Chairman's Statement

I am pleased to announce the interim results for the six months to 30 September 2006, this being the first results announcement since I became Chairman following this year's AGM. During the period we have seen a number of exciting developments within the Group, particularly on an international level. We have seen impressive sales growth in Europe, bedded down two acquisitions, developed further our US strategy and completed the first full season of production at our factory in China.

As we have indicated in previous years, the seasonality of the Group's business means that the first six month figures are not a reliable indicator of the full year figures, as turnover during the months of September and October, which straddle the half-year end, accounts for just over a third of the Group's entire annual turnover. As a result, the interim results are extremely sensitive to the specific timing of deliveries to our customers.

Turnover for the period was £85.1m (2005:£83.8m), with operating profit of £6.2m (2005:£6.5m**). Net interest payable during the period increased to £1m from £0.7m last year, resulting in profit before tax of £5.2m (2005:£5.8m**). Adjusted *profit before tax amounted to £6.2m (2005:£6.5m**). Basic earnings per share for the period were 8.2p (2005:9.3p**), whilst adjusted *earnings per share were 10.1p (2005:10.6p**)

The above figures include turnover of £4.8m and profit before tax of £0.5m attributable to the acquisitions of Alligator Books and the remaining 50% shareholding not previously owned in the Group's Dutch joint venture, Anchor International, which were acquired in April and July respectively this year. Both of these acquisitions have performed well and met our expectations with regard to turnover and profit during the period. The integration of both businesses into our existing operational structure has proceeded smoothly, and the potential for future growth opportunities is excellent.

European sales continue to grow impressively, with a 20% like-for-like increase in turnover of our Hoomark division. We are concentrating on developing our European business in the mass market retail sector where we see considerable scope for future growth. The integration of Anchor International has enabled us to create a European stationery and gift division, which will play an important part in our plans for further expansion in Europe.

I am pleased to report that all orders in our new factory in China were completed on time and within budget, and we continue to look for opportunities to further expand production in this facility.

In the US, in addition to supplying the mass market and independent retail sectors, we are planning to develop a new distribution channel, replicating the Anker business model in the UK which will offer a complete range of greetings and stationery products to mid-size retail groups.

Design and licensed merchandise, as always, play an important role in our business. We have launched licensed ranges of Christmas products for the recently released Warner Bros film 'Happy Feet', and have signed licences for 'The Simpsons Movie', 'Spider-Man 3', 'Shrek 3' and 'Pirates of the Caribbean 3', all due to be released during 2007.

Current Trading

The UK retail sector is operating in a highly competitive business climate. In addition, consumers are carrying out their Christmas shopping later, seeking to benefit from intense competition between the retailers. Although we have completed the majority of this season's deliveries to our customers, we are not immune from this challenging retail climate.

As the only listed company in our sector in Europe, we have reinforced our position as an industry consolidator. Having successfully integrated two businesses in the first half of the year, we continue to look for suitable businesses to acquire in all the geographic areas in which we operate. This is an important part of our future growth strategy. At the same time we remain clearly focused on maximising sales opportunities in all our existing businesses and markets, particularly Europe and the US, and are currently working on designs and product ranges for Christmas 2007 for all our major UK retail customers.

Reflecting our confidence in the outcome for the full year and our future plans for growth, we are proposing to pay an interim dividend of 2.25p a share, an increase of 12.5% over last year. The dividend will be paid on 25 January 2007 to all shareholders on the register on 22 December 2006.

On a personal note, I am delighted to have been appointed Chairman of International Greetings, and on behalf of the Board would like to thank John Elfed Jones for the invaluable contribution he has made during his 10 year tenure as Chairman. John remains on the Board as a non-executive Director, so we will continue to benefit from his considerable experience and expertise.

Keith James OBE
Chairman

* figure excludes amortisation of goodwill of £669,000 (6 months to 30 September 2005: £520,000, 12 months to 31 March 2006: £1,031,000), exceptional item of £304,000 (6 months to 30 September 2005: £121,000, 12 months to 31 March 2006: £3,310,000) and profit on disposal of fixed assets of £nil (6 months to 30 September 2005: £nil, 12 months to 31 March 2006: £1,838,000).

**figure restated following adoption of FRS20 (Share based payments)

International Greetings PLC
Interim Report 2006

Consolidated profit and loss account

for the six months to 30 September 2006

	Note	Unaudited 6 months to 30 September 2006 £000 Continuing Operations	£000 Acquisitions	£000 Total	Unaudited 6 months to September 2005 (restated- see note 1) £000	Audited 12 Months to 31 March 2006 (restated- see note 1) £000
Turnover	2	**80,271**	**4,822**	**85,093**	83,771	198,139
Operating profit before exceptional item	2	**5,906**	**567**	**6,473**	6,615	18,320
Exceptional item	4	**(304)**	**–**	**(304)**	(121)	(3,310)
Operating profit		**5,602**	**567**	**6,169**	6,494	15,010
Share of operating profit of joint venture		**–**	**–**	**–**	–	7
					6,494	15,017
Profit on disposal of fixed assets		**–**	**–**	**–**	–	1,838
Net interest payable		**(863)**	**(95)**	**(958)**	(670)	(1,801)
Profit before taxation		**4,739**	**472**	**5,211**	5,824	15,054
Taxation	6			**(1,408)**	(1,637)	(3,106)
Profit for the period				**3,803**	4,187	11,948
Earnings per share	5					
Basic				**8.2p**	9.3p	26.2p
Diluted				**8.1p**	9.1p	25.8p

Statement of recognised gains and losses

for the six months to 30 September 2006

	Unaudited 6 months to 30 September 2006 £000	Unaudited 6 months to September 2005 (restated- see note 1) £000	Audited 12 Months to 31 March 2006 (restated- see note 1) £000
Profit for the period	**3,803**	4,187	11,948
Currency translation differences arising on foreign currency net investments	**(1,512)**	703	914
Share-based payments	**112**	199	423
Total recognised gains and losses relating to the period	**2,403**	5,089	13,285

Consolidated balance sheet

at 30 September 2006

	Note	Unaudited 30 September 2006 £000	Unaudited 30 September 2005 (restated- see note 1) £000	Audited 31 March 2006 (restated- see note 1) £000
Fixed assets				
Intangible assets – goodwill		**25,422**	22,318	21,339
Tangible assets		**40,017**	46,381	37,134
Investments		**–**	170	173
		65,439	68,869	58,646
Current assets				
Stocks		**62,254**	59,605	40,008
Debtors		**75,460**	68,045	29,863
Investments		**15**	58	65
Cash at bank and in hand		**10**	3	11,825
		137,739	127,711	81,761
Creditors: amounts falling due within one year		**(119,053)**	(120,991)	(56,382)
Net current assets		**18,686**	6,720	25,379
Total assets less current liabilities		**84,125**	75,589	84,025
Creditors: amounts falling due after more than one year		**(7,155)**	(5,467)	(6,352)
Provisions for liabilities and charges		**(1,548)**	(1,781)	(1,882)
Net assets		**75,422**	68,341	75,791
Capital and reserves				
Called up share capital		**2,314**	2,306	2,308
Share premium account		**2,455**	15,079	2,386
Potential issue of shares		**1,052**	672	1,052
Other reserves		**12,845**	724	13,964
Profit and loss account		**56,756**	49,560	56,081
Equity shareholders' funds	7	**75,422**	68,341	75,791

Consolidated cash flow statement

for the six months to 30 September 2006

	Note	Unaudited 6 months to 30 September 2006 £000	Unaudited 6 months to September 2005 £000	Audited 12 Months to 31 March 2006 £000
Net cash (outflow)/inflow from operating activities	8	**(40,073)**	(47,311)	2,706
Returns on investments and servicing of finance	9	**(1,020)**	(483)	(1232)
Taxation		**(703)**	(1,642)	(5,980)
Capital expenditure	9	**(6,610)**	(4,145)	7,809
Acquisitions and disposals	9	**(16,372)**	(13,145)	(13,078)
Equity dividends paid		**(3,240)**	(2,652)	(3,578)
Cash (outflow) before financing		**(68,018)**	(69,378)	(13,353)
Financing	9	**973**	(76)	(630)
(Decrease) in cash		**(67,045)**	(69,454)	(13,983)

Reconciliation of net cash flow to movement in net (debt)/funds

for the six months to 30 September 2006

	Unaudited 6 months to 30 September 2006 £000	Unaudited 6 months to September 2005 £000	Audited 12 Months to 31 March 2006 £000
(Decrease) in cash in the period	**(67,045)**	(69,454)	(13,983)
Cash (outflow)/inflow from debt and lease financing	**(935)**	117	462
Change in net (debt) resulting from cash flows	**(67,980)**	(69,337)	(13,521)
Translation differences	**892**	(564)	(1,013)
Movement in net (debt) in the period	**(67,088)**	(69,901)	(14,534)
Net (debt)/funds at beginning of period	**(10,744)**	3,790	3,790
Net (debt) at end of period	**(77,832)**	(66,111)	(10,744)

Notes

1. Basis of preparation

The financial information contained in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 and is unaudited.

The comparative figures for the year ended 31 March 2006 are an abridged version of the published accounts and are not the company's statutory accounts for that financial year. Those accounts have been reported on without qualification by the auditors, and without any statement under Section 237 (2) or (3) of the Companies Act 1985, and have been delivered to the Registrar of Companies.

The interim statement has been prepared under the same accounting policies as those used for the financial statements for the year ended 31 March 2006, with the exception of share options which are now accounted for under FRS20 (Share based payments) -see note 3. The comparative figures for the 6 months ended 30 September 2005 and the year ended 31 March 2006 have been restated to reflect this change where appropriate.

2. Acquisitions

(a) On 6 April 2006, the Group acquired 100% of the issued share capital of Alligator Books Limited, a publisher and distributor of children's books and stationery. Initial consideration of £2.5m was paid, £2.25m in cash and £0.25m by the issue of 62,703 new ordinary shares. Further payments may become payable, depending on profitability for the year ended 31 March 2007, in a mixture of cash and shares. During the period from 7 April 2006 to 30 September 2006, the Group's results include turnover of £3.5m, interest payable (including interest on cash consideration) of £0.1m and profit before tax of £0.4m attributable to Alligator.

(b) On 8 July 2006, the Group acquired the remaining 50% shareholding not previously owned in the holding company (Leonard Henry Holdings BV) of the Group's Dutch joint venture, Anchor International BV. Consideration of €1.26m was paid, €1m in cash and €0.26m by the issue of 44,692 new ordinary shares. During the period from 9 July 2006 to 30 September 2006, the Group's results include turnover of £1.3m, interest payable (including interest on cash consideration) of £nil and profit before tax of £0.1m attributable to Anchor International BV.

3. Share based payments

The company has adopted FRS20 for the first time in this period and accordingly, the period's operating profit is stated after charging £112,000 for the cost of share options. The operating profits for the 6 months to 30 September 2005 and the 12 months to 31 March 2006 have been restated to include charges of £199,000 and £423,000 respectively, and net assets as at 30 September 2005 and 31 March 2006 have been increased to reflect the tax impact of this change by £107,000 and £68,000 respectively.

4. Exceptional Item

The exceptional item of £304,000 during the six months to 30 September 2006 represents the costs incurred in merging the sales functions for the UK giftwrap, Christmas cracker and card divisions.

The exceptional item of £121,000 during the six months to 30 September 2005 represented the costs associated with the transfer of manufacturing of greetings cards and tags from Hatfield to a new facility in Latvia.

The exceptional items of £3,310,000 during the 12 months to 31 March 2006 represented £2,906,000 of costs incurred in restructuring the group's UK operations and a one-off product safety recall and rectification cost of £404,000.

5 Earnings per share

	Unaudited 6 months to 30 September 2006	Unaudited 6 months to September 2005 (restated- see note 1)	Audited 12 Months to 31 March 2006 (restated- see note 1)
Adjusted basic earnings per share excluding exceptional items, profit on disposal of fixed assets and amortisation of goodwill	**10.1p**	10.6p	28.0p
Loss per share on exceptional item	**(0.5p)**	(0.2p)	(5.1p)
Earnings per share on profit on disposal of fixed assets	**–**	–	5.5p
Loss per share on goodwill	**(1.4p)**	(1.1p)	(2.2p)
Basic earnings per share	**8.2p**	9.3p	26.2p
Diluted earnings per share	**8.1p**	9.1p	25.8p

5 Earnings per share continued

The calculation of basic earnings per share is based on 46,257,862 (6 months to 30 September 2005: 45,002,232, 12 months to 31 March 2006: 45,536,856) ordinary shares being the average number of shares in issue during the period. The calculation of diluted earnings per share is based on 47,003,239 (6 months to 30 September 2005: 45,822,342, 12 months to 31 March 2006: 46,304,602) ordinary shares. The difference of 745,377 (6 months to 30 September 2005: 820,110, 12 months to 31 March 2006: 767,746) represents the dilutive effect of outstanding employee share options which have been calculated in accordance with FRS 14.

Adjusted basic earnings per share excluding exceptional items, profit on disposal of fixed assets and amortisation of goodwill is calculated after adjusting for the exceptional item of £304,000 (6 months to 30 September 2005: £121,000, 12 months to 31 March 2006: £3,310,000), the profit on disposal of fixed assets of £nil (6 months to 30 September 2005: £nil, 12 months to 31 March 2006: £1,838,000), amortisation of goodwill of £669,000 (6 months to 30 September 2005: £520,000, 12 months to 31 March 2006: £1,031,000) and tax relief attributable to these items of £113,000 (6 months to 30 September 2005: £60,000, 12 months to 31 March 2006: £1,691,000).

6 Taxation

The taxation charge for the six months ended 30 September 2006 is based on the estimated tax rate for the full year.

7 Reconciliation of movement in shareholders' funds

	Unaudited 6 months to 30 September 2006 £000	Unaudited 6 months to September 2005 (restated- see note 1) £000	Audited 12 Months to 31 March 2006 (restated- see note 1) £000
Profit for the period	**3,803**	4,187	11,948
Dividend	**(3,240)**	(2,652)	(3,578)
	563	1,535	8,370
Currency translation differences arising on foreign currency net investments	**(1,512)**	703	914
Share based payments	**112**	199	423
New share capital subscribed	**468**	12,541	12,879
Potential issue of shares	**–**	(254)	126
Purchase of own shares	**–**	–	(538)
Net (reduction in)/addition to shareholders' funds	**(369)**	14,724	22,174
Opening shareholders' funds	**75,791**	53,617	53,617
Closing shareholders' funds	**75,422**	68,341	75,791

8 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	Unaudited 6 months to 30 September 2006 £000	Unaudited 6 months to September 2005 (restated- see note 1) £000	Audited 12 Months to 31 March 2006 (restated- see note 1) £000
Operating profit before exceptional item	**6,473**	6,615	18,320
Exceptional item	**(304)**	(121)	(3,310)
Depreciation charge	**3,255**	2,592	5,745
FRS 20 charge	**112**	199	423
(Increase) in stocks	**(20,802)**	(29,500)	(9,650)
(Increase) in debtors	**(44,131)**	(44,241)	(5,715)
Increase/(decrease) in creditors	**15,512**	17,087	(2,833)
Deferred income	**(455)**	(193)	(632)
Goodwill amortisation	**669**	520	1,031
Utilisation of provisions	**(402)**	(269)	(673)
Net cash (outflow)/inflow from operating activities	**(40,073)**	(47,311)	2,706

9. Gross Cash Flow

	Unaudited 6 months to 30 September 2006 £000	Unaudited 6 months to September 2005 £000	Audited 12 Months to 31 March 2006 £000
Returns on investment and servicing of finance			
Net interest paid	**(1,011)**	(474)	(1,213)
Interest element of finance lease repayments	**(9)**	(9)	(19)
	(1,020)	(483)	(1,232)
Capital expenditure			
Purchase of tangible fixed assets	**(7,005)**	(4,335)	(11,225)
Disposal of tangible fixed assets	**109**	190	19,034
Disposal of investments	**286**	–	–
	(6,610)	(4,145)	7,809
Acquisitions and disposals			
Acquisition cost	**(13,714)**	(13,114)	(13,047)
Net overdraft acquired with subsidiary	**(2,658)**	(31)	(31)
	(16,372)	(13,145)	(13,078)
Financing			
New shares issued	**38**	41	379
Purchase of own shares	**–**	–	(538)
New loan	**1,203**	–	–
Repayment of amounts borrowed	**(177)**	(48)	(99)
Capital element of finance lease payments	**(91)**	(69)	(363)
Purchase of investments	**–**	–	(9)
	973	(76)	(630)

10. Analysis of movement in net (debt)/funds

	At 31 March 2006 £000	Cash Flow £000	Exchange Movement £000	Acquisition of subsidiary £000	At 30 September 2006 £000
Cash at bank and in hand	**11,825**	**(11,357)**	**(458)**	**–**	**10**
Overdrafts	**(20,850)**	**(53,030)**	**1,235**	**(2,658)**	**(75,303)**
	(9,025)	**(64,387)**	**777**	**(2,658)**	**(75,293)**
Banks loans	**(1,248)**	**(1,026)**	**94**	**–**	**(2,180)**
Finance leases	**(471)**	**91**	**21**	**–**	**(359)**
	(1,719)	**(935)**	**115**	**–**	**(2,539)**
Total net (debt)/funds	**(10,744)**	**(65,322)**	**892**	**(2,658)**	**(77,832)**