



International Greetings PLC



**Designed
to succeed**

International Greetings plc
Interim report 2012

Welcome to International Greetings
We are one of the world's leading designers,
manufacturers, importers and distributors
of gift packaging and greetings, 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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Highlights

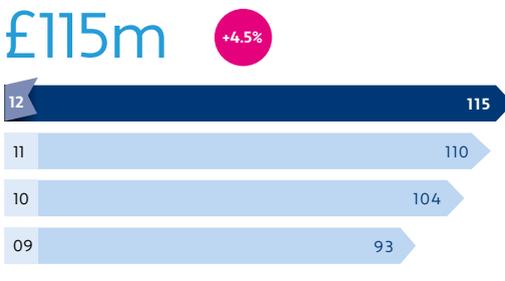
Financial highlights

- Sales up 4.5% to £115.2 million (2011 H1: £110.3 million)
- Operating profit before exceptional items level at £5.2 million
- Profit before tax and exceptional items up 2% to £3.3 million (2011 H1: £3.2 million)
- Profit before tax up 19% at £2.5 million (2011 H1: £2.1 million) after exceptional costs of £0.75 million (2011 H1: £1.1 million)
- Net debt down £4 million at £84.5 million (2011 H1: £88.5 million)

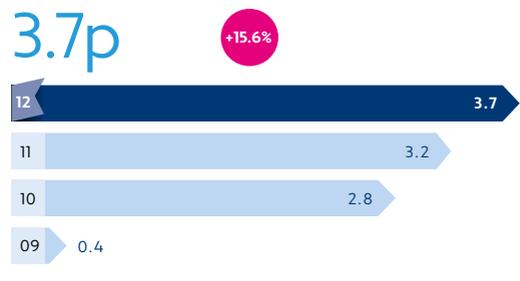
Operational highlights

- Double digit sales and profits growth in the US
- Continued sales and profit progression in UK/Asia with operational streamlining in the UK
- First season in our new manufacturing facility in China completed
- Upgraded logistics facilities in Australia including completion of semi-automated systems
- Record levels of gift wrap volumes produced supported by new state of the art manufacturing facilities in Holland
- Global sales of Everyday single cards on course to grow by over 25% in the UK and USA in the current year
- Order book for FY 13/14 well advanced

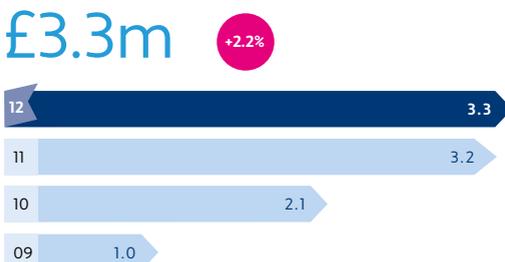
Sales (£m)



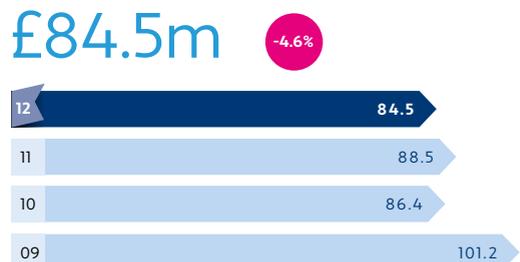
Diluted adjusted earnings per share (p) (excluding exceptional items and discontinued operations)



Profit before exceptional items and tax (£m)



Net debt (£m)



Chief Executive Officer's review

Focusing on growth.



Paul Fineman Chief Executive Officer

Key achievements

- Sales up 4.5% to £115.2 million (2011 H1: £110.3 million)
- Diluted adjusted earnings per share excluding exceptional items up 15.6% from 3.2p to 3.7p
- Net debt down £4 million at £84.5 million (2011 H1: £88.5 million)
- Double digit sales and profits growth in the US
- First season in our new manufacturing facility in China completed
- Record levels of gift wrap volumes produced supported by new state of the art manufacturing facilities in Holland
- Global sales of Everyday single cards have grown by over 10%

Overview

Sales and profit for the six months ended 30 September 2012 are overall in line with expectations.

Operational Review

The first half of this year has featured a number of key operational highlights including the first season of production following the relocation of our manufacturing facilities in China. Despite initial challenges we completed a substantial amount of the output in the period, with over 65 million Christmas crackers due to be manufactured during 2012.

Profits in the UK and Asia have grown during the period with further operational streamlining within the UK having been achieved. We are also pleased to report that our success in the United States has continued to gain momentum with excellent sales and profit growth across

all major categories. In this market we continue to see new consumer trends emerging including the increasing popularity of Christmas crackers. Growth of Everyday greeting cards averaged over 25% in these territories.

Record levels of gift wrap volumes continue to be sold, now supported by new high speed state of the art manufacturing equipment which was successfully installed in the Netherlands during the Spring. Whilst the market in continental Europe continues to be particularly challenging, the recent investment made in gift wrap production, amongst other factors, helped to ensure that our operations remained profitable. At Artwrap, our Joint Venture in Australia, we have upgraded logistics facilities including semi-automation in order to increase efficiencies. However, Artwrap is now experiencing some of the macroeconomic market conditions which the Group has successfully managed in recent years in the US, UK and European markets.

Financial Review

Revenue from continuing operations for the period increased by 4.5% to £115.2 million (2011: £110.3 million), with particularly good progress in the UK and USA where sales increased by 4% and 15% respectively. Together these more than compensated for continuing challenges in the European marketplace and signs of slowdown in Australia.

Inflationary pressures on costs continued with sea freight on average 24% higher than over the equivalent period last year but our efforts succeeded in mitigating this. Gross profit margins at 18.4% (compared to 19.1% in 2011 and 18.3% in H1 2010) were 0.7% lower as a result of the reducing contribution from our higher margin Australian Joint Venture.

At £16.6 million (2011 H1: £16.2 million), overheads as a percentage of sales continued to fall from 14.7% to 14.4%.

Operating profit before exceptional costs was flat at

£5.2 million (2011 H1: £5.2 million) or up 1.3% at constant exchange rates. Profit before tax and exceptional items was up 2.2% to £3.3 million (2011 H1: £3.2 million) or 4% at constant exchange rates.

Profit before tax and after exceptional items was up 19% to £2.5 million (2011 H1: £2.1 million).

Finance expenses in the period were £1.9 million (2011 H1: £2.0 million). This overall reduction reflects the full year effect of higher borrowing margins and one-off charges associated with the refinancing and extension of the maturity of our facilities but has been significantly offset by lower debt levels throughout the period. Shorter dated facilities were renewed in the period for a further year with improved facility headroom and flexibility and the first 0.5% of a series of potential margin reductions was achieved as leverage fell to qualifying levels. Debt reduction remains a key focus and our programme for this is on-track.

The effective underlying tax rate was 26% (2011 H1: 27.5%) reflecting the mix of profits shifting slightly away from the higher tax jurisdictions and also lower UK rates. There are still unrecognised losses with a tax value of \$6.2 million in the USA and £0.4 million in the UK which can be reflected in the balance sheet as US profitability progresses.

As recently announced and subsequent to the end of the period, a major customer of Artwrap, our Joint Venture in Australia, went into voluntary administration. This has placed the recoverability of the outstanding debt at risk and AUS\$1.2 million has been provided as an exceptional adjusting item in the H1 accounts. As a result exceptional costs relating to the period were provided at £0.75 million (2011 H1: £1.1 million). However, the effect on earnings will only be impacted by £0.3 million reflecting tax and the minority interest.

Stated before exceptional items, basic earnings per share were 3.9p (2011 H1: 3.4p) and 3.4p (2011 H1: 1.8p) after exceptional items. Diluted earnings per share before exceptional items were 3.7p (2011 H1: 3.2p), up 15.6% on the prior year. See note 6 of the interim financial statements.

Capital expenditure in the six months was £1.4 million (2011 H1: £1.4 million). Some surplus land in Wales and machines in Australia were sold in the period generating proceeds of £0.4 million in cash.

Cash used by operations was £39.1 million (2011 H1: £39.9 million), which reflects the seasonality of the business as 58% of the sales in the six month period occurred in the last two months.

Debtors and receivables at £69.3 million have reduced

slightly from £69.4 million at H1 2011 and stock levels actually fell by 5.6% from £64.2 million (H1 2011) to £60.6 million (H1 2012) despite the sales increase of 4.5%.

Net debt at 30 September 2012 was down £4.0 million to £84.5 million (2011 H1: £88.5 million).

The Board will not be declaring an interim dividend and will keep this policy under review (2011 H1: nil).

Current trading outlook

Our Group continues to trade profitably in all regions with overall sales growth in the first half of 4.5%. At the same time our debt reduction programme remains on track and we have reduced debt by £4.0 million during the period. Driving strong earnings per share growth also remains a core objective and this is underpinned by our encouraging performance in our major markets.

Our Joint Venture in Australia is now experiencing some of the macroeconomic market conditions which the Group has successfully managed in recent years in the US, UK and European markets and this may slow the pace of growth to headline profitability but the effect on earnings is much reduced after allowing for tax and the minority interest.

Our track record over recent years of prudent investment combined with the provision of innovative and competitive products has enabled us to combat competitive market dynamics across our global customer base. This underlines the importance of creating efficiencies across the Group, leveraging scale and continuing to balance the geography, product category and seasonality of our activities.

Paul Fineman
CEO



Consolidated income statement

six months ended 30 September 2012

	Unaudited six months ended 30 September 2012			Unaudited six months ended 30 September 2011			12 months ended 31 March 2012		
	2012	2012	2012	2011	2011	2011	2012	2012	2012
	Before exceptional items £000	Exceptional items (note 3) £000	Total £000	Before exceptional items £000	Exceptional items (note 3) £000	Total £000	Before exceptional items £000	Exceptional items (note 3) £000	Total £000
Continuing operations									
Revenue	115,207	–	115,207	110,227	–	110,277	220,755	–	220,755
Cost of sales	(94,056)	–	(94,056)	(89,194)	–	(89,194)	(178,190)	–	(178,190)
Gross profit	21,151	–	21,151	21,083	–	21,083	42,565	–	42,565
	18.4%		18.4%	19.1%		19.1%	19.3%		19.3%
Selling expenses	(6,723)	(750)	(7,473)	(6,451)	–	(6,451)	(13,003)	–	(13,003)
Administration expenses	(9,849)	–	(9,849)	(9,734)	(1,080)	(10,814)	(19,580)	(3,635)	(23,215)
Other operating income	382	–	382	287	–	287	678	–	678
Profit/(loss) on sales of property, plant and equipment	251	–	251	22	–	22	63	(283)	(220)
Operating profit/(loss)	5,212	(750)	4,462	5,207	(1,080)	4,127	10,723	(3,918)	6,805
Finance expenses	(1,929)	–	(1,929)	(1,994)	–	(1,994)	(3,635)	–	(3,635)
Profit/(loss) before tax	3,283	(750)	2,533	3,213	(1,080)	2,133	7,088	(3,918)	3,170
Income tax (charge)/credit	(854)	224	(630)	(884)	222	(662)	(1,948)	195	(1,753)
Profit/(loss) from continuing operations for the period	2,429	(526)	1,903	2,329	(858)	1,471	5,140	(3,723)	1,417
Attributable to:									
Owners of the Parent Company			1,874			993			177
Non-controlling interest			29			478			1,240

Earnings per ordinary share	Unaudited six months ended 30 September 2012		Unaudited six months ended 30 September 2011		12 months ended 31 March 2012	
	Diluted	Basic	Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items	3.7p	3.9p	3.2p	3.4p	6.7p	7.2p
Loss per share on exceptional items	(0.5)p	(0.5)p	(1.5)p	(1.6)p	(6.4)p	(6.9)p
Earnings per share from continuing operations	3.2p	3.4p	1.7p	1.8p	0.3p	0.3p
Earnings per share	3.2p	3.4p	1.7p	1.8p	0.3p	0.3p

Consolidated statement of comprehensive income

six months ended 30 September 2012

	Unaudited six months ended 30 September 2012 £000	Unaudited six months ended 30 September 2011 £000	12 months ended 31 March 2012 £000
At 1 April 2012	1,903	1,471	1,417
Other comprehensive income:			
Exchange difference on translation of foreign operations	(473)	(155)	(88)
Net (loss)/profit on cash flow hedges (net of tax)	(181)	274	(322)
Other comprehensive income for period, net of tax	(654)	119	(410)
Total comprehensive income for the period, net of tax	1,249	1,590	1,007
Attributable to:			
Owners of the Parent Company	1,260	1,018	(475)
Non-controlling interests	(11)	572	1,482
	1,249	1,590	1,007

Consolidated statement of changes in equity

six months ended 30 September 2012

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 31 March 2012	2,750	4,480	17,164	(446)	446	23,410	47,804	4,744	52,548
Profit for the year	-	-	-	-	-	1,874	1,874	29	1,903
Other comprehensive income	-	-	-	(181)	(433)	-	(614)	(40)	(654)
Total comprehensive income for the year	-	-	-	(181)	(433)	1,874	1,260	11	1,249
Equity-settled share-based payment	-	-	-	-	-	55	55	-	55
Options exercised	78	159	-	-	-	-	237	-	237
Equity dividends paid	-	-	-	-	-	-	-	(968)	(968)
At 30 September 2012	2,828	4,639	17,164	(627)	13	25,339	49,356	3,765	53,121

For the six months ended 30 September 2011

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 1 April 2011	2,698	4,386	17,164	(124)	776	23,190	48,090	4,220	52,310
Profit for the period	-	-	-	-	-	993	993	478	1,471
Other comprehensive income	-	-	-	274	(249)	-	25	94	119
Total comprehensive income for the year	-	-	-	274	(249)	993	1,018	572	1,590
Equity-settled share-based payment	-	-	-	-	-	53	53	-	53
Options exercised	14	25	-	-	-	-	39	-	39
Equity dividends paid	-	-	-	-	-	-	-	(958)	(958)
At 30 September 2011	2,712	4,411	17,164	150	527	24,236	49,200	3,834	53,034

For the year ended 31 March 2012

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 1 April 2011	2,698	4,386	17,164	(124)	776	23,190	48,090	4,220	52,310
Profit for the year	-	-	-	-	-	177	177	1,240	1,417
Other comprehensive income	-	-	-	(322)	(330)	-	(652)	242	(410)
Total comprehensive income for the year	-	-	-	(322)	(330)	177	(475)	1,482	1,007
Equity-settled share-based payment	-	-	-	-	-	43	43	-	43
Options exercised	52	94	-	-	-	-	146	-	146
Equity dividends paid	-	-	-	-	-	-	-	(958)	(958)
At 31 March 2012	2,750	4,480	17,164	(446)	446	23,410	47,804	4,744	52,548

Consolidated balance sheet as at 30 September 2012

	Note	Unaudited as at 30 September 2012 £000	Unaudited as at 30 September 2011 £000	As at 31 March 2012 £000
Non-current assets				
Property, plant and equipment		30,360	31,130	31,533
Intangible assets		32,502	33,082	32,916
Deferred tax assets		4,159	4,758	4,640
Total non-current assets		67,021	68,970	69,089
Current assets				
Inventory		60,615	64,202	42,628
Trade and other receivables		69,289	69,360	20,942
Cash and cash equivalents	4	3,403	1,734	3,168
Total current assets		133,307	135,296	66,738
Total assets		200,328	204,266	135,827
Equity				
Share capital		2,828	2,712	2,750
Share premium		3,299	3,071	3,140
Reserves		17,890	19,181	18,504
Retained earnings		25,339	24,236	23,410
Equity attributable to owners of the Parent Company		49,356	49,200	47,804
Non-controlling interests		3,765	3,834	4,744
Total equity		53,121	53,034	52,548
Non-current liabilities				
Loans and borrowings	4	28,854	34,926	33,622
Deferred income		1,604	2,154	1,879
Provisions		899	1,847	1,003
Other financial liabilities		526	355	447
Total non-current liabilities		31,883	39,282	36,951
Current liabilities				
Bank overdraft		5,820	5,940	1,945
Loans and borrowings	4	53,199	49,383	9,329
Deferred income		550	550	550
Provisions		172	–	317
Income tax payable		580	585	855
Trade and other payables		45,191	42,324	23,133
Other financial liabilities		9,812	13,168	10,199
Total current liabilities		115,324	111,950	46,328
Total liabilities		147,207	151,232	83,279
Total equity and liabilities		200,328	204,266	135,827

Consolidated cash flow statement

six months ended 30 September 2012

	Unaudited six months ended 30 September 2012 £000	Unaudited six months ended 30 September 2011 £000	12 months ended 31 March 2012 £000
Cash flows from operating activities			
Profit for the year	1,903	1,471	1,417
Adjustments for:			
Depreciation	1,914	1,951	3,753
Impairment of tangible fixed assets	–	214	–
Amortisation of intangible assets	318	261	534
Finance expenses – continuing operations	1,929	1,994	3,635
Income tax credit – continuing operations	630	662	1,753
(Profit)/loss on sales of property, plant and equipment	(251)	(7)	220
Loss on external sale of intangible fixed assets	1	–	4
Profit on disposal of assets held for resale	–	(15)	(8)
Equity-settled share-based payment	55	53	43
Operating profit after adjustments for non-cash items	6,499	6,584	11,351
Change in trade and other receivables	(48,675)	(48,188)	224
Change in inventory	(18,116)	(18,643)	2,840
Change in trade and other payables	21,754	20,658	(1,799)
Change in provisions and deferred income	(524)	(275)	(1,102)
Cash (used by)/generated from operations	(39,062)	(39,864)	11,514
Tax paid	(452)	(388)	(1,131)
Interest and similar charges paid	(1,757)	(1,628)	(3,491)
Receipts from sales of property for resale	–	528	528
Net cash (outflow)/inflow from operating activities	(41,271)	(41,352)	7,420
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	403	42	122
Acquisition of intangible assets	(88)	(166)	(399)
Acquisition of property, plant and equipment	(1,339)	(1,187)	(4,015)
Net cash (outflow) from investing activities	(1,024)	(1,311)	(4,292)
Cash flows from financing activities			
Proceeds from issue of share capital	237	39	146
Repayment of secured borrowings	(3,504)	(1,118)	(1,473)
Net movement in credit facilities	43,543	11,799	(27,785)
Payment of finance lease liabilities	(37)	(35)	(49)
New bank loans raised	–	30,170	30,170
Loan arrangement fees	(444)	–	(370)
Payment of deferral consideration	–	–	(111)
Dividends paid to non-controlling interests	(968)	(918)	(918)
Net cash inflow/(outflow) from financing activities	38,827	39,937	(390)
Net increase in cash and cash equivalents	(3,468)	(2,726)	2,738
Cash and cash equivalents at end of period	1,223	(1,735)	(1,735)
Effect of exchange rate fluctuations on cash held	(172)	255	220
Cash and cash equivalents at end of the period	(2,417)	(4,206)	1,223

Notes to the interim financial statements

1 Accounting policies

Basis of preparation

The financial information contained in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and is unaudited.

The Group interim report has been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The financial information for the year ended 31 March 2012 is extracted from the statutory accounts of the Group for that financial year and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The report of the auditors was (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under Section 498 (2) of the Companies Act 2006.

Going concern basis

The financial statements have been prepared on the going concern basis. Following the restructure of its principal banking facilities in July 2011 the Group now shows net current assets of £18.0 million (2011 HI: £23.3 million).

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

As with any company placing reliance on external entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of this interim 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.

The interim report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2012.

Significant accounting policies

The accounting policies adopted in the preparation of the interim report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

2 Segmental information

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

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

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

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

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

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

2 Segmental information continued

	UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Six months ended 30 September 2012						
Continuing operations						
Revenue – external	63,527	11,122	27,322	13,236	–	115,207
– inter-segment	968	143	–	–	(1,111)	–
Total segment revenue	64,495	11,265	27,322	13,236	(1,111)	115,207
Segment result before exceptional items	3,277	488	1,519	826	–	6,110
Exceptional items	–	–	–	(750)	–	(750)
Segment result	3,277	488	1,519	76	–	5,360
Central administration costs						(898)
Net finance expenses						(1,929)
Income tax						(630)
Profit from continuing operations for the six months ended 30 September 2012						1,903
Balances at 30 September 2012						
Continuing operations						
Segment assets	137,888	23,891	23,225	12,559	2,765	200,328
Segment liabilities	(80,031)	(21,370)	(40,100)	(6,520)	814	(147,207)
Capital expenditure						
– property, plant and equipment	405	91	159	684	–	1,339
– intangible	49	8	19	12	–	88
Depreciation	1,079	403	342	90	–	1,914
Amortisation	228	28	18	44	–	318

Notes to the interim financial statements (continued)

2 Segmental information continued

	UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Six months ended 30 September 2011						
Continuing operations						
Revenue – external	59,945	12,409	23,764	14,159	–	110,277
– inter-segment	1,889	360	–	–	(2,249)	–
Total segment revenue	61,834	12,769	23,764	14,159	(2,249)	110,277
Segment result before exceptional items	3,058	701	1,145	1,405	–	6,309
Exceptional items	(225)	–	–	–	–	(225)
Segment result	2,833	701	1,145	1,405	–	6,084
Central administration costs						(1,102)
Central administration exceptional items						(855)
Net finance expenses						(1,994)
Income tax						(662)
Profit from continuing operations for the six months ended 30 September 2011						1,471
Balances at 30 September 2011						
Continuing operations						
Segment assets	143,246	24,324	19,158	12,781	4,757	204,266
Segment liabilities	(81,867)	(21,766)	(39,632)	(7,388)	(579)	(151,232)
Capital expenditure						
– property, plant and equipment	232	746	147	62	–	1,187
– intangible	72	29	48	17	–	166
Depreciation	1,119	395	346	91	–	1,951
Amortisation	178	29	12	42	–	261
Impairment of property, plant and equipment	214	–	–	–	–	214

The six months ended 30 September 2011 comparatives have been amended to reflect revisions to the inter-segment reporting and eliminations between segments.

2 Segmental information continued

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

Notes to the interim financial statements (continued)

3 Exceptional items

	Six months ended 30 September 2012 £000	Six months ended 30 September 2011 £000	12 months ended 31 March 2012 £000
Bad debt provision (note a)	750	–	–
Redundancies (note b)	–	855	1,201
Impairment of leasehold land and buildings in China (note c)	–	225	283
China factory move (note d)	–	–	2,434
Total exceptional items	750	1,080	3,918
Income tax credit	(224)	(222)	(195)
	526	858	3,723

(a) Provision for debtor now in voluntary administration relating to our Joint Venture in Australia.

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

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

(d) Costs associated with moving the China factory.

4 Cash, loans and borrowing

	Six months ended 30 September 2012 £000	Six months ended 30 September 2011 £000	12 months ended 31 March 2012 £000
Secured bank loan (short term)	(4,685)	(3,918)	(3,974)
Secured bank loan (long term)	(29,340)	(34,926)	(33,880)
Asset backed loans	(30,860)	(36,811)	(5,467)
Revolving credit facilities	(17,839)	(8,654)	–
Loan arrangement fees	671	–	370
Total loans	(82,053)	(84,309)	(42,951)
Cash and bank deposits	3,403	1,734	3,168
Bank overdraft	(5,820)	(5,940)	(1,945)
Cash and cash equivalents per cash flow statement	(2,417)	(4,206)	1,223
Net debt used in the Chief Executive's Review	(84,470)	(88,515)	(41,728)

5 Taxation

	Six months ended 30 September 2012 £000	Six months ended 30 September 2011 £000	12 months ended 31 March 2012 £000
Current tax expenses			
Current income tax charge	(149)	(825)	(1,789)
Deferred tax expense			
Relating to original and reversal of temporary differences	(481)	163	36
Total tax in income statement	(630)	(662)	(1,753)

Taxation for the six months ended 30 September 2012 is based on the effective rate of taxation, which is estimated to apply in each country for the year ended 31 March 2013.

6 Earnings per share

	As at 30 September 2012		As at 30 September 2011		As at 31 March 2012	
	Diluted	Basic	Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items	3.7p	3.9p	3.2p	3.4p	6.7p	7.2p
Loss per share on exceptional items	(0.5)p	(0.5)p	(1.5)p	(1.6)p	(6.4)p	(6.9)p
Earnings per share from continuing operations	3.2p	3.4p	1.7p	1.8p	0.3p	0.3p
Earnings per share	3.2p	3.4p	1.7p	1.8p	0.3p	0.3p

The basic earnings per share is based on the profit attributable to equity holders of the Parent Company of £1,874,000 (2011: £993,000) and the weighted average number of ordinary shares in issue of 55,799,000 (2011: 54,103,000) calculated as follows:

	September 2012	September 2011	March 2012
Weighted average number of shares in thousands of shares			
Issued ordinary shares at 1 April	55,007	53,967	53,967
Shares issued in respect of exercising of share options	792	136	239
Weighted average number of shares at end of the period	55,799	54,103	54,206

Total number of options, over 5p ordinary shares, in issue at 30 September 2012 was 3,451,956.

Adjusted basic earnings per share excludes exceptional items charged of £375,000 (2011: £1,080,000), being the share of our Joint Venture attributable to shareholders, along with the tax relief attributable to those items of £112,000 (2011: £222,000). This gives an adjusted profit of £2,137,000 (2011: £1,851,000).

Directors and advisers

John Charlton

Non-Executive Chairman

Anders Hedlund

Founder and Non-Executive Deputy Chairman

Paul Fineman

Chief Executive Officer

Anthony Lawrinson

Chief Financial Officer and Company Secretary

Richard Eckman

Executive Director

Lance Burn

Executive Director

Elaine Bond

Non-Executive Director

Phil Dutton

Non-Executive Director

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