total, of which £45.1m (2006: £47.2m) was in the US. Excluding the effect of exchange rates, US sales increased by 2%. IG Asia, our Hong Kong subsidiary, performed extremely well with direct sales to customers in the UK, Europe and US increasing by 52% to $33m, compared with $21m last year.

The gross profit margin percentage (excluding exceptional costs) increased from 31.2% to 32.9% primarily due to a credit of £4.2m (2006: £1.3m) in relation to compensation for gross profit on lost sales as a result of a fire at the Group's South Wales print plant in 2005. Operating profit increased from £15.0m to £18.2m. Adjusted operating profit* increased from £19.3m to £20.9m, an increase of 8%. Exceptional items during the year of £1.3m relate to a restructuring of the Group's UK operations in order to maintain competitiveness. These changes included the relocation of production operations overseas, the integration and relocation of Copywrite's operations into Anker and the merging of the individual UK Christmas giftwrap, cracker and card operations into one division.

Net interest payable increased from £1.8m to £2.8m, primarily due to the cost of acquisitions and increasing interest rates during the year.

The profit on disposal of fixed assets of £2.2m arose on the sale of the freehold interest in the Group's property in Duxford which was no longer required following the integration of Copywrite's operations into Anker. Net profit before taxation increased by 17% to £17.7m, with adjusted profit before tax* increasing 3% to £18.1m. Excluding the effect of exchange rates on the profits of overseas subsidiaries referred to above, adjusted profit before tax would have increased by 7%.

2 Earnings Per Share and Dividend

Adjusted basic earnings per share* for the year ended 31st March 2007 were 29.5p, an increase of 5% over last year. Basic earnings per share were 28.1p, an increase of 7% over last year.

The final dividend proposed for the year of 7.75p (2006: 7p) makes a total dividend for the year of 10p, an increase of 11% and is covered 2.8 times by basic earnings per share.

* adjusted to exclude exceptional costs of £1,252,000 (2006: £3,310,000), profit on disposal of fixed assets of £2,240,000 (2006: £1,838,000), and amortisation of goodwill of £1,458,000 (2006: £1,031,000)

3 Balance Sheet and Cash Flow

Net debt at 31st March 2007 amounted to £38.0m, compared to £10.7m last year. Cash paid in respect of acquisitions, including debt acquired with new acquisitions, accounted for £16.8m of this movement. This included £10.5m deferred consideration paid in relation to the acquisition of Anker International PLC in May 2005. Capital expenditure of £11.9m was £6m higher than the depreciation charge, due primarily to the £1.9m purchase of property in the US to facilitate future growth and a total of £1.8m invested in IG Asia's operations in China. Cash from the sale of the Group's property in Duxford, giving rise to the £2.2m profit on disposal on fixed assets during the year, was not received until after the year-end and is therefore not reflected in these figures.

Shareholders' funds increased by £8.1m to £83.9m and with year-end gearing of 45% and interest covered 6.6 times by operating profit, the Group's financial position remains strong.

4 Treasury Operations

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

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

Consolidated profit and loss account for the year ended 31 March 2007

		Continuing operations				
		Excluding acquisitions				
		Pre-exceptional item	**Exceptional item**	**Acquisitions**	**Total**	Total (Restated – see Note 1)
		2007	**2007**	**2007**	**2007**	2006
	Note	**£000**	**£000**	**£000**	**£000**	£000
Group turnover including share of joint venture turnover		**185,344**	**-**	**11,757**	**197,101**	198,139
Less: Share of joint venture turnover		**(383)**	**-**	**-**	**(383)**	(1,585)
Group turnover	*2*	**184,961**	**-**	**11,757**	**196,718**	196,554
Cost of sales		**(123,814)**	**(897)**	**(8,148)**	**(132,859)**	(135,121)
Gross profit		**61,147**	**(897)**	**3,609**	**63,859**	61,433
Distribution expenses		**(16,818)**	**-**	**(400)**	**(17,218)**	(16,481)
Administrative expenses		**(26,433)**	**(355)**	**(1,675)**	**(28,463)**	(29,942)

Consolidated statement of total recognised gains and losses for the year ended 31 March 2007	**2007**	2006 (Restated see Note 1)
	£000	£000
Profit for the financial year	**12,999**	11,948
Currency translation differences arising on foreign currency net investments	**(2,598)**	914
Total recognised gains and losses relating to the financial year	**10,401**	12,862
Prior year adjustment (see Notes 2(d))	**68**	
Total gains and losses recognised since the last annual report	**10,469**	

Consolidated balance sheet at 31 March 2007

	Note	2007		2006 (Restated – see Note 1)	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets - goodwill		**26,695**		21,339	
Tangible assets		**41,882**		37,134	
Investments in joint venture					
- share of gross assets		**-**		769	
- share of gross liabilities		**-**		(596)	
			68,577		58,646
Current assets					
Stocks		**48,577**		40,008	
Debtors		**41,283**		29,931	
Investments - unquoted		**20**		65	
Cash at bank and in hand		**12,990**		11,825	
		102,870		81,829	
Creditors: amounts falling due within one year		**(79,903)**		(56,382)	
Net current assets			**22,967**		25,447
Total assets less current liabilities			**91,544**		84,093
Creditors: amounts falling due after more than one year			**(5,737)**		(6,352)
Provisions for liabilities and charges			**(1,939)**		(1,950)
Net assets			**83,868**		75,791
Capital and reserves					
Called up share capital			**2,317**		2,308
Share premium account			**2,515**		2,386
Potential issue of shares	*6(a) & (b)*		**2,235**		1,052
Other reserves			**11,759**		13,964
Profit and loss account			**65,042**		56,081
Equity shareholders' funds	*8*		**83,868**		75,791

Consolidated cash flow statement for the year ended 31 March 2007	*Note*	**2007**	2006
		£000	£000
Net cash inflow from operating activities	*9*	**10,889**	2,706
Returns on investments and servicing of finance	*10*	**(2,419)**	(1,232)
Taxation		**(3,024)**	(5,980)
Capital expenditure	*10*	**(11,838)**	7,809
Acquisitions and disposals	*10*	**(16,776)**	(13,078)
Equity dividends paid		**(4,282)**	(3,578)
Cash outflow before financing		**(27,450)**	(13,353)
Financing	*10*	**(223)**	(630)
Decrease in cash in the year		**(27,673)**	(13,983)

Reconciliation of net cash flow to movement in net (debt)/funds for the year ended 31 March 2007	*Note*	**2007**	2006
		£000	£000
Decrease in cash in the year		**(27,673)**	(13,983)
Cash (inflow)/outflow from debt and lease financing	*11*	**(688)**	462
Change in net debt resulting from cash flows		**(28,361)**	(13,521)
Loans acquired with subsidiary		**(173)**	-
New finance leases		**(50)**	-
Translation differences	*11*	**1,315**	(1,013)
Movement in net debt in the year		**(27,269)**	(14,534)
Net (debt)/funds at beginning of year		**(10,744)**	3,790
Net debt at end of year	*11*	**(38,013)**	(10,744)

Notes

1. Basis of preparation

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 March 2007 or 2006. Statutory financial statements for 2006 have been delivered to the registrar of companies, and those for 2007 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

In these financial statements the following new standard has been adopted for the first time:

FRS 20 “Share-based payments”. The accounting policy under this new standard is set out below together with an indication of the effects of its adoption.

Share options are, in most cases, issued at market value at the date of grant and consideration is accounted for when the option is exercised. The fair value of options granted and not yet vested is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of share options ultimately expected to vest based on the company’s anticipated future staff turnover.

The corresponding amounts in these financial statements are restated in accordance with the new policy. The impact of the adoption of FRS 20 on the results for the year and the preceding year is set out in note 2 (d).

2. Segmental analysis

(a) Geographical area of operation

	UK, Europe & Far East		USA		Group	
	2007	2006 (Restated – See Note 1)	**2007**	2006 (Restated – See Note 1)	**2007**	2006 (Restated - See Note 1)
	£000	£000	**£000**	£000	**£000**	£000
Turnover	**171,500**	167,344	**25,218**	29,210	**196,718**	196,554
Operating profit before exceptional items	**17,887**	16,524	**1,543**	1,796	**19,430**	18,320
Exceptional items (see below)	**(1,252)**	(3,310)	**-**	-	**(1,252)**	(3,310)
Operating profit after exceptional items	**16,635**	13,214	**1,543**	1,796	**18,178**	15,010
Share of operating profit of joint venture	**-**	7	**-**	-	**-**	7
	16,635	13,221	**1,543**	1,796	**18,178**	15,017
Profit on disposal of fixed assets	**2,240**	1,838	**-**	-	**2,240**	1,838
Net interest	**(1,849)**	(1,108)	**(908)**	(693)	**(2,757)**	(1,801)
Profit on ordinary activities before taxation	**17,026**	13,951	**635**	1,103	**17,661**	15,054
Net assets (Restated - note 1)	**76,783**	68,406	**7,085**	7,385	**83,868**	75,791

The above results relate entirely to continuing operations.

(b) Exceptional items

	2007	2006
	£000	£000
Restructuring costs (see (i) below)	**1,252**	2,906
Other (see (ii) below)	**-**	404
	1,252	3,310

(i) During the year ended 31st March 2007 the Group incurred a number of costs associated with the ongoing restructuring changes that commenced in the previous year and are being undertaken in order to maintain competitiveness. These consisted of (a) the relocation of certain UK production overseas, (b) the relocation and integration of the Copywrite Designs Ltd stationery division into Anker's operations and (c) the reorganisation of the individual UK Christmas giftwrap, cracker and cards operations into one division. The costs of these restructuring changes, primarily redundancy and machine relocation costs amounted to £1,252,000 (2006: £2,906,000).

(ii) These represented one-off product safety recall and rectification costs incurred in connection with one of the Group's products.

(c) Geographical analysis of turnover by destination

	2007 £000	2006 £000
UK	**119,043**	122,443
USA	**45,140**	47,191
Europe	**29,971**	22,665
Rest of world	**2,564**	4,255
	196,718	196,554

(d) Share based payments

The Company has adopted FRS20 for the first time in this period and accordingly the operating profit is stated after charging £244,000 for the cost of share options. The operating profit for the 12 months to 31 March 2006 has been restated to include a charge of £423,000 in respect of this cost with a corresponding reduction of £40,000 in the tax charge as a result of recognising the associated deferred tax asset. The only impact on the net assets as at 31st March 2006 relates to the deferred tax asset element and results in an increase in prior year net assets of £68,000.

3. Profit on ordinary activities before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Hire of plant and machinery - rentals payable under operating leases	**302**	410
Hire of other assets - operating leases	**1,487**	1,249
Release of deferred grant income	**(823)**	(498)
Depreciation - owned	**5,641**	5,469
- leased	**235**	276
Amortisation of goodwill	**1,458**	1,031

During the year payments were made to the group auditor, KPMG Audit Plc as follows:	2007 £000	2006 £000
Audit of these financial statements	39	36
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	95	80
Other services relating to taxation	76	39
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Company's subsidiaries	24	64
All other services	(47)	158

The credit in 2007 for all other services relates to charges for work undertaken in 2006 in connection with the relocation of the group's Chinese factory.

4. Taxation

	2007		2006 (Restated – see Note 1)	
	£000	**£000**	£000	£000
Current tax				
UK corporation tax on profits of the year	**2,271**		2,885	
Adjustments in respect of previous periods	**(240)**		22	
		2,031		2,907
Foreign tax				
On profits of the year	**1,591**		1,369	
Adjustments in respect of previous periods	**65**		14	
		1,656		1,383
Total current tax		**3,687**		4,290
Deferred taxation				
Origination and reversal of timing differences	**882**		(1,271)	
Adjustments in respect of previous periods	**93**		87	
Total deferred tax		**975**		(1,184)
Tax on profits on ordinary activities		**4,662**		3,106

5. Dividends paid

	2007	2006
	£000	£000
Final for year ended 31st March 2006 – 7.00p per share *(2005: 5.75p)*	**3,240**	2,652
Interim for year ended 31st March 2007 – 2.25p per share *(2006: 2p)*	**1,042**	926
Dividends paid	**4,282**	3,578

6. Acquisitions

(a) On 19th November 2003, the Group acquired 100% of the issued share capital of Hoomark Gift-Wrap Partners BV. The purchase agreement provided for future payments of deferred consideration, based on Hoomark's profits for the 3 years ended March 2007. At 31st March 2006, the future consideration payable was estimated at £1,052,000, of which up to 100% was payable by the issuance of new ordinary shares at the company's option. During the year ended 31 March 2007, £508,000 of this amount was paid in cash. Based on Hoomark's results for the year ended 31st March 2007, the estimated future consideration has been increased by £83,000 less £35,000 accounted for by exchange differences. Up to 100% of the total unpaid consideration of £592,000 at 31st March 2007 may be payable by the issue of new ordinary shares, at the company's option.

(b) On 6th April 2006 the Group acquired 100% of the issued share capital of Alligator Books Limited, a publisher and distributor of children's books and stationery. Initial consideration of £2.569m (including costs) was paid, £2.319m in cash and £0.25m by the issue of 62,703 new ordinary shares. Estimated additional consideration of £3.66m is payable, based on Alligator's results for the year ended 31st March 2007. Up to £1.643m of the additional consideration of £3.66m is payable by the issue of new ordinary shares, at the company's option.

The book value and provisional fair value of assets acquired was as follows:

	£000
Intangible assets	3
Tangible assets	52
Stocks	1,375
Debtors	1,569
Cash	68
Bank overdraft	(1,839)
Creditors	(1,004)
	224
Goodwill (estimated useful life of 20 years)	6,005
Total Consideration	**6,229**

Audited accounts of Alligator Books Limited for the eleven months ended 31st March 2006 reflected turnover of £5.7m, operating profit of £0.5m and interest payable of £0.1m, resulting in a profit before tax of £0.4m.

(c) On 8th July 2006, the Group acquired the remaining 50% shareholding not previously owned in the holding company (Leonard Henry Holdings BV) of the Group's Dutch joint venture, Anchor International BV. Consideration of €1.26m was paid, €1m in cash and €0.26m by the issue of 44,692 new ordinary shares.

The book value and provisional fair value of assets acquired was as follows:

	£000
Tangible assets	12
Stock	1,054
Debtors	731
Cash	75
Bank Overdraft	(903)
Creditors	(623)
	346
Less 50% share previously owned	(173)
Net share of assets acquired	173
Goodwill (estimated useful life of 20 years)	726
Total consideration	**899**

Audited accounts were not previously prepared by Leonard Henry Holdings BV. Unaudited accounts for the 12 months ended 31st December 2005 reflect turnover of €4.8m, operating profit of €0.065m and net interest payable of €0.049m resulting in a profit before tax of €0.016m.

(d) On 23rd January 2007, the Group acquired 100% of the issued share capital of Eick Pack Werner Eick GmbH & Co ("Eick Pack"), a manufacturer of giftwrap counter rolls, based in Germany. Initial consideration of €1 was paid for the shares. The share purchase agreement also provided for the potential repayment of outstanding loans of €0.512m made by the previous shareholders to Eick Pack. €0.256m was repaid on completion, with the balance of €0.256m repayable, dependant on Eick Pack's profits for the years ended 31st March 2008 to 2010.

The book value and provisional fair values of assets acquired was as follows:

	Book Value £000	**Provisional fair value adjustments** £000	**Provisional fair value at date of acquisition** £000
Tangible assets	29	-	29
Stock	377	(38)	339
Debtors	205	-	205
Cash	19	-	19
Bank overdraft	(115)	-	(115)
Creditors	(490)	-	(490)
	25	(38)	(13)
Goodwill (estimated useful life of 20yrs)			13
Consideration			**-**

Audited accounts were not previously prepared by Eick Pack. Unaudited accounts for the 12 months ended 31st December 2006 reflect turnover of €2.6m, operating profit of €0.01m and interest payable of €0.05m resulting in a loss before tax of €0.04m.

7. Earnings per share

	2007	2006 (Restated see Note 1)
Adjusted basic earnings per share excluding exceptional items, profit on disposal of fixed assets and goodwill	**29.5p**	28.0p
Loss per share on goodwill	**(3.1p)**	(2.2p)
Loss per share on exceptional items	**(1.9p)**	(5.1p)
Earnings per share on profit on disposal of fixed assets	**3.6p**	5.5p
Basic earnings per share	**28.1p**	26.2p
Diluted earnings per share	**27.7p**	25.8p

The basic earnings per share is based on the earnings of £12,999,000 *(2006: £11,948,000)* and the weighted average number of ordinary shares in issue of 46,278,695 *(2006: 45,536,856)*. The calculation of diluted earnings per share is based on 46,998,106 *(2006: 46,304,602)* ordinary shares. The difference of 719,411 *(2006: 559,291)* represents the dilutive effect of outstanding employee share options which has been calculated in accordance with FRS 22.

Adjusted basic earnings per share excluding exceptional items, profit on disposal of fixed assets and goodwill is calculated after adjusting for exceptional items of £1,252,000 (*2006: £3,310,000)*, the profit on disposal of fixed assets of £2,240,000 *(2006: £1,838,000),* amortisation of goodwill of £1,458,000 *(2006: £1,031,000)*, and the tax attributable to these items of £192,000 *(2006: tax relief of £1,691,000).*

8. Reconciliation of movements in shareholders' funds

	2007 **£000**	2006 (Restated – see Note 1) £000
Profit for the financial year	**12,999**	11,948
Dividends paid in the year	**(4,282)**	(3,578)
Retained profit for the financial year	**8,717**	8,370
Other recognised gains and losses relating to the year (net)	**(2,598)**	914
New share capital subscribed	**531**	12,879
Potential issue of shares (note 6(a) and (b))	**1,183**	126
Purchase of own shares	**-**	(538)
Share based payments	**244**	423
Net addition to shareholders' funds	**8,077**	22,174
Opening shareholders' funds as previously reported	**75,723**	53,589
Prior year adjustment – share based payments	**68**	28
Closing shareholders' funds	**83,868**	75,791

9. Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006 (Restated – see Note 1)
	£000	£000
Operating profit	**18,178**	15,010
Depreciation charge	**5,876**	5,745
(Increase) in stocks	**(7,521)**	(9,650)
(Increase) in debtors	**(6,917)**	(5,715)
Increase/(decrease) in creditors	**1,403**	(2,833)
Deferred income	**(1,227)**	(632)
Goodwill amortisation	**1,458**	1,031
Utilisation of provision	**(605)**	(673)
Charge for share based payments	**244**	423
Net cash inflow from operating activities	**10,889**	2,706

10. Gross cash flows

	Cash inflow/(outflow)	
	2007	2006
	£000	£000
Returns on investment and servicing of finance		
Interest paid	**(2,394)**	(1,668)
Interest received	**-**	455
Interest element of finance lease repayments	**(25)**	(19)
Net cash (outflow) for returns on investment and servicing of finance	**(2,419)**	(1,232)
Capital expenditure		
Purchase of tangible fixed assets	**(11,933)**	(11,225)
Disposal of tangible fixed assets	**95**	19,034
Net cash (outflow)/inflow from capital expenditure	**(11,838)**	7,809
Acquisitions and disposals		
Acquisition of subsidiaries	**(14,081)**	(13,047)
Net overdraft acquired with subsidiary	**(2,695)**	(31)
Net cash (outflow) for acquisitions and disposals	**(16,776)**	(13,078)
Financing		
New shares issued	**101**	379
Purchase of own shares	**-**	(538)
Repayment of amounts borrowed	**(89)**	(99)
Capital element of finance lease payments	**(280)**	(363)
Sale/(purchase) of investments	**45**	(9)
Net cash (outflow) from financing	**(223)**	(630)

11. Analysis of changes in net (debt)/funds

	At 1 April 2006	Cash flow	Exchange movement	Acquisition of subsidiary	Inception of new finance leases and loans	Other changes	At 31 March 2007
	£000	£000	£000	£000	£000	£000	**£000**
Cash at bank and in hand	11,825	1,746	(743)	162	-	-	**12,990**
Overdrafts	(20,850)	(26,724)	1,874	(2,857)	-	-	**(48,557)**
	(9,025)	(24,978)	1,131	(2,695)	-	-	**(35,567)**
Debt due after one year	(1,147)	-	139	(173)	(973)	94	**(2,060)**
Debt due within one year	(101)	89	12	-	(84)	(94)	**(178)**
Finance leases	(471)	280	33	-	(50)	-	**(208)**
	(1,719)	369	184	(173)	(1,107)	-	**(2,446)**
Total net (debt)/funds	(10,744)	(24,609)	1,315	(2,868)	(1,107)	-	**(38,013)**