International Greetings PLC

Interim Report 2010

Chief Executive's Review

Overview

We made good progress in the first half of this year, continuing to deliver on our strategy and achieving results in line with management's expectations. We are pleased with the way the Group businesses are working together to improve efficiencies and innovate new products and processes

We are progressively reducing our debt and improving the Group's ability to generate cash. We continue to drive cross-selling opportunities across our businesses and we are particularly pleased with the sales growth of our everyday greeting card products.

The Board remains confident that, despite market conditions remaining challenging, the Group is well positioned for future growth and will continue to improve shareholder value.

Financial Review

Revenue from continuing operations for the period was £104.5m (2009 H1 restated: £92.8m). On a constant exchange basis, like-for-like turnover for the period increased by 6%.

This was driven by growth mainly in UK and Australia.

Gross profit margin at 18.3% (2009 H1 restated: 18.2%) reflects improved margin performance in UK and USA, with price pressure in mainland Europe and slightly reduced margin in Australia. It also reflects our continued success to sell older stock and combat global significant inflationary pressures from raw materials, sea freight, and in the Far East, from significant inflation in labour costs and the strengthening Chinese currency.

Whilst underlying overheads were down 3% on a like for like basis, the full year inclusion of the Group's Australian business, Artwrap PTY, in this period means that, in total, operational overheads increased by 7% to £15.9m (2009 H1 restated: £14.8m).

Operating profit was up 31% to £3.7m (2009 H1 restated: £2.9m).

Finance expenses in the period were £1.6m (2009 H1 restated: £1.8m) reflecting the overall debt reduction throughout the period, which mitigated the increased bank charges.

Profit before tax was up 110% to £2.1m (2009 H1 restated: £1.0m).

There were no significant items during the period (2009: H1 nil).

The effective tax rate was 6% (2009 H1 restated: 54%). This reflects a tax repayment in the USA pursuant to changes in the tax regulation to allow loss carry back for 3 years, combined with a continuing recognition of losses that had not previously been reflected on the balance sheet as an asset. There are still £7.7m of tax losses not recognised as an asset in the UK and USA.

Basic earnings per share for the period were 3p (2009 H1 restated: 0.0p).

Net debt at 30th September 2010 was down 15% to £86.4m (2009 H1: £101.2m). The usual seasonal working capital increase was as expected. Debt reduction remains a key focus and our programme for this is on-track.

The Group's banks remain supportive, and further details of the Group's banking facility are included in note 1 of the Interim Financial Statements.

Debtors and receivables at £67.5m are up 14% from £59.5m at 2009 H1, and 12% on like for like exchange rates. This reflects the market trend for later delivery of goods committed for the Christmas season.

Whilst stock levels are down by 4% from £66.0m to £63.5m, it is anticipated that by the year end the stock reduction will be significantly greater.

Capital expenditure in the six months was £1.4m (2009 H1: £0.7m). The Group's final commitment to deferred consideration for previous acquisitions was settled in the period, by the issuance of 1.5m shares.

Chief Executive's Review continued

Cash used by operations was £35.7m (2009 H1: £28.6m) reflecting the seasonality of the business, as 58% of the sales in the six month period occurred in the last two months.

As announced in the Annual Report and Accounts, in July 2010 the Board took the difficult decision to close the Eickpack business. Eickpack made losses each year since its acquisition in January 2007. The results of Eickpack are now shown as a discontinued business, and the comparatives have been restated accordingly. The results of Eickpack are shown in the Notes to the Interim Statement.

The Board will not be declaring an interim dividend (2009 H1: nil).

Operational Review

Sales in the first half year have grown in line with market expectations whilst we continue to deliver on our strategy of focusing our key efforts on debt reduction, cash generation, product innovation and increasing profitability.

We have increasingly developed a cohesive and collaborative approach across all Group businesses enabling us competitively to provide our customers with high standards of products and services.

The UK saw an 8% increase in sales, caused by increased Christmas cracker sales and the commencement of contracts for the supply of Everyday greeting cards with two of the UK's leading multiple grocery chains.

Whilst US revenues were 6% down on prior year, mainly resulting from later scheduling of Christmas orders, margins were up by 4% due to the focus on more profitable sales.

Mainland Europe saw sales increasing by 8% including a strong performance in Eastern Europe, but margins were impacted through product mix sold during the period.

Artwrap continues to perform strongly, with like-for-like sales up by 21%. A 3 year contract for Everyday greeting cards has been won with a major retailer, and the business continues to innovate with online ordering for bespoke products.

Our portfolio of licences continues to provide considerable commercial appeal and as anticipated Toy Story 3 licensed products proved to be extremely successful with sales of over £2m during the period.

Current trading/outlook

Since the period end, trading has continued in line with our expectations. The Christmas period remains an important time of year for the Group and we have continued to focus on delivering high standards of goods and services to our customers.

We expect conditions to remain challenging but are pleased with our progress and excited about the growth opportunities across the international markets in which we operate.

Paul Fineman
Chief Executive

Consolidated Income Statement

For the six months ended 30 September 2010

	Note	Unaudited six months ended 30 September 2010	unaudited six months ended 30 September 2009 restated	12months to March 2010 restated		
				Before exceptional items	Exceptional items	Total
		£000	£000	£000	£000	£000
Continuing operations						
Revenue		**104,453**	92,834	198,246	-	198,246
Cost		**(85,296)**	(75,894)	(164,530)	333	(164,197)
Gross Profit		**19,157**	16,940	33,716	333	34,049
		18.3%	18.2%	17.0%		17.2%
Selling expenses		**(7,036)**	(6,099)	(12,039)	(160)	(12,199)
Administration expenses		**(8,844)**	(8,678)	(16,859)	(2,181)	(19,040)
Other operating Income		**501**	712	1,643	-	1,643
Disposal of subsidiary		-	-	-	907	907
(Loss)/profit on sales of property, plant & equipment		**(1)**	-	26	-	26
Operating profit/(loss)		**3,777**	2,875	6,487	(1,101)	5,386
Finance expenses		**(1,642)**	(1,792)	(2,930)	-	(2,930)
Share of loss of associates (net of tax)		-	(39)	(39)	-	(39)
Profit/(loss) before tax		**2,135**	1,044	3,518	(1,101)	2,417
Income tax (charge)/credit	6	**(138)**	(568)	(649)	693	44
Profit/(Loss) from continuing operations		**1,997**	476	2,869	(408)	2,461
Discontinued operations						
Loss from discontinued operations (net of tax)	3	**(78)**	(213)	(494)	(1,263)	(1,757)
Profit/(Loss) for the year		**1,919**	263	2,375	(1,671)	704
Attributable to:						
Equity holders of the parent company		**1,563**	18	-	-	55
Non-controlling interests		**356**	245	-	-	649
		1,919	263	-	-	704
Earnings per ordinary share	7					
Basis earnings per share		**3.0p**	0.0p			0.1p
Diluted earnings per share		**2.7p**	0.0p			0.1p
Continuing operations		**3.1p**	0.4p			3.6p
Discontinued operations		**(0.1p)**	(0.4p)			(3.5p)
Adjusted earnings per share excluding exceptional items & discontinued operations		**3.1p**	0.4p			4.4p

Consolidated Statment of Comprehensive Income

For the six months ended 30 September 2010

	Unaudited six months ended 30 September 2010 £000	unaudited six months ended 30 September 2009 restated £000	12 month to March 2010 restated £000
Profit for the period	**1,919**	263	704
Other comprehensive income:			
Recycling translation reserves on closure of subsidiary	**-**	-	(907)
Exchange difference on translation of foreign operations	**(380)**	590	1,654
Net gain on cash flow hedges (net of tax)	**-**	(111)	-
Other comprehensive (loss)/income for period, net of tax	**(380)**	479	747
Total comprehensive income for period, net of tax	**1,539**	742	1,451
Attributable to:			
Equity holders to the parent company	**1,127**	497	265
Non-controlling interests	**412**	245	1,186
	1,539	742	1,451

Consolidated Statment of Changes in Equity

For the six months ended 30 September 2010

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-Controlling interests £000	Total £000
At 1st April 2010	**2,608**	**4,346**	**16,216**	**-**	**362**	**19,071**	**42,603**	**3,354**	**45,957**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**1,563**	**1,563**	**356**	**1,919**
Other comprehensive (loss)/income	**-**	**-**	**-**	**-**	**(436)**	**-**	**(436)**	**56**	**(380)**
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**(436)**	**1,563**	**1,127**	**412**	**1,539**
Equity settled share based payment	**-**	**-**	**-**	**-**	**-**	**49**	**49**	**-**	**49**
Shares issued (note 5)	**74**	**-**	**948**	**-**	**-**	**-**	**1,022**	**-**	**1,022**
At 30 September 2010	**2,682**	**4,346**	**17,164**	**-**	**(74)**	**20,683**	**44,801**	**3,766**	**48,567**

For the six months ended 30 September 2009 restated

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-Controlling interests £000	Total £000
At 1st April 2009	2,425	4,346	14,885	-	152	18,934	40,742	-	40,742
Profit for the period	-	-	-	-	-	18	18	245	263
Other comprehensive (loss)/income restated	-	-	-	(111)	590	-	479	-	479
Total comprehensive (loss)/income for the period	-	-	-	(111)	590	18	479	245	742
Equity settled share based payment	-	-	-	-	-	37	37	-	37
Impairment transferred from merger reserves to other comprehensive income	-	-	(1,331)	-	-	1,331	-	-	-
Shares issued	182	-	1,331	-	-	-	1,513	-	1,513
Acquisition in the period	-	-	-	-	-	-	-	2,385	2,385
At 30 September 2009 restated	2,607	4,346	14,885	(111)	742	20,320	42,789	2,630	45,419

For the year ended 31 March 2010 restated

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-Controlling interests £000	Total £000
At 1st April 2009	2,425	4,346	14,885	-	152	18,934	40,742	-	40,742
Profit for the year	-	-	-	-	-	55	55	649	704
Other comprehensive income	-	-	-	-	210	-	210	537	747
Total comprehensive income for the year	-	-	-	-	210	55	265	1,186	1,451
Equity settled share based payment	-	-	-	-	-	82	82	-	82
Shares issued	182	-	1,331	-	-	-	1,513	-	1,513
Options excercised	1	-	-	-	-	-	1	-	1
Acquisition in the year	-	-	-	-	-	-	-	2,168	2,168
At 31 march 2010	2,608	4,346	16,216	-	362	19,071	42,603	3,354	45,957

Consolidated Balance Sheet
as at 30 September 2010

	Note	Unaudited as at 30 September 2010 £000	unaudited as at 30 September 2009 restated £000	As at 31 March 2010 £000
Non-current assets				
Property, plant and equipment		**32,404**	36,766	34,199
Intangible assets		**33,047**	31,468	33,139
Deferred tax assets		**3,456**	3,168	3,501
Total non-current assets		**68,907**	71,402	70,839
Current assets				
Asset for resale		**780**	–	–
Inventory		**63,465**	66,014	44,911
Trade and other receivables		**67,537**	59,462	21,421
Cash and cash equivalents	4	**1,911**	2,568	2,045
Total current assets		**133,693**	128,044	68,377
Total assets		**202,600**	199,446	139,216
Equity				
Share capital		**2,682**	2,607	2,608
Share premium		**3,006**	3,006	3,006
Reserves		**18,430**	16,856	17,918
Retained earnings		**20,683**	20,320	19,071
Total equity attributable to equity holders of the parent company		**44,801**	42,789	42,603
Non-controlling interests		**3,766**	2,630	3,354
Total equity		**48,567**	45,419	45,957
Non-current liabilities				
Loans and borrowings	4	**8,602**	10,345	9,397
Deferred income		**2,704**	3,525	2,979
Provisions		**1,722**	1,368	1,722
Other financial liabilities		**44**	–	253
Total non-current liabilities		**13,072**	15,238	14,351
Current liabilities				
Bank overdraft	4	**7,174**	66,290	3,038
Loans and borrowings	4	**72,509**	27,156	38,455
Deferred income		**619**	751	821
Provisions		**260**	–	467
Income Tax payable		**686**	779	26
Trade and other payables		**45,112**	30,783	21,422
Other financial liabilities		**14,601**	13,030	14,679
Total current liabilities		**140,961**	138,789	78,908
Total liabilities		**154,033**	154,027	93,259
Total equity and liabilities		**202,600**	199,446	139,216

ConsolidatedCash Flow Statement

For the six months ended September 2010

	Note	Unaudited as at 30 September 2010 £000	Unaudited as at 30 September 2009 restated £000	12 months to 31 March 2010 restated £000
Cash flows from operating activities				
Profit for the period		**1,919**	263	704
Adjustments for:				
Depreciation		**2,118**	2,305	4,543
Impairment of tangible fixed assets		**-**	-	1,094
Amortisation of intangible assets		**177**	73	287
Financial expenses - continuing operations		**1,642**	1,792	2,930
Financial expenses - discontinued operations	3	**26**	47	94
Share of loss of associates - continuing operations		**-**	39	39
Recycling of translation reserves on closure of subsidiary		**-**	-	(907)
Income tax (credit)/charge - continuing operations		**138**	568	(44)
Income tax credit - discontinued operations	3	**-**	-	(135)
Loss/(profit) on sales of property, plant and equipment		**1**	10	(26)
Equity settled share-based payment		**49**	37	82
Operating profit before changes in working capital and provisions		**6,070**	5,134	8,661
Change in trade and other receivables		**(45,955)**	(31,942)	7,288
Change in inventory		**(18,589)**	(7,459)	13,524
Change in trade and other payables		**24,498**	6,058	(2,181)
Change in provisions and deferred income		**(684)**	(440)	169
Cash used from operations		**(34,660)**	(28,649)	27,461
Tax received/(paid)		**357**	(134)	(372)
Interest and similar charges paid		**(1,552)**	(1,597)	(3,421)
Net cash (outflow)/inflow from operating activities		**(35,855)**	(30,380)	23,668
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment		**14**	25	306
Acquisition of subsidiary, including overdrafts acquired		**-**	(3,918)	(3,918)
Acquisition of intangible assets		**(288)**	(251)	(646)
Acquisition of property for resale		**(780)**	-	-
Acquisition of property, plant and equipment		**(1,186)**	(458)	(1,121)
Net cash outflow from investing activities		**(2,240)**	(4,602)	(5,379)
Cash flows from financing activities				
Proceeds from issue of share capital		**-**	-	1
Repayment of borrowings		**(471)**	(527)	(3,064)
Payment of finance lease liabilities		**(29)**	(12)	(12)
New bank loans raised		**34,541**	15,154	28,732
New finance leases		**74**	-	-
Net cash inflow from financing activities		**34,115**	14,615	25,657
Net (decrease)/increase in cash and cash equivalents		**(3,980)**	(20,367)	43,946
Cash and cash equivalents at beginning of period		**(993)**	(45,375)	(45,375)
Effect of exchange rate fluctuations on cash held		**(290)**	2,020	436
Cash and cash equivalents at end of period	4	**(5,263)**	(63,722)	(993)

Notes to the interim report

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 2010 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.

Restatement

The comparatives balances as at 30 September 2009 have been restated due to a prior year adjustment relating to 2007 as described in the Report and Accounts for the year ended March 31, 2010. The effect of the restatement is to increase current liabilities by £718,000, deferred tax assets by £183,000, and reduce translation reserves by £65,000, and retained earnings by £470,000.

Bank loans and borrowings in the prior period have been restated to separate the Asset Backed Loan that had previously been included as an element of the overdraft.

Discontinued operation

The comparatives for the 6 months to 30 September 2009 and year to 31 March 10 have been restated to remove the results of a business that was discontinued in July 10. See Note 3 for further details.

Going concern basis

The Financial Statements have been prepared on the going concern basis, not withstanding the net current liabilities of £7.3 million (2009 H1:£10.7 million).

The Directors believe this to be appropriate because as in previous years, the Group relies primarily on a short term facility for its working capital needs without prejudice to the on demand nature of the facility, and assuming the business performs in line with expectations, that sufficient of the current facility will be renewed on 30 June 2011.

The borrowing requirement of the Group increases steadily over the period from July 2010 and peaks in September and October 2010, 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 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. Accordingly, they continue to adopt the going concern basis in preparing this interim report.

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 2010.

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 2010, except for the adoption of new Standards and Interpretations as of 1 April 2010, noted below:

IFRS 3 Business Combination (revised January 2008)

The revised Standard requires acquisition-related costs to be expensed and not included in the purchase price and contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The Standard also changes the treatment of non-controlling interests (formally minority interests)

Notes to the interim report

with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held non-controlling interests to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IAS 27 Consolidated and Separate Financial Statement (revised January 2008)
The revised Standard no longer restricts the allocation to non-controlling interest of losses incurred by a subsidiary to the amount of the minority equity investment in the subsidiary. Any future partial disposal of equity interest in a subsidiary that does not result in a loss of control will be accounted for as an equity transaction and will have no impact on goodwill, nor will it give rise to any gain or loss. Where there is loss of control of a subsidiary, any retained interest will have to be remeasured to fair value, which will impact the gain or loss recognised on disposal. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

2. Segmental information

Segmental information is presented in respect of the Group's geographical segments which are the primary basis of segmental reporting.

Geographical analysis

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. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

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.

	UK £000	Europe £000	USA £000	Asia £000	Australia £000	Eliminations £000	Group £000
Six months ended 30 September 2010							
Continuing operations							
Revenue – external	57,428	11,635	22,575	1,288	11,527	-	104,453
– intra segment	1,327	1,034	-	6,605	-	(8,966)	-
Total segment revenue	58,755	12,669	22,575	7,893	11,527	(8,966)	104,453
Segment result from continuing operations	2,419	816	262	(765)	1,077	(32)	3,777
Pre-tax loss from discontinued operations	-	(78)	-	-	-	-	(78)
Segment result	2,419	738	262	(765)	1,077	(32)	3,699
Pre-tax loss from discontinued operations							78
Net finance expenses							(1,642)
Income tax							(138)
Profit from continuing operations six months ended 30 September 2010							1,997

	UK £000	Europe £000	USA £000	Asia £000	Australia £000	Eliminations £000	Group £000
Balances at 30 September 2010							
Continuing operations							
Segment assets	134,096	30,887	13,272	24,632	13,209	(13,496)	202,600
Segment liabilities	(70,528)	(29,615)	(46,299)	(16,805)	(6,252)	15,466	(154,033)
Capital expenditure							
- property, plant and equipment	637	132	38	211	168	-	1,186
- asset for resale	-	-	780	-	-	-	780
- intangible	121	-	61	-	106	-	288
Depreciation	899	444	413	285	74	3	2,118
Amortisation	100	15	38	-	24	-	177
Impairment of property, plant and equipment	3	-	-	-	-	(3)	-

2 Segmental information continued

	UK £000	Europe £000	USA £000	Asia £000	Australia £000	Eliminations £000	Group £000
Six months ended 30 September 2009 restated							
Revenue – external	52,713	11,441	22,862	1,001	4,817	–	92,834
– intra segment	2,463	704	–	5,198	–	(8,365)	–
Total segment revenue	55,176	12,145	22,862	6,199	4,817	(8,365)	92,834
Segment result from continuing operations	1,289	832	(350)	343	742	19	2,875
Pre-tax loss from discontinued operations	–	(213)		–	–	–	(213)
Segment result	1,289	619	(350)	343	742	19	2,662
Pre-tax loss from discontinued operations							213
Net finance expenses							(1,792)
Share of loss of associates							(39)
Income tax							(568)
Profit from continuing operations six months ended 30 September 2009							476
Balances at 30 September 2009 (restated)							
Segment assets from continuing operations	125,962	32,101	28,945	24,909	12,137	(26,472)	197,582
Segment assets from discontinued operations	–	1,864	–	–	–	–	1,864
Segment assets	125,962	33,965	28,945	24,909	12,137	(26,472)	199,446
Segment liabilities	(81,114)	(32,648)	(46,683)	(9,367)	(6,879)	22,664	(154,027)
Capital expenditure							
– property, plant and equipment	250	153	23	32	–	–	458
– intangible	243	8	–	–	–	–	251
Depreciation	1,019	554	402	309	21	–	2,305
Amortisation	48	3	22	–	–	–	73

2 Segmental information continued

	UK £000	Europe £000	USA £000	Asia £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2010 restated							
Continuing operations							
Revenue – external	107,060	33,121	40,839	1,933	15,293	–	198,246
– intra segment	3,070	1,043	50	6,292	–	(10,455)	–
Total segment revenue	110,130	34,164	40,889	8,225	15,293	(10,455)	198,246
Segment result before exceptional items and discontinued operations	4,111	1,051	415	(1,062)	1,930	42	6,487
Exceptional items	(1,508)	(380)	175	158	–	454	(1,101)
Segment result from continuing operations	2,603	671	590	(904)	1,930	496	5,386
Pre-tax loss from discontinued operations	–	(1,757)	–	–	–	–	(1,757)
Segment result	2,603	(1,086)	590	(904)	1,930	496	3,629
Pre-tax loss from discontinued operations							1,757
Net finance expenses							(2,930)
Share of loss of associates							(39)
Income tax							44
Profit from continuing operations year ended 31 March 2010							2,461

	UK £000	Europe £000	USA £000	Asia £000	Australia £000	Eliminations £000	Group £000
Balances at 31 March 2010							
Segmental assets from continuing operations	93,578	24,578	17,416	8,320	7,516	(12,354)	139,054
Segmental assets from discontinued operations	–	162	–	–	–	–	162
Segment assets	93,578	24,740	17,416	8,320	7,516	(12,354)	139,216
Segment liabilities	(43,774)	(23,186)	(39,359)	162	(2,121)	15,019	(93,259)
Capital expenditure							
- property, plant and equipment	681	283	34	71	52	–	1,121
- intangible	456	6	8	–	176	–	646
Depreciation	1,983	1,123	750	602	85	–	4,543
Amortisation	123	39	125	–	–	–	287
Impairment of property, plant and equipment	327	767	–	–	–	–	1,094

3 Discontinued operation

As noted in the Annual Report and Accounts, in July 2010, the Board took the difficult decision to close the Eickpack counter-rolls business that was bought in 2007, resulting in the businesses becoming a discontinued operation.
The results of Eickpack are presented below:

	6 months ended 30 September 2010 £000	6 months ended 30 September 2009 £000	12 months to 31 March 2010 £000
Revenue	**391**	920	1,906
Cost of sales	**(338)**	(862)	(3,076)
Gross profit/(loss)	**53**	58	(1,170)
Selling expenses	**(17)**	(54)	(120)
Administration expenses	**(88)**	(170)	(508)
Operating loss	**(52)**	(166)	(1,798)
Finance expenses	**(26)**	(47)	(94)
Loss before tax	**(78)**	(213)	(1,892)
Income tax credit	**-**	-	135
Loss for the period from discontinued operation	**(78)**	(213)	(1,757)
The tax credit/(expense) is analysed as follows:			
On profit/(loss) on ordinary activities for the year	**-**	-	-
On the loss on discontinuance	**-**	-	135
	-	-	135

The net cash flows attributed to Eickpack are as follows	6 months ended 30 September 2010 £000	6 months ended 30 September 2009 £000	12 months March 2010 £000
Operating cash flows	**(13)**	34	(25)
Investing cash flows	**-**	(61)	10
Finance cash flows	**-**	-	-
Net cash outflow	**(13)**	(27)	(15)

Loss per share from discontinued operation (pence):			
Basic	**(0.1 p)**	(0.4 p)	(3.5 p)
Diluted	**(0.1 p)**	(0.4 p)	(3.2 p)

4 Cash, loans and borrowings

	As at 30 September 2010 £000	As at 30 September 2009 £000	As at 31 March 2010 £000
Secured bank loan (short term)	**(1,042)**	(1,086)	(1,070)
Secured bank loan (long term)	**(8,602)**	(10,345)	(9,397)
Assets backed loan	**(22,999)**	(26,070)	(8,760)
Revolving credit facilities	**(48,468)**	-	(28,625)
Total loans	**(81,111)**	(37,501)	(47,852)
Cash and bank deposit	**1,911**	2,568	2,045
Bank overdraft	**(7,174)**	(66,290)	(3,038)
Cash and cash equivalents per Cash Flow Statement	**(5,263)**	(63,722)	(993)
Net debt as used in the Chief Executive's Review	**(86,374)**	(101,223)	(48,845)

5 Business Combinations

On 4 September 2007, the Group acquired 100% of the issued share capital of Glitterwrap Inc, a supplier of giftware and party products based in the USA. Initial consideration was £1,295,000, plus attributable costs of £178,000. Deferred consideration was paid during the year ended 31 March 2009 of £938,000, and during the year ended 31 March 2010 of £1,513,000. At 31 March 2010, the deferred consideration payable was £1,043,000 at the exchange rate prevailing at that date. On 3rd September 2010, the Company paid the remaining deferred consideration by issuing 1,492,000 shares at 68.58p per share.

The goodwill recognised on Glitterwrap was impaired in full during the year ended 31 March 2009 due to the economic conditions and the revised manufacturing strategy for the US.

6 Income tax

The major components of income tax expence in the Interim report are:

	Six months ended 30 September 2010 £000	Six months ended 30 September 2009 £000	12 months ended 30 March 2010 £000
Current income tax			
Current income tax (charge)/credit	**(243)**	431	(74)
Deferred tax			
Relating to origination and reversal of temporary differences	**105**	137	(105)
Income tax (charge)/credit	**(138)**	568	(179)

Taxation for the six months to 30 September is based on the effective rate of taxation, which is estimated to apply in each country for the year ending 31 March 2011.

7 Earnings per share

	As at 30 September 2010	As at 30 September 2009	As at 31 March 2010
Adjusted basic earnings per share excluding exceptional Items and discontinued operations	**3.1 p**	0.4 p	4.4 p
Loss per share on exceptional items	**-**	–	(0.8 p)
Loss per share on discontinued operations	**(0.1 p)**	(0.4 p)	(3.5 p)
Basic earnings per share	**3.0 p**	0.0 p	0.1 p
Diluted earnings per share	**2.7 p**	0.0 p	0.1 p

The basic earnings per share is based on the profit of £1,563,000 (2009: £18,000) and a weighted average number of ordinary shares in issue of 52,371,295 (2009: 48,676,872) calculated as follows:

Weighted average number of shares in thousands of shares	**September 2010**	September 2009	March 2010
Issued ordinary shares at start of period	**52,150**	48,498	48,498
Shares issued in respect of acquisitions	**221**	179	1,876
Shares issued in respect of exercising of share options	**-**	–	1
Weighted average number of shares at the end of the period	**52,371**	48,677	50,375

Total number of options, over 5p ordinary shares, in issue as at 30 September 2010 was 6,222,556. The average number in issue during the period was 6,222,556.

International Greetings PLC

Belgrave House
Hatfield Business Park
Frobisher Way
Hatfield, Herts AL10 9TQ