

International Greetings

**Creating
value for our
shareholders...**



International Greetings PLC

Interim Report 2003

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Chairman's statement

I am delighted to report an excellent set of interim results for the six months to 30th September 2003. Turnover for the period has increased by 9% to £53.5m. Improvements in operating efficiency and continuing strong cash management have resulted in an increase in operating profit* of 14% to £5.4m. Profit before taxation* and earnings per share* both increased by 24% to £5.3m and 8.8p respectively.

I am pleased to announce the recent introduction of a new product category into our portfolio, licensed Christmas decorations. As a result of the strength of our relationship with Disney Consumer Products, an opportunity arose in September to acquire a Pan-European licence for this product category, previously held by a licensee which had gone into liquidation. The exceptional item of £684,000 represents the one-off costs associated with obtaining the licence and personnel related costs incurred in establishing the business.

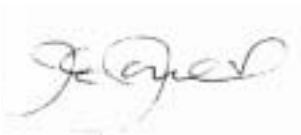
We expect this division to have a minimal impact on our results for the full year to 31st March 2004, but are confident that this new product category will deliver both turnover and profit growth next year.

We recently announced the acquisition of Hoomark Gift-Wrap Partners BV, a gift wrap manufacturer based in Holland. This deal represents a major step forward in our strategic development into mainland Europe, and provides the opportunity to supply not only gift wrap, but all of the Group's product categories into this important marketplace. Due to the seasonality of the business, we anticipate that Hoomark will make a small loss for the period from the date of acquisition (20th November 2003) to 31st March 2004, but will make a positive contribution to Group profits in future years.

Licensed merchandise continues to represent an important part of our business, and during the period the results from sales of the new film releases, the Incredible Hulk and Disney's Finding Nemo, have met our expectations. With continuing promotional activity and video releases leading into the Christmas period, we expect consumer demand for licensed product to continue during the second half of our financial year.

Due to the seasonality of our business, we are now actively engaged in planning customers' ranges and developing new designs and products which will be delivered during the next financial year. With the additions of both the Hoomark and Christmas decorations divisions, and the continuing strength of our existing businesses, we expect an exciting year ahead for International Greetings.

At this time of year, having completed the majority of our Christmas deliveries, we are encouraged by the trading forecasts for our products by our customers, and are optimistic about our full year's performance. Your Board is therefore proposing a dividend of 1.5p per share, an increase of 15% over last year. The dividend will be paid on 15th January 2004 to all shareholders on the register on 19th December 2003.



John Elfed Jones CBE DL
Chairman
8th December 2003

* excluding exceptional item of £684,000

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Consolidated profit and loss account

for the 6 months to 30th September 2003

	Note	Unaudited 6 months to 30th September 2003 £000	Unaudited 6 months to 30th September 2002 £000	Audited 12 months to 31st March 2003 £000
Turnover		53,471	48,950	113,732
Operating profit before exceptional item		5,444	4,790	11,621
Exceptional item	2	(684)	–	–
Operating profit		4,760	4,790	11,621
Net interest payable		(154)	(531)	(690)
Profit before taxation		4,606	4,259	10,931
Taxation	4	(1,403)	(1,330)	(3,299)
Profit after taxation		3,203	2,929	7,632
Dividend proposed		(662)	(535)	(2,385)
Retained profit		2,541	2,394	5,247
Earnings per share	3			
Basic		7.7p	7.1p	18.5p
Excluding exceptional item		8.8p	7.1p	18.5p
Diluted		7.6p	7.0p	18.3p
Dividend per ordinary share		1.5p	1.3p	5.75p

Statement of recognised gains and losses

for the 6 months to 30th September 2003

	Unaudited 6 months to 30th September 2003 £000	Unaudited 6 months to 30th September 2002 £000	Audited 12 months to 31st March 2003 £000
Profit for the period	3,203	2,929	7,632
Currency translation differences arising on foreign currency net investments	(243)	(534)	(602)
Total recognised gains and losses relating to the period	2,960	2,395	7,030

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Consolidated balance sheet

at 30th September 2003

	Unaudited 30th September 2003	Unaudited 30th September 2002	Audited 31st March 2003
Note	£000	£000	£00
Fixed assets			
Intangible assets – goodwill	978	1,161	1,071
Tangible assets	21,856	22,176	21,721
	22,834	23,337	22,792
Current assets			
Stocks	36,629	36,038	21,860
Debtors	44,059	43,073	9,856
Cash at bank and in hand	1	18	10,547
	80,689	79,129	42,263
Creditors: amounts falling due within one year	(56,172)	(59,599)	(21,438)
Net current assets	24,517	19,530	20,825
Total assets less current liabilities	47,351	42,867	43,617
Creditors: amounts falling due after more than one year	(3,315)	(3,935)	(2,278)
Provisions for liabilities and charges	(382)	(800)	(394)
Deferred income	(2,824)	(3,280)	(3,016)
Net assets	40,830	34,852	37,929
Capital and reserves			
Called up share capital	2,109	2,056	2,077
Share premium account	1,652	809	1,081
Other reserves	773	1,085	1,016
Profit and loss account	36,296	30,902	33,755
Equity shareholders' funds	40,830	34,852	(37,929)

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Consolidated cash flow statement

for the 6 months to 30th September 2003

	Note	Unaudited 6 months to 30th September 2003 £000	Unaudited 6 months to 30th September 2002 £000	Audited 12 months to 31st March 2003 £000
Net cash (outflow)/inflow from operating activities	6	(27,105)	(21,194)	22,510
Returns on investments and servicing of finance	7	(151)	(563)	(707)
Taxation		(1,165)	(1,068)	(2,980)
Capital expenditure	7	(2,221)	1,607	752
Equity dividends paid		(1,878)	(1,357)	(1,892)
Cash (outflow)/inflow before financing		(32,520)	(22,575)	17,683
Financing	7	4,977	534	(1,553)
(Decrease)/increase in cash		(27,543)	(22,041)	16,130

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

for the 6 months to 30th September 2003

	Unaudited 6 months to 30th September 2003 £000	Unaudited 6 months to 30th September 2002 £000	Audited 12 months to 31st March 2003 £000
(Decrease)/increase in cash in the period	(27,543)	(22,041)	16,130
Cash (inflow)/outflow from debt and lease financing	(4,374)	(502)	1,877
Change in net debt resulting from cash flows	(31,917)	(22,543)	18,007
Inception of finance leases	-	-	(695)
Translation differences	327	912	1,028
Movement in net debt in the period	(31,590)	(21,631)	18,340
Net funds/(debt) at beginning of period	3,433	(14,907)	(14,907)
Net (debt)/funds at end of period	(28,157)	(36,538)	3,433

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Notes

1 Basis of preparation

The interim statement has been prepared under the same accounting policies as those used for the financial statements for the year ended 31st March 2003.

The figures for the year ended 31st March 2003 are an abridged version of the published accounts which 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.

2 Exceptional item

During the six months to 30th September 2003, the group has established a new business division involved in the design and selling of licensed Christmas decorations. The exceptional item of £684,000 (6 months to 30th September 2002: £nil, 12 months to 31st March 2003: £nil) represents the one-off start-up costs associated with this business.

3 Earnings per share

	Unaudited 6 months to 30th September 2003	Unaudited 6 months to 30th September 2002	Audited 12 months to 31st March 2003
Earnings per share excluding exceptional item	8.8p	7.1p	18.5p
Loss per share on exceptional item	(1.1p)	–	–
Basic earnings per share	7.7p	7.1p	18.5p
Diluted earnings per share	7.6p	7.0p	18.3p

The calculation of basic earnings per share is based on 41,788,924 (6 months to 30th September 2002: 41,117,257, 12 months to 31st March 2003: 41,229,758) ordinary shares being the average number of shares in issue during the period. The calculation of diluted earnings per share is based on 41,993,399 (6 months to 30th September 2002: 41,890,805, 12 months to 31st March 2003: 41,760,588) ordinary shares. The difference of 204,475 (6 months to 30th September 2002: 773,548, 12 months to 31st March 2003: 530,830) represents the dilutive effect of outstanding employee share options which have been calculated in accordance with FRS 14. Earnings per share excluding exceptional item is based upon the earnings as above after adjusting for the exceptional item of £684,000 (6 months to 30th September 2002: £nil, 12 months to 31st March 2003: £nil) and the tax relief thereon.

4 Taxation

The taxation charge for the six months ended 30th September 2003 is based on the estimated tax rate for the full year.

5 Reconciliation of movements in shareholders' funds

	Unaudited 6 months to 30th September 2003	Unaudited 6 months to 30th September 2002	Audited 12 months to 31st March 2003
	£000	£000	£000
Profit for the period	3,203	2,929	7,632
Dividend	(662)	(535)	(2,385)
	2,541	2,394	5,247
Other recognised gains and losses relating to the period (net)	(243)	(534)	(602)
New share capital subscribed	603	32	324
Net addition to shareholders' funds	2,901	1,892	4,969
Opening shareholders' funds	37,929	32,960	32,960
Closing shareholders' funds	40,830	34,852	37,929

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Notes

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

	Unaudited 6 months to 30th September 2003 £000	Unaudited 6 months to 30th September 2002 £000	Audited 12 months to 31st March 2003 £000
Operating profit	4,760	4,790	11,621
Depreciation charge	1,896	1,966	3,922
(Increase)/decrease in stocks	(15,027)	(11,718)	2,365
(Increase)/decrease in debtors	(34,556)	(27,334)	5,990
Increase/(decrease) in creditors	15,927	11,044	(1,270)
Grant income	(192)	(29)	(293)
Goodwill amortisation	87	87	175
Net cash (outflow)/inflow from operating activities	(27,105)	(21,194)	22,510

7 Gross cash flows

	Unaudited 6 months to 30th September 2003 £000	Unaudited 6 months to 30th September 2002 £000	Audited 12 months to 31st March 2003 £000
Returns on investment and servicing of finance			
Net interest paid	(137)	(547)	(678)
Interest element of finance lease repayments	(14)	(16)	(29)
	(151)	(563)	(707)
Capital expenditure			
Purchase of tangible fixed assets	(2,322)	(1,287)	(2,242)
Disposal of tangible fixed assets	101	166	266
Grants received in relation to capital expenditure	–	2,728	2,728
	(2,221)	1,607	752
Financing			
New shares issued	603	32	324
New net loans	4,466	614	(1,662)
Capital element of finance lease payments	(92)	(112)	(215)
	4,977	534	(1,553)

8 Analysis of movement in net (debt)/funds

	At 31st March 2003 £000	Cash Flow £000	Exchange Movement £000	At 30th September 2003 £000
Cash at bank and in hand	10,547	(10,546)	–	1
Overdrafts and bills of exchange	(4,434)	(16,997)	217	(21,214)
	6,113	(27,543)	217	(21,213)
Bank loans	(1,848)	(4,466)	78	(6,236)
Finance leases	(832)	92	32	(708)
	(2,680)	(4,374)	110	(6,944)
Total net funds/(debt)	3,433	(31,917)	327	(28,157)



International Greetings PLC
Belgrave House
Hatfield Business Park
Frobisher Way
Hatfield AL10 9TQ

Tel +44 (0) 1707 630 630
Website www.internationalgreetings.co.uk