

**2 December 2015**

**International Greetings PLC**  
**("International Greetings" or the "Group")**

**Interim Results**

International Greetings PLC, one of the world's leading designers, innovators and manufacturers of gift packaging and greetings, social expression giftware, stationery and creative play products, announces its Interim Results for the six months ended 30 September 2015.

**Financial Highlights**

- Sales at £120 million in line with expectations, 7% up on the prior period (2014 H1: £112 million)
- Gross profit margins at 18.2% (2014 H1: 18.0%) in line with expectations, reflecting H1 regional sales mix
- Adjusted profit before tax<sup>(a)</sup> up by 32% to £5.2 million (2014 H1: £4.0 million)
- Key objective to grow adjusted fully diluted earnings per share<sup>(b)</sup> fully on track – up 33.3% on prior year to 6.4p (2014 H1: 4.8p)
- Net debt at 30 September 2015 reduced by 13% to £78.0 million (2014 H1: £89.9 million)
- Interim dividend of 0.75p per share (2015 H1: nil) to be paid on Tuesday 19 January, 2016

**Operational highlights**

- Record volumes produced in our China manufacturing facility
- Further gift wrap production efficiencies yielded in Europe and UK following investment, with new gift wrap conversion facilities on schedule to be operational in the US in early 2016.
- Excellent response to new licensed products, including those launched under the 'Star Wars', 'Minions' and 'Coca-Cola' brands
- Order book for FY15/16 in line with Board expectations and already building for FY16/17

**Paul Fineman, Chief Executive said:**

"We are pleased to report that all regions have again traded profitably during the period. In particular we have experienced continued improvement in performance in the key US market, whilst all other regions are also trading fully in line with expectations.

"Our focus on innovative and highly commercial design, customer service and fast payback investment, continues to deliver both margin improvement and profit growth. We are on course to achieve targeted growth in underlying earnings per share and remain firmly focused on further reducing leverage, by ensuring profit is efficiently converted into cash."

(a) Adjusted profit before tax is stated before exceptional items and Long Term Incentive Plan (LTIP) charges

(b) Adjusted fully diluted earnings per share is stated before exceptional items and LTIP charges

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## **International Greetings PLC**

### **Interim report 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.

#### **Highlights**

- Record levels of gift bags, greeting cards and over 70 million crackers produced in our factory based in China
- Excellent response to new licensed products, including those launched under the 'Star Wars', 'Minions' and 'Coca Cola' brands
- Further gift wrap production efficiencies yielded in Europe and UK following investment, with new gift wrap conversion facilities on schedule to be operational in the US in early 2016
- Order book for FY2015/16 in line with expectations and already building for FY2016/17
- Record sales revenue resulting in all regions trading profitably
- Net debt £12 million lower than the same time last year
- Key goal to grow adjusted fully diluted earnings per share<sup>(a)</sup> fully on track – up 33.3% on prior year to 6.4p (2014 H1: 4.8p)
- The Board is pleased to declare an interim dividend of 0.75p per share

(a) Adjusted fully diluted earnings per share is stated before exceptional items and Long Term Incentive Plan (LTIP) charged

#### **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.

#### **Chairman's statement**

"We commit to excellence in all that we do, in order to be the partner of choice, whether this be to our customer, supplier, associates or advisers."

John Charlton  
Chairman

We have been successful in achieving the three key financial objectives that we set ourselves, namely profit before tax, earnings per share growth and a reduction in our borrowings.

We are pleased to report a most satisfactory performance for our Group in the six months ending 30 September 2015. As you will see upon reading the operational and financial review from Paul Fineman – our Group CEO; we have been successful in achieving the three key financial objectives that we set ourselves, namely profit before tax, earnings per share growth and a reduction in our borrowings. We continue to operate in an ever changing retail market; accordingly our focus is to be able to react swiftly to any volatility in demand, whilst at the same time taking advantage of opportunities for profitable growth and development. To this end, our Group is now in a much stronger position to grow by both organic and acquisition strategies.

In closing this introduction to our interim report, may I as always take this opportunity to place on record our thanks to all our associates throughout the Group. It is through their efforts, enthusiasm and commitment that we continue to make the progress that we are and deliver a pleasing set of results at the half year stage.

John Charlton  
Chairman

#### **Chief Executive Officer's review**

"Design is at the heart of what we do"

Paul Fineman  
CEO

## Key achievements

- Key goal to grow adjusted fully diluted earnings per share<sup>(a)</sup> on track – up 33.3% on prior year to 6.4p (2014 H1: 4.8p)
- Adjusted profit<sup>(b)</sup> up by 32% to £5.2 million (2014 H1: £4.0 million)
- Sales in line with expectations up 7% on the prior year period
- Further gift wrap production efficiencies yielded in Europe and UK following investment
- USA commercial and operational objectives successfully managed under the direction of new CEO of International Greetings USA.
- Excellent Christmas cracker manufacturing season in China successfully completed with record levels of gift bags and greeting cards being produced.

a) Adjusted fully diluted EPS is stated before exceptional items and LTIP charges.

b) Adjusted profit before tax is stated before exceptional items and LTIP charges.

## Overview

A pleasing six month period including the successful fulfilment of commercial and operational objectives, resulting in Group sales and profit for the six months ended 30 September 2015 being in line with expectations. Both of our key targets of adjusted profit before tax<sup>(a)</sup> and adjusted fully diluted earnings per share<sup>(b)</sup> are significantly up on the prior period. We are also pleased to report that net debt at the end of the period was significantly reduced.

## Operational review

We are pleased to report that all regions have again traded profitably during the period.

In particular we have experienced continued improvement in performance in the key US market, whilst all other regions are also trading fully in line with expectations.

- In Europe, manufacturing efficiencies together with product and customer channel mix have enabled us to combat the effect of a weaker Euro to US Dollar exchange rate impacting margins on imported products.
- In the UK, sales growth has been underpinned by a strong portfolio of licensed brands including the 'Star Wars', 'Minions' and 'Coca-Cola' franchises. We are also on track to deliver the expected annual efficiencies resulting from investment in our manufacturing facilities in Wales.
- Once again the performance of our China-based Christmas cracker manufacturing operation has exceeded targeted efficiencies and we have produced on time and delivered in excess of 70 million crackers in the 2015 season. We have continued to carefully invest effectively in semi-automation in our facility in China to mitigate the challenges associated with availability and cost of labour and to diversify the range of manufactured product. We will produce record levels of gift bags and greeting cards during the year.
- US profit performance was most encouraging on improved sales and the prospects in that market remain strong. The business is benefiting from a period of stability, re-invigoration and operational efficiency under the direction of Gideon Schlessinger who commenced his role as CEO of International Greetings USA in April.
- Our joint venture business in Australia continues to deliver sales growth and is on track to meet profit expectations.

We continue to enjoy excellent and long-term relationships with many of the world's leading retail groups. Our teams throughout the Group remain committed to delivering great value, together with the highest standards of service to our customers, supported by our investment in manufacturing, sourcing, design and innovation. Design remains at the heart of everything we do. Our ability to leverage our huge design portfolio across our global markets is being further enhanced with the launch of a new generation 'Digital Asset Management' facility that provides a 'user friendly', live and accessible 'archive' of our intellectual property throughout our Group.

Our flexible approach provides our global customer base with a compelling 'good, better, best' offering to suit their consumers' requirements and has resulted in our products being offered for sale in over 100,000 retail outlets in more than 80 countries worldwide.

## Financial review

While to some degree this will prove to be timing, revenue has pleasingly risen by 7% to £119.8 million (2014 H1: £111.9 million) and at like-for-like exchange rates this improvement would be stronger still. This reflects good performance in all our markets. Half year timing is different to the prior year with earlier phasing of deliveries to customers.

Gross profit margins before exceptional items at 18.2% (2014 H1: 18.0%) were slightly improved, with underlying strong improvement in the USA offset by lower gross margins in the UK although this latter element simply reflects sales mix at the half year. Underlying efficiency improvements are materialising as expected. Half year margins are always coloured materially by timing both in product mix and type of customer and are only a general indicator of full year outturn.

Overhead costs were higher in absolute terms at £16.0 million (2014 H1: £15.3 million) but actually slightly lower as a percentage of sales. The increases arose in the US marketplace reflecting (inter alia) our substantial investment in a new leadership team and funding of profitable growth opportunities.

Operating profit before exceptional costs and LTIP charges improved strongly by 19% to £6.5 million (2014 H1: £5.5 million) while profit before tax, exceptional items and LTIP charges was up 32% to £5.2 million from £4.0 million in the equivalent period last year. Like sales, this increase partly reflects advantageous phasing but the Group's performance to date and outlook for the full year is nonetheless firmly in line with management expectations. LTIP charges rose slightly from £0.2 million to £0.3 million.

There were no exceptional charges during the period (2014 H1: £0.8 million in respect of our new investment in Wales and the acquisition of the trade and assets of Enper in the Netherlands). After allowing for such costs in the prior period, profit before tax and after exceptional items and LTIP charges was £4.9 million, up 65% on the prior year (2014 H1: £3.0 million).

Finance expenses in the period were again substantially lower on the prior year period at £1.3 million (2014 H1: £1.5 million) reflecting the continued effect of improved borrowing costs, efficient use of lower cost asset based lending ("ABL") working capital facilities and lower average indebtedness.

The effective underlying tax rate was 23% (2014 H1: 23%). This rate does not yet reflect the expected 18% rate of tax in the UK as the relevant Finance Bill is not yet law, but does take into account our ongoing ability to recognise further tax losses in the USA as profitable growth continues. There are still unrecognised losses with a tax value of \$2.3 million in the USA and £0.3 million in the UK which can be reflected in the balance sheet as profitability progresses. Cash tax is increasingly payable in most of our geographic regions of operation as historical losses are fully utilised.

Stated before exceptional items and LTIP charges, basic earnings per share were in line with expectations and much improved at 6.5p (2014 H1: 4.9p), and 6.2p (2014 H1: 3.5p) after exceptional items and LTIP charges. Our primary measure of performance is adjusted fully diluted earnings per share (stated before exceptional items and LTIP charges) and this was up 33% to 6.4p (2014 H1: 4.8p). See note 6 to the interim financial statements.

Capital expenditure in the six months was £1.7 million (2014 H1: £1.4 million), slightly higher than the prior period in which capital expenditure was particularly low following our previous investments in the Netherlands and Wales. The current period also reflected the initial costs of the investment in an improved converting capability in the US operation as well as further investment in efficiency in Europe and China. Note also that the site at Aberbargoed in Wales, previously used for printing, has now been reclassified to "Assets held for sale" following full relocation of printing to the Penallta site.

Cash used by operations was £44.6 million, pleasingly lower than the prior period (2014 H1: £46.4 million) reflecting improved profitability, the absence of exceptional items and our incessant focus on working capital, though as usual this profile reflects the seasonality of the business as 65% of the sales in the six month period occurred in the last two months.

The dynamics in cash used by operations at the end of the period compared to the prior period show a much higher balance in trade receivables at £86.1 million (2014 H1: £76.0 million) reflecting the earlier sales profile although this is largely offset by increased balances in trade and other payables at £55.3 million (2014 H1: £45.7 million). Stock levels were largely unchanged compared to the prior year at this point in the cycle. All of these dynamics simply reflect the highly variable phasing of deliveries to customer requirements from year to year.

Cash flows associated with interest, tax and dividends in aggregate were largely stable from period to period, though of course the dividend of £0.8 million in the prior period was the outflow to our joint venture partner in Australia while the dividend of £0.6 million in the current period represents payment in September 2015 of the final dividend declared in respect of the year ended 31 March 2015.

Pleasingly, net debt at 30 September 2015 was substantially lower at £78.0 million (2014 H1: £89.9 million). Building on our achievement at 31 March 2015 of leverage (net debt relative to EBITDA) below two times, our focus on reduction of average and year-end debt and the associated interest cost has not wavered. Our new promise to further reduce average leverage in the current and subsequent years is on track.

#### **Dividend**

Following our return to the dividend list, a final dividend for the year ended 31 March 2015 of 1p per share was paid in September 2015 and the Board is pleased to declare an interim dividend of 0.75p per share (2014 H1: nil) in line with our intention to steadily increase total dividends whilst still preserving sufficient cash to reduce leverage and fund growth. This will be paid on Tuesday 19 January 2016 to shareholders on the register on Friday 11 December 2015.

#### **Current trading outlook**

Overall trading activities are in line with expectations with a strong order book in place for the balance of FY2015/16 and already beginning to build for FY2016/17.

Our focus on excellent and highly commercial design, customer service and innovation, continues to deliver margin and profit growth.

We are on course to achieve targeted growth in underlying earnings per share and remain firmly focused on reducing leverage through converting profit into cash, whilst continuing to identify and implement fast pay-back investments and delivering ever improving shareholder returns.

Paul Fineman  
Chief Executive Officer

### Consolidated income statement

six months ended 30 September 2015

|  | Unaudited six months ended 30 Sep 2015<br>£000 | Unaudited six months ended 30 Sep 2014 |                                       |               | 12 months ended 31 Mar 2015      |                                       |               |
|--|--|--|---------------------------------------|---------------|----------------------------------|---------------------------------------|---------------|
|  |  | Before exceptional items<br>£000       | Exceptional items<br>(note 3)<br>£000 | Total<br>£000 | Before exceptional items<br>£000 | Exceptional items<br>(note 3)<br>£000 | Total<br>£000 |
| <b>Revenue</b>   | <b>119,818</b>                                 | 111,923                                | —                                     | 111,923       | 229,025                          | —                                     | 229,025       |
| Cost of sales  | (97,952)                                       | (91,734)                               | (767)                                 | (92,501)      | (189,048)                        | (592)                                 | (189,640)     |
| <b>Gross profit</b>  | <b>21,866</b>                                  | 20,189                                 | (767)                                 | 19,422        | 39,977                           | (592)                                 | 39,385        |
|  | <b>18.2%</b>                                   | 18.0%                                  |                                       | 17.4%         | 17.5%                            |                                       | 17.2%         |
| Selling expenses   | (6,068)  | (5,740)                                | —                                     | (5,740)       | (11,063)                         | —                                     | (11,063)      |
| Administration expenses  | (9,944)  | (9,524)                                | (99)                                  | (9,623)       | (18,395)                         | (716)                                 | (19,111)      |
| Other operating income   | 349  | 353                                    | 72                                    | 425           | 745                              | 73                                    | 818           |
| <b>Operating profit/(loss)</b>                                 | <b>6,203</b>                                   | 5,278                                  | (794)                                 | 4,484         | 11,264                           | (1,235)                               | 10,029        |
| Finance expenses   | (1,276)  | (1,497)                                | —                                     | (1,497)       | (2,726)                          | —                                     | (2,726)       |
| <b>Profit/(loss) before tax</b>                                | <b>4,927</b>                                   | 3,781                                  | (794)                                 | 2,987         | 8,538                            | (1,235)                               | 7,303         |
| Income tax (charge)/credit                                     | (1,133)  | (869)                                  | 80                                    | (789)         | (1,708)                          | 362                                   | (1,346)       |
| <b>Profit/(loss) from continuing operations for the period</b> | <b>3,794</b>                                   | 2,912                                  | (714)                                 | 2,198         | 6,830                            | (873)                                 | 5,957         |
| Attributable to:   |  |  |                                       |               |                                  |                                       |               |
| Owners of the Parent Company                                   | <b>3,643</b>                                   |  |                                       | 2,005         |                                  |                                       | 5,605         |
| Non-controlling interests                                      | <b>151</b>                                     |  |                                       | 193           |                                  |                                       | 352           |

### Earnings per ordinary share

|  | Unaudited six months ended 30 Sep 2015 |               | Unaudited six months ended 30 Sep 2014 |        | 12 months ended 31 Mar 2015 |        |
|--|--|---------------|--|--------|-----------------------------|--------|
|  | Diluted                                | Basic         | Diluted                                | Basic  | Diluted                     | Basic  |
| Adjusted earnings per share excluding exceptional items and LTIP charges | <b>6.4p</b>                            | <b>6.5p</b>   | 4.8p                                   | 4.9p   | 11.5p                       | 12.0p  |
| Cost per share on LTIP charges   | <b>(0.4p)</b>                          | <b>(0.3p)</b> | (0.2p)                                 | (0.2p) | (0.8p)                      | (0.8p) |
| Adjusted earnings per share excluding exceptional items                  | <b>6.0p</b>                            | <b>6.2p</b>   | 4.6p                                   | 4.7p   | 10.7p                       | 11.2p  |
| Cost per share on exceptional items                                      | —                                      | —             | (1.2p)                                 | (1.2p) | (1.4p)                      | (1.5p) |
| <b>Earnings per share</b>  | <b>6.0p</b>                            | <b>6.2p</b>   | 3.4p                                   | 3.5p   | 9.3p                        | 9.7p   |

### Consolidated statement of comprehensive income

six months ended 30 September 2015

| Unaudited six months ended 30 Sep 2015 | Unaudited six months ended 30 Sep 2014 | 12 months ended 31 Mar 2015 |
|--|--|-----------------------------|
|--|--|-----------------------------|

|   | £000         | £000  | £000    |
|---|--------------|-------|---------|
| <b>Profit for the period</b>  | <b>3,794</b> | 2,198 | 5,957   |
| Other comprehensive income:   |              |       |         |
| Exchange difference on translation of foreign operations  | (687)        | (707) | (1,405) |
| Transfer to profit and loss on maturing cash flow hedges (net of tax)   | (572)        | (101) | 577     |
| Net loss on cash flow hedges (net of tax)   | (1)          | 577   | 572     |
| Other comprehensive income for period, net of tax, items which may be reclassified to profit and loss in subsequent periods | (1,260)      | (231) | (256)   |
| <b>Total comprehensive income for the period, net of tax</b>  | <b>2,534</b> | 1,967 | 5,701   |
| <b>Attributable to:</b>   |              |       |         |
| Owners of the Parent Company  | 2,541        | 1,877 | 5,601   |
| Non-controlling interests   | (7)          | 90    | 100     |
|   | <b>2,534</b> | 1,967 | 5,701   |

### Consolidated statement of changes in equity

six months ended 30 September 2015

|  | Share capital<br>£000 | Share premium and capital redemption reserve<br>£000 | Merger reserves<br>£000 | Hedging reserves<br>£000 | Translation reserve<br>£000 | Retained earnings<br>£000 | Shareholder equity<br>£000 | Non-controlling interest<br>£000 | Total<br>£000 |
|--|-----------------------|--|-------------------------|--------------------------|-----------------------------|---------------------------|----------------------------|----------------------------------|---------------|
| <b>At 31 March 2015</b>                          | <b>2,910</b>          | <b>4,801</b>   | <b>17,164</b>           | <b>572</b>               | <b>(1,825)</b>              | <b>36,042</b>             | <b>59,664</b>              | <b>2,920</b>                     | <b>62,584</b> |
| Profit for the period                            | —                     | —  | —                       | —                        | —                           | 3,643                     | 3,643                      | 151                              | 3,794         |
| Other comprehensive income                       | —                     | —  | —                       | (573)                    | (529)                       | —                         | (1,102)                    | (158)                            | (1,260)       |
| <b>Total comprehensive income for the period</b> | <b>—</b>              | <b>—</b>   | <b>—</b>                | <b>(573)</b>             | <b>(529)</b>                | <b>3,643</b>              | <b>2,541</b>               | <b>(7)</b>                       | <b>2,534</b>  |
| Equity-settled share-based payment               | —                     | —  | —                       | —                        | —                           | 165                       | 165                        | —                                | 165           |
| Options exercised                                | 33                    | 4  | —                       | —                        | —                           | (30)                      | 7                          | —                                | 7             |
| Equity dividends paid                            | —                     | —  | —                       | —                        | —                           | (588)                     | (588)                      | —                                | (588)         |
| <b>At 30 September 2015</b>                      | <b>2,943</b>          | <b>4,805</b>   | <b>17,164</b>           | <b>(1)</b>               | <b>(2,354)</b>              | <b>39,232</b>             | <b>61,789</b>              | <b>2,913</b>                     | <b>64,702</b> |

six months ended 30 September 2014

|  | Share capital<br>£000 | Share premium and capital redemption reserve<br>£000 | Merger reserves<br>£000 | Hedging reserves<br>£000 | Translation reserve<br>£000 | Retained earnings<br>£000 | Shareholder equity<br>£000 | Non-controlling interest<br>£000 | Total<br>£000 |
|--|-----------------------|--|-------------------------|--------------------------|-----------------------------|---------------------------|----------------------------|----------------------------------|---------------|
| <b>At 1 April 2014</b>                           | <b>2,896</b>          | <b>4,776</b>   | <b>17,164</b>           | <b>(577)</b>             | <b>(672)</b>                | <b>29,925</b>             | <b>53,512</b>              | <b>3,649</b>                     | <b>57,161</b> |
| Profit for the period                            | —                     | —  | —                       | —                        | —                           | 2,005                     | 2,005                      | 193                              | 2,198         |
| Other comprehensive income                       | —                     | —  | —                       | 476                      | (604)                       | —                         | (128)                      | (103)                            | (231)         |
| <b>Total comprehensive income for the period</b> | <b>—</b>              | <b>—</b>   | <b>—</b>                | <b>476</b>               | <b>(604)</b>                | <b>2,005</b>              | <b>1,877</b>               | <b>90</b>                        | <b>1,967</b>  |
| Equity-settled share-based payment               | —                     | —  | —                       | —                        | —                           | 173                       | 173                        | —                                | 173           |
| Options exercised                                | 12                    | 20   | —                       | —                        | —                           | —                         | 32                         | —                                | 32            |

|                       |       |       |        |       |         |        |        |       |        |
|-----------------------|-------|-------|--------|-------|---------|--------|--------|-------|--------|
| Equity dividends paid | —     | —     | —      | —     | —       | —      | —      | (829) | (829)  |
| At 30 September 2014  | 2,908 | 4,796 | 17,164 | (101) | (1,276) | 32,103 | 55,594 | 2,910 | 58,504 |

year ended 31 March 2015

|   | Share capital<br>£000 | Share premium and capital redemption reserve<br>£000 | Merger reserves<br>£000 | Hedging reserves<br>£000 | Translation reserve<br>£000 | Retained earnings<br>£000 | Shareholder equity<br>£000 | Non-controlling interest<br>£000 | Total<br>£000 |
|---|-----------------------|--|-------------------------|--------------------------|-----------------------------|---------------------------|----------------------------|----------------------------------|---------------|
| At 1 April 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                    | (1,513)                     | 5,605                     | 5,601                      | (100)                            | 5,701         |
| Equity-settled share-based payment      | —                     | —  | —                       | —                        | —                           | 512                       | 512                        | —                                | 512           |
| Options exercised                       | 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        |

### Consolidated balance sheet

as at 30 September 2015

|  | Note | Unaudited as at 30 Sep 2015<br>£000 | Unaudited as at 30 Sep 2014<br>£000 | As at 31 March 2015<br>£000 |
|--|------|-------------------------------------|-------------------------------------|-----------------------------|
| <b>Non-current assets</b>                                  |      |                                     |                                     |                             |
| Property, plant and equipment                              |      | 28,093                              | 30,891                              | 29,875                      |
| Intangible assets  |      | 31,634                              | 32,140                              | 31,692                      |
| Deferred tax assets  |      | 3,342                               | 3,255                               | 4,121                       |
| <b>Total non-current assets</b>                            |      | <b>63,069</b>                       | <b>66,286</b>                       | <b>65,688</b>               |
| <b>Current assets</b>                                      |      |                                     |                                     |                             |
| Inventory  |      | 66,129                              | 66,362                              | 46,162                      |
| Assets held for sale – land and buildings                  |      | 1,250                               | —                                   | —                           |
| Trade and other receivables                                |      | 86,131                              | 75,993                              | 21,525                      |
| Derivative financial assets                                |      | 166                                 | —                                   | 799                         |
| Cash and cash equivalents                                  | 4    | 1,327                               | 1,005                               | 2,846                       |
| <b>Total current assets</b>                                |      | <b>155,003</b>                      | <b>143,360</b>                      | <b>71,312</b>               |
| <b>Total assets</b>  |      | <b>218,072</b>                      | <b>209,646</b>                      | <b>137,000</b>              |
| <b>Equity</b>  |      |                                     |                                     |                             |
| Share capital  |      | 2,943                               | 2,908                               | 2,910                       |
| Share premium  |      | 3,465                               | 3,456                               | 3,461                       |
| Reserves   |      | 16,149                              | 17,127                              | 17,251                      |
| Retained earnings  |      | 39,232                              | 32,103                              | 36,042                      |
| <b>Equity attributable to owners of the Parent Company</b> |      | <b>61,789</b>                       | <b>55,594</b>                       | <b>59,664</b>               |
| Non-controlling interests                                  |      | 2,913                               | 2,910                               | 2,920                       |
| <b>Total equity</b>  |      | <b>64,702</b>                       | <b>58,504</b>                       | <b>62,584</b>               |
| <b>Non-current liabilities</b>                             |      |                                     |                                     |                             |
| Loans and borrowings                                       | 4    | 20,395                              | 25,496                              | 23,089                      |
| Deferred income  |      | 1,013                               | 1,226                               | 1,277                       |
| Provisions   |      | 862                                 | 906                                 | 862                         |
| Other financial liabilities                                |      | 3,133                               | 3,873                               | 3,466                       |
| <b>Total non-current liabilities</b>                       |      | <b>25,403</b>                       | <b>31,501</b>                       | <b>28,694</b>               |
| <b>Current liabilities</b>                                 |      |                                     |                                     |                             |

|                                     |   |                |         |         |
|-------------------------------------|---|----------------|---------|---------|
| Bank overdraft                      | 4 | 2,871          | 4,412   | 1,568   |
| Loans and borrowings                | 4 | 52,370         | 56,611  | 3,546   |
| Deferred income                     |   | 626            | 674     | 632     |
| Provisions                          |   | 108            | 114     | 106     |
| Income tax payable                  |   | 1,706          | 1,499   | 2,192   |
| Trade and other payables            |   | 55,287         | 45,677  | 26,868  |
| Other financial liabilities         |   | 14,999         | 10,654  | 10,810  |
| <b>Total current liabilities</b>    |   | <b>127,967</b> | 119,641 | 45,722  |
| <b>Total liabilities</b>            |   | <b>153,370</b> | 151,142 | 74,416  |
| <b>Total equity and liabilities</b> |   | <b>218,072</b> | 209,646 | 137,000 |

### Consolidated cash flow statement

six months ended 30 September 2015

|  | Unaudited<br>six months<br>ended<br>30 Sep<br>2015<br>£000 | Unaudited<br>six months<br>ended<br>30 Sep<br>2014<br>£000 | 12 months<br>ended<br>31 Mar<br>2015<br>£000 |
|--|--|--|--|
| <b>Cash flows from operating activities</b>                  |  |  |  |
| Profit for the year  | 3,794  | 2,198  | 5,957  |
| Adjustments for:   |  |  |  |
| Depreciation   | 1,869  | 2,619  | 4,535  |
| Amortisation of intangible assets                            | 201  | 263  | 428  |
| Finance expenses   | 1,276  | 1,497  | 2,726  |
| Income tax charge  | 1,133  | 789  | 1,346  |
| (Profit)/loss on sales of property, plant and equipment      | (62)   | (6)  | 206  |
| Loss on external sale of intangible fixed assets             | —  | —  | 10   |
| Equity-settled share-based payment                           | 300  | 173  | 623  |
| <b>Operating profit after adjustments for non-cash items</b> | <b>8,511</b>   | 7,533  | 15,831                                       |
| Change in trade and other receivables                        | (64,612)   | (56,219)   | (1,269)                                      |
| Change in inventory  | (20,698)   | (17,334)   | 3,223  |
| Change in trade and other payables                           | 32,548   | 20,509   | 1,409  |
| Change in provisions and deferred income                     | (305)  | (930)  | (1,343)                                      |
| <b>(Cash used by)/cash generated from operations</b>         | <b>(44,556)</b>  | (46,441)   | 17,851                                       |
| Tax paid   | (838)  | (769)  | (1,263)                                      |
| Interest and similar charges paid                            | (1,219)  | (1,632)  | (2,775)                                      |
| <b>Net cash (outflow)/inflow from operating activities</b>   | <b>(46,613)</b>  | (48,842)   | 13,813                                       |
| <b>Cash flow from investing activities</b>                   |  |  |  |
| Proceeds from sale of property, plant and equipment          | 104  | 21   | 55   |
| Business acquired  | —  | (1,451)  | (1,451)                                      |
| Acquisition of intangible assets                             | (193)  | (143)  | (234)  |
| Acquisition of property, plant and equipment                 | (1,539)  | (1,294)  | (2,322)                                      |
| Receipt of government grants                                 | —  | —  | 401  |
| <b>Net cash outflow from investing activities</b>            | <b>(1,628)</b>   | (2,867)  | (3,551)                                      |
| <b>Cash flows from financing activities</b>                  |  |  |  |
| Proceeds from issue of share capital                         | 7  | 32   | 39   |
| Repayment of secured borrowings                              | (640)  | (4,182)  | (7,133)                                      |
| Net movement in credit facilities                            | 46,715   | 48,179   | (4,840)                                      |
| Payment of finance lease liabilities                         | (301)  | (297)  | (599)  |
| New bank loans raised  | 285  | 327  | 365  |
| Loan arrangement fees  | —  | (165)  | (183)  |
| Equity dividend paid   | (588)  | —  | —  |
| Dividends paid to non-controlling interests                  | —  | (829)  | (829)  |
| <b>Net cash inflow/(outflow) from financing activities</b>   | <b>45,478</b>  | 43,065   | (13,180)                                     |
| <b>Net increase in cash and cash equivalents</b>             | <b>(2,763)</b>   | (8,644)  | (2,918)                                      |
| Cash and cash equivalents at beginning of period             | 1,278  | 5,582  | 5,582  |



|   |                |                |              |
|---|----------------|----------------|--------------|
| Effect of exchange rate fluctuations on cash held     | (59)           | (345)          | (1,386)      |
| <b>Cash and cash equivalents at end of the period</b> | <b>(1,544)</b> | <b>(3,407)</b> | <b>1,278</b> |

## 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 IFRS"). The financial information for the year ended 31 March 2015 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 auditor's report was (i) unqualified; (ii) did not include a reference to any matters to which the auditor 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.

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 for the year ended 31 March 2015.

#### 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 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.

#### 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 2015.

### 2 Segmental information

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

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

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

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

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

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

| UK and<br>Asia<br>£000 | Europe<br>£000 | USA<br>£000 | Australia<br>£000 | Eliminations<br>£000 | Group<br>£000 |
|------------------------|----------------|-------------|-------------------|----------------------|---------------|
|------------------------|----------------|-------------|-------------------|----------------------|---------------|

|  |                        |                 |                 |                   |                      |                  |
|--|------------------------|-----------------|-----------------|-------------------|----------------------|------------------|
| <b>Six months ended 30 September 2015</b>                |                        |                 |                 |                   |                      |                  |
| Revenue – external                                       | 57,151                 | 12,901          | 35,803          | 13,963            | —                    | 119,818          |
| – inter segment  | 1,381                  | —               | —               | —                 | (1,381)              | —                |
| <b>Total segment revenue</b>                             | <b>58,532</b>          | <b>12,901</b>   | <b>35,803</b>   | <b>13,963</b>     | <b>(1,381)</b>       | <b>119,818</b>   |
| <b>Segment result before exceptional items</b>           | <b>3,558</b>           | <b>835</b>      | <b>1,796</b>    | <b>509</b>        | <b>—</b>             | <b>6,698</b>     |
| Exceptional items  | —                      | —               | —               | —                 | —                    | —                |
| <b>Segment result</b>                                    | <b>3,558</b>           | <b>835</b>      | <b>1,796</b>    | <b>509</b>        | <b>—</b>             | <b>6,698</b>     |
| Central administration costs                             |                        |                 |                 |                   |                      | (495)            |
| Net finance expenses                                     |                        |                 |                 |                   |                      | (1,276)          |
| Income tax   |                        |                 |                 |                   |                      | (1,133)          |
| <b>Profit for the six months ended 30 September 2015</b> |                        |                 |                 |                   |                      | <b>3,794</b>     |
| <b>Balances at 30 September 2015</b>                     |                        |                 |                 |                   |                      |                  |
| <b>Segment assets</b>                                    | <b>141,597</b>         | <b>24,388</b>   | <b>35,441</b>   | <b>13,304</b>     | <b>3,342</b>         | <b>218,072</b>   |
| <b>Segment liabilities</b>                               | <b>(77,767)</b>        | <b>(19,340)</b> | <b>(44,382)</b> | <b>(8,721)</b>    | <b>(3,160)</b>       | <b>(153,370)</b> |
| Capital expenditure                                      |                        |                 |                 |                   |                      |                  |
| – property, plant and equipment                          | 653                    | 261             | 396             | 229               | —                    | 1,539            |
| – intangible   | 162                    | —               | 31              | —                 | —                    | 193              |
| Depreciation   | 1,091                  | 332             | 362             | 84                | —                    | 1,869            |
| Amortisation   | 133                    | 20              | 29              | 19                | —                    | 201              |
|  | UK and<br>Asia<br>£000 | Europe<br>£000  | USA<br>£000     | Australia<br>£000 | Eliminations<br>£000 | Group<br>£000    |
| <b>Six months ended 30 September 2014</b>                |                        |                 |                 |                   |                      |                  |
| Revenue – external                                       | 54,604                 | 14,234          | 29,701          | 13,384            | —                    | 111,923          |
| – inter segment  | 1,040                  | 180             | —               | —                 | (1,220)              | —                |
| <b>Total segment revenue</b>                             | <b>55,644</b>          | <b>14,414</b>   | <b>29,701</b>   | <b>13,384</b>     | <b>(1,220)</b>       | <b>111,923</b>   |
| <b>Segment result before exceptional items</b>           | <b>3,443</b>           | <b>922</b>      | <b>617</b>      | <b>594</b>        | <b>—</b>             | <b>5,576</b>     |
| Exceptional items  | (695)                  | (99)            | —               | —                 | —                    | (794)            |
| <b>Segment result</b>                                    | <b>2,748</b>           | <b>823</b>      | <b>617</b>      | <b>594</b>        | <b>—</b>             | <b>4,782</b>     |
| Central administration costs                             |                        |                 |                 |                   |                      | (298)            |
| Net finance expenses                                     |                        |                 |                 |                   |                      | (1,497)          |
| Income tax   |                        |                 |                 |                   |                      | (789)            |
| <b>Profit for the six months ended 30 September 2014</b> |                        |                 |                 |                   |                      | <b>2,198</b>     |
| <b>Balances at 30 September 2014</b>                     |                        |                 |                 |                   |                      |                  |
| <b>Segment assets</b>                                    | <b>139,278</b>         | <b>25,247</b>   | <b>28,677</b>   | <b>13,189</b>     | <b>3,255</b>         | <b>209,646</b>   |
| <b>Segment liabilities</b>                               | <b>(78,980)</b>        | <b>(20,370)</b> | <b>(40,767)</b> | <b>(8,264)</b>    | <b>(2,761)</b>       | <b>(151,142)</b> |
| Capital expenditure                                      |                        |                 |                 |                   |                      |                  |
| – property, plant and equipment                          | 946                    | 113             | 176             | 59                | —                    | 1,294            |
| – intangible   | 83                     | 7               | 25              | 28                | —                    | 143              |
| Depreciation   | 1,812                  | 376             | 334             | 97                | —                    | 2,619            |
| Amortisation   | 144                    | 40              | 38              | 41                | —                    | 263              |
| <b>Year ended 31 March 2015</b>                          |                        |                 |                 |                   |                      |                  |
| Revenue – external                                       | 108,255                | 35,871          | 57,921          | 26,978            | —                    | 229,025          |
| – inter segment  | 1,572                  | 180             | —               | —                 | (1,752)              | —                |
| <b>Total segment revenue</b>                             | <b>109,827</b>         | <b>36,051</b>   | <b>57,921</b>   | <b>26,978</b>     | <b>(1,752)</b>       | <b>229,025</b>   |
| <b>Segment result before exceptional items</b>           | <b>5,258</b>           | <b>3,263</b>    | <b>2,409</b>    | <b>1,092</b>      | <b>—</b>             | <b>12,022</b>    |
| Exceptional items  | (786)                  | (99)            | (350)           | —                 | —                    | (1,235)          |
| <b>Segment result</b>                                    | <b>4,472</b>           | <b>3,164</b>    | <b>2,059</b>    | <b>1,092</b>      | <b>—</b>             | <b>10,787</b>    |
| Central administration costs                             |                        |                 |                 |                   |                      | (758)            |
| Net finance expenses                                     |                        |                 |                 |                   |                      | (2,726)          |
| Income tax   |                        |                 |                 |                   |                      | (1,346)          |
| <b>Profit for the year ended 31 March 2015</b>           |                        |                 |                 | <b>5,957</b>      |                      |                  |
| <b>Balances at 31 March 2015</b>                         |                        |                 |                 |                   |                      |                  |
| <b>Segment assets</b>                                    | <b>101,139</b>         | <b>15,692</b>   | <b>8,242</b>    | <b>7,806</b>      | <b>4,121</b>         | <b>137,000</b>   |
| <b>Segment liabilities</b>                               | <b>(36,695)</b>        | <b>(9,957)</b>  | <b>(21,725)</b> | <b>(3,721)</b>    | <b>(2,318)</b>       | <b>(74,416)</b>  |
| 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   |

### 3 Exceptional items

|   | Six months<br>ended<br>30 Sep<br>2015<br>£000 | Six months<br>ended<br>30 Sep<br>2014<br>£000 | 12 months<br>ended<br>31 Mar<br>2015<br>£000 |
|---|---|---|--|
| <b>Restructuring of operational activities</b>                  |   |   |  |
| Efficiency programme in the UK and Asia <sup>(a)</sup>          | —   | 695   | 786  |
| Management restructuring in the USA <sup>(b)</sup>              | —   | —   | 350  |
| Costs relating to acquisitions Enper Giftwrap BV <sup>(c)</sup> | —   | 99  | 99   |
| Total restructuring costs                                       | —   | 794   | 1,235  |
| Income tax credit   | —   | (80)  | (362)  |
|   | —   | 714   | 873  |

- a) Costs associated with major upgrade to manufacturing facilities in Wales.  
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.

### 4 Cash, loans and borrowings

|   | Six months<br>ended<br>30 Sep<br>2015<br>£000 | Six months<br>ended<br>30 Sep<br>2014<br>£000 | 12 months<br>ended<br>31 Mar<br>2015<br>£000 |
|---|---|---|--|
| Secured bank loan (short term)                        | (5,429)                                       | (3,083)                                       | (3,166)                                      |
| Secured bank loan (long term)                         | (20,553)                                      | (25,754)                                      | (23,259)                                     |
| Asset backed loans                                    | (42,585)                                      | (47,465)                                      | (544)  |
| Revolving credit facilities                           | (4,471)                                       | (6,173)                                       | —  |
| Loan arrangement fees                                 | 273   | 368   | 334  |
| Total loans   | (72,765)                                      | (82,107)                                      | (26,635)                                     |
| Cash and bank deposits                                | 1,327   | 1,005   | 2,846  |
| Bank overdraft  | (2,871)                                       | (4,412)                                       | (1,568)                                      |
| Cash and cash equivalents per cash flow statement     | (1,544)                                       | (3,407)                                       | 1,278  |
| Finance leases  | (3,733)                                       | (4,427)                                       | (4,016)                                      |
| Net debt used in the Chief Executive Officer's review | (78,042)                                      | (89,941)                                      | (29,373)                                     |

### 5 Taxation

|  | Six months<br>ended<br>30 Sep<br>2015<br>£000 | Six months<br>ended<br>30 Sep<br>2014<br>£000 | 12 months<br>ended<br>31 Mar<br>2015<br>£000 |
|--|---|---|--|
| <b>Current tax expenses</b>                                |   |   |  |
| Current income tax charge                                  | 481   | 250   | 1,478  |
| <b>Deferred tax expense</b>                                |   |   |  |
| Relating to original and reversal of temporary differences | 652   | 539   | (132)  |
| <b>Total tax in income statement</b>                       | <b>1,133</b>                                  | <b>789</b>                                    | <b>1,346</b>                                 |

Taxation for the six months to 30 September 2015 is based on the effective rate of taxation, which is estimated to apply in each country for the year ended 31 March 2016.

### 6 Earnings per share

Six months ended    Six months ended    12 months ended

|   | 30 Sep 2015 |       | 30 Sep 2014 |        | 31 Mar 2015 |        |
|---|-------------|-------|-------------|--------|-------------|--------|
|   | Diluted     | Basic | Diluted     | Basic  | Diluted     | Basic  |
| Adjusted earnings per share excluding exceptional items and LTIP charge | 6.4p        | 6.5p  | 4.8p        | 4.9p   | 11.5p       | 12.0p  |
| Cost per share on LTIP charge   | (0.4p)      | 0.3p  | (0.2p)      | (0.2p) | (0.8p)      | (0.8p) |
| Adjusted earnings per share excluding exceptional items                 | 6.0p        | 6.2p  | 4.6p        | 4.7p   | 10.7p       | 11.2p  |
| Cost per share on exceptional items                                     | —           | —     | (1.2p)      | (1.2p) | (1.4p)      | (1.5p) |
| Earnings per share  | 6.0p        | 6.2p  | 3.4p        | 3.5p   | 9.3p        | 9.7p   |

The basic earnings per share is based on the profit attributable to equity holders of the Parent Company of £3,643,000 (2014: £2,005,000) and the weighted average number of ordinary shares in issue of 59,220,000 (2014: 57,949,000) calculated as follows:

|  | As at<br>30 Sep<br>2015 | As at<br>30 Sep<br>2014 | As at<br>31 Mar<br>2015 |
|--|-------------------------|-------------------------|-------------------------|
| Weighted average number of shares in thousands of shares |                         |                         |                         |
| Issued ordinary shares at 1 April                        | 58,206                  | 57,926                  | 57,926                  |
| Shares issued in respect of exercising of share options  | 1,014                   | 23                      | 145                     |
| Weighted average number of shares at end of the period   | 59,220                  | 57,949                  | 58,071                  |

Total number of options, over 5p ordinary shares, in issue at 30 September 2015 was 2,040,285.

Adjusted basic earnings per share excludes exceptional items charged of £nil (2014: £794,000) along with the tax relief attributable to those items of £nil (2014: £80,000). This gives an adjusted profit of £3,643,000 (2014: £2,719,000).

#### Directors and advisers

##### John Charlton

Chairman

##### Anders Hedlund

Founder and Deputy Chairman

##### Paul Fineman

Chief Executive Officer

##### Elaine Bond

Non-Executive Director

##### Anthony Lawrinson

Chief Financial Officer and Company Secretary

##### Phil Dutton

Non-Executive Director (resigned 16 September 2015)

##### Lance Burn

Managing Director of International Greetings UK

#### Financial and nominated adviser and broker

Cenkos Securities Plc  
6, 7, 8, Tokenhouse Yard  
London EC2R 7AS

#### Auditors

KPMG LLP  
Altius House  
One North Fourth Street  
Milton Keynes MK9 1NE

#### Registered office

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

**Share registrar**

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