

CLINTON CARDS PLC

Unaudited preliminary results for the 52 weeks to 2 August 2009

**CLINTON CARDS PLC
("the Company" or "the Group")**

Unaudited Preliminary Results for the 52 weeks ended 2 August 2009

CHAIRMAN'S STATEMENT

TRADING REVIEW

I am pleased to report that the Group successfully addressed a number of significant challenges it faced during the financial year to 2 August 2009.

Firstly, we adjusted our cost base in response to the difficult conditions on the high street and, as reported at the interim stage, the Group implemented cost saving measures which achieved savings in the year of £2.4m.

Secondly, the Group's banking facilities were successfully negotiated and extended to January 2012 and finally, while it was disappointing to place Birthdays with 332 stores into administration, it presented the Group with the opportunity of acquiring 196 of the better performing stores from the Administrator on 25 June 2009. These stores, of course, only traded for the last month of the financial period.

Though it has been a tough trading year I am encouraged by the improving trends evident in the second half of the financial year. As widely reported, trading on the High Street during the first half of the financial period was extremely challenging. The Clinton stores achieved a marked improvement in the second half with flat like for like sales resulting in the 52 weeks' figure being down by only 3.3%.

We started the year with 703 Clinton stores and continued with our store rationalisation programme. Seven businesses were relocated, eight new stores were opened and 30 stores were disposed of. This activity resulted in 681 Clinton stores trading at the period end.

In purchasing 196 Birthdays stores from the Administrator we were able to ensure the continuing employment of 1,450 people. Of those stores, 29 operate under Clinton leases. We continue to negotiate with landlords to transfer the leases into the newly formed Birthdays Retail Ltd. 16 Birthdays leases trade as Clinton Cards leaving 180 stores trading as Birthdays at the year end.

The reported profit before tax for continuing operations is £24.1m including an exceptional profit arising on acquisition of the Birthdays business of £13.5m. Given the significant trading downturn experienced on the High Street during the first half of the financial year, I feel this is a very creditable result.

The trading loss attributable to the discontinued Birthdays business was £6.8m for the period to the date of administration. As a consequence of the administration, the book value of intangibles, comprising brand and goodwill, has been written off.

The renewal of the Group's banking facilities was successfully concluded in March 2009 and were extended to January 2012. I commented on this in my interim statement and appreciate the support shown by Barclays and Royal Bank of Scotland. However, the Board believes it prudent to reduce bank borrowings as quickly as possible and in consequence has decided to pass the final dividend, but will be repaying £12m of loan debt in January 2010, ahead of the scheduled repayment dates previously agreed.

Net debt was reduced by £8.5m from £58.4m to £49.9m at the year end.

The Board remains committed to a two brand strategy for our core business. In addition the Group is now operating 15 Pure Party stores within the Birthdays business which, as the name suggests, specialise in supplying mainly party products and offering advice on all aspects of hosting a successful party or attending a themed party. It is early days but we are pleased with its progress to date.

An online party site has also just been launched (www.purepartyonline.co.uk).

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In October 2008 we reported that Mike Bugler, MD of the Clinton brand would stand down from the Board and Company in January 2009 to pursue interests over in the US. I am pleased to report that his duties have been taken up seamlessly by Clinton Lewin and Barry Hartog, who moved from the position of Group Finance Director to Group Commercial Director. In vacating his position we were pleased to welcome to the Board his successor, Paul Salador, who had served as Deputy Finance Director for the preceding three years.

CURRENT TRADING AND PROSPECTS

In the first ten weeks of the new financial year to 11 October 2009, the Clinton stores achieved a like for like increase of 2.9% and is meeting expectations as is the newly constituted Birthdays business.

Our Interim Management Statement will be issued at the time of our Annual General Meeting on 26 November 2009.

We now look forward to the very important Christmas period and to reporting our progress in January.

I would like to take this opportunity, on behalf of the Board, of thanking our staff working in all areas of the business for their loyalty and support during a very difficult year.

Don Lewin OBE

Chairman

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Business and Financial Review

Overview

During this financial year the Group has successfully dealt with several significant transactions against a background of a severe economic downturn and fragile consumer confidence.

In March 2009 the Group completed negotiations with its joint lenders, Barclays and Royal Bank of Scotland, extending its facilities to January 2012 and underlining the strong level of support we enjoy from them both. This resulted in the tranche of revolving credit facility for working capital remaining unchanged at £60m and the repayment of £12m relating to the balance of the 2004 Birthdays acquisition debt being extended to December 2011.

During May 2009 the Board took the very difficult decision to place its Birthdays business into administration. Zolfo Cooper were appointed as Administrators and took control of the business.

The Group acquired Birthdays in December 2004 and it had continued to incur losses since that time albeit with an improving sales performance and reducing annual losses. Given the economic uncertainty and the structure of the Birthdays business it was felt that there was little prospect of generating a profit in the short or medium term. Approximately half of the store portfolio was loss making with the level of occupancy costs in many of them being a significant issue. These factors created a backdrop against which the Group could no longer continue to fund the ongoing losses and a solvent restructuring was not considered to be a viable solution. There were 332 stores trading under the Birthdays fascia employing approximately 2,100 staff at that time.

In June 2009 the Administrators accepted an offer of £3.5m from the Group to re-acquire by a newly formed company, Birthdays Retail Limited, 196 of the Birthdays stores. This comprised 16 stores trading under the Clinton fascia and 29 operating under Clinton leases. An agreement direct with a landlord resulted in an additional Birthdays store coming under the Group's control. The result was 180 stores trading under the Birthdays fascia. Birthdays Retail Limited, which is a wholly owned subsidiary of Clinton Cards PLC, owns all of the share capital of Birthdays (Ireland) Limited.

The £3.5m purchase consideration for the Birthdays stores was satisfied by extinguishing £3.25m of inter company debt owed by Birthdays Limited to Clinton Cards and a cash payment of £0.25m. A further cash payment of £0.35m was made to the Administrators for management of the fixed charge assets.

Further expenditure of £2.5m, relating directly to the acquisition, gave a total consideration of £3.1m, net of the assigned inter-company debt, compared to the fair value of assets and liabilities of £16.5m resulting in negative goodwill of £13.5m. In accordance with IFRS 3 this is credited immediately through the Income Statement.

During the year, the Company issued 2,069,251 warrants to each of Barclays and Royal Bank of Scotland in exchange for a waiver of the fees in respect of the reset of the Group's banking covenants. The warrants can be exercised at the holders' discretion between 25 June 2010 and 1 July 2019. These have been treated as equity settled share based payments and have a fair value of £0.3m using the Black Scholes model. The key assumptions input are volatility of 37%, 10 year risk free rate of 4.5% and dividend yield of 4.5%.

Additionally, the loan repayments relating to the tranche of debt outstanding of £12m was, at the Company's request, brought forward to January 2010 when it will be repaid in its entirety. This will leave a £60m working capital facility remaining which only requires utilising in full for a short time period each year following the September rent quarter day.

The total loss on administration attributable to the Birthdays Limited business can be analysed as follows:

Goodwill and Intangibles	£35.3m
Net assets	<u>£15.4m</u>
	<u>£50.7m</u>

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Business and Financial Review (continued)

Note: In accordance with IFRS 5 Birthdays Limited and Birthdays (Ireland) Limited are defined as discontinued operations and therefore disclosed as a separate item on the face of the Income Statement. All comparatives are required to be restated. All results for the Birthdays businesses during the administration period are excluded from the consolidated statements. The results of Birthdays Retail Limited for the 5 week period to 2 August are included within continuing operations.

In the context of the figures throughout the statement, adjusted measures are defined as statutory values before crediting or charging profits/losses on sale of property, plant and equipment, amortisation of other intangible assets, the change in the fair value of financial instruments and exceptional profits arising on acquisition.

Trading

Total revenue for the 52 weeks ended 2 August 2009 was £345.2m compared with £357.5m for the 53 weeks ended 3 August 2008. This includes revenue from Birthdays Retail Limited of £4.7m for the 5 weeks from 25 June 2009. Clintons traded from an average of 19 fewer stores in the year.

The Group's estimated share of the greetings card market is approximately 20% comprising the Clinton share at 17% and, following the administration, Birthdays share at 3%. In order to understand the individual performance of the Clinton and Birthdays brands, the results are set out separately below.

Like for like sales have been adjusted for the previous financial period, are based on stores trading for 52 weeks in both periods and exclude any store which has been extended or was closed for any refurbishment during either period.

Clinton trading

In the 26 weeks to 1 February 2009 we reported a like for like sales decrease of 5.7% from a total of 648 stores. This period coincided with the banking crisis and a sharp decline in footfall on the high street. The second half of the year was much more stable with like for like sales in the 26 weeks to 2 August 2009 flat compared to the same period the year before. This resulted in like for like sales for the 52 weeks to 2 August 2009 being 3.3% lower with all product categories affected.

The sales mix of the core products within Clinton was 61% cards, 10% gift dressing and 29% gifts.

In the 10 weeks of the new financial year to 11 October 2009 sales performance has continued to improve compared to last year and are up 2.9%.

Birthdays trading

Birthdays Retail Limited acquired some of the assets and businesses of Birthdays Limited and the share capital of Birthdays (Ireland) Limited on 25th June 2009 from Zolfo Cooper, the Administrators. The Birthdays performance before administration was down 1.3% in the 26 weeks to 2 February 2009 and increased by 2.5% in the 21 weeks to 20 May. This resulted in flat like for like performance for the 47 weeks to 20 May 2009. As in the Clinton brand all product categories were impacted as a result of lower footfall. In the period under the control of the Administrator from 21 May 2009 to 24 June 2009 the like for like sales performance declined 15.4% and in the key Fathers Day selling period was down 23.2% on the prior year.

When the Group re-assumed control on the 25 June the stores' inventory levels were severely depleted, many best selling lines and core ranges had not been re-ordered and the supply chain was disrupted by the uncertainty of the administration. It was therefore no surprise that like for like sales performance in the 5 weeks to 2 August 2009 declined by 22.0%. However we are pleased to report that inventory levels are now normalised and this has been underlined by a week on week improvement in sales performance with the most recent week in single digit decline compared to a decline in the 10 weeks to 11 October 2009 of 10.6%. This performance is in line with expectations.

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Business and Financial Review (continued)**Financial Summary**

Note: In the context of the figures throughout the statement, adjusted measures are defined as statutory values before crediting or charging profits/losses on sale of property, plant and equipment, amortisation of other intangible assets, the change in the fair value of financial instruments and exceptional profits arising on acquisition.

A summary of the financial results for the 52 weeks to 2 August 2009 is set out below. Adjusted operating profit for the Group was £15.7m (2008: £27.0m). This figure comprises £17.1m (2008: £27.0m) for Clintons and a loss of £1.4m for the first five weeks of trading for the newly formed Birthdays Retail Limited.

The reported Group operating profit was £27.3m (2008: £25.4m) which included £13.5m relating to the exceptional profit arising on the acquisition of some of the assets and business of Birthdays Limited.

The reported net profit before tax was £24.1m which includes the exceptional profit of £13.5m arising on the acquisition.

SUMMARY OF RESULTS

	52 weeks ended 2 August 2009 (unaudited)	53 weeks ended 3 August 2008 (unaudited)
Revenue	£'000	£'000
Clinton	340,473	357,450
Birthdays Retail	4,727	-
Group revenue	345,200	357,450
Adjusted operating profit/(loss)		
Clinton	17,058	27,040
Birthdays Retail	(1,401)	-
Group adjusted operating profit	15,657	27,040
Operating profit		
Clinton	15,232	25,359
Birthdays Retail	12,061	-
Group operating profit	27,293	25,359
Adjusted profit before tax	12,886	24,064
Profit before tax	24,092	21,988
Loss for the year from discontinued operations	(57,619)	(34,842)
Reconciliation of statutory values to adjusted measures		
Group operating profit	27,293	25,359
Loss on sale of property, plant and equipment	1,824	1,681
Exceptional profit arising on acquisition	(13,460)	-
Group adjusted operating profit	15,657	27,040
Profit before tax	24,092	21,988
Loss on sale of property, plant and equipment	1,824	1,681
Exceptional profit arising on acquisition	(13,460)	-
Change in fair value of financial instruments	430	395
Group adjusted profit before tax	12,886	24,064

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Business and Financial Review (continued)**Capital Investment**

In the 52 weeks to 2 August 2009 the Group invested a total of £8.3m in the business. £7.2m was invested in the store portfolio, £0.9m on new point of sale equipment, chip and pin equipment and head office information technology systems and £0.2m on the motor vehicle fleet.

When reviewing the amount invested in new and future stores, it should be noted that contributions from landlords in the form of reverse premiums and/or extended rent free periods amounted to £2.8m. This amount is included in deferred income and credited to the income statement over the period of the respective leases but excluded from the table below.

Investment by brand:

	Clinton Cards £'m	Birthdays Retail £m	Continuing operations £m	Birthdays £'m	Group £'m
New and future stores	3.3	0.4	3.7	2.0	5.7
Modernisation of existing stores	1.4	-	1.4	0.1	1.5
	4.7	0.4	5.1	2.1	7.2
Information systems					0.9
Other					0.2
Total investment					<u>8.3</u>

Group losses arising from the sale of property, plant and equipment in the period amounted to £2.0m (2008: £1.8m).

Cash Flow, Interest and Borrowings

Net debt at 2 August 2009 was £49.9m, a reduction of £8.5m compared with £58.4m at 3 August 2008. Cash generated from operations before movements in working capital during the 52 week period amounted to £20.8m compared with £34.3m in the 53 weeks to 3 August 2008. The improvement in working capital in the current period was £4.9m compared to £2.4m last year. As a result, cash generated from operations in the current period was £25.7m (2008: £36.7m).

Net interest paid in the period to 2 August 2009 amounted to £2.3m compared with £3.4m in the 53 weeks to 3 August 2008. Interest on amounts drawn down against the Group's revolving credit facility is paid at LIBOR plus a lender's margin. To minimise exposure to fluctuations in LIBOR, the Group entered into a four year interest rate hedge agreement in 2004 which expired in December 2008. As required by the new banking facility, a new hedge agreement was entered into on 31 July 2009 expiring in December 2011. This comprises an interest rate swap with a fixed rate of interest of 1.5% until July 2010 and 2.3% until December 2011.

Corporation tax paid in the period amounted to £1.3m (2008: £6.8m) but following a review of earlier years with the Revenue, a repayment of £1.1m was received in August 2009.

Net payments in the current and prior periods in respect of the sale of property, plant and equipment were £0.4m. Cash expenditure in the 52 weeks to 2 August 2009 on property, plant and equipment was £7.8m (2008: £17.2m).

Dividends paid to shareholders in the 52 weeks to 2 August 2009 amounted to £2.1m (2008: £5.5m).

The net increase in cash in the period was £8.5m (2008: £3.4m). There was a decrease, as scheduled, in the Group's revolving credit facility of £12m in December 2008. There is one further reduction which the Board has decided to make in January 2010 of £12m, ahead of the scheduled repayment.

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Business and Financial Review *(continued)*

Taxation

There is a Group taxation charge of £0.1m (2008: £3.7m) which is an effective rate of 0.5% (2008: 21.9%) after adding back the write off of intangibles and net assets of Birthdays and the profits arising on acquisition in the current year. The rate is lower due to adjustments in respect of previous periods.

Earnings per share and Dividend

The adjusted basic earnings per share from continuing operations for the 52 weeks to 2 August 2009 was 7.69p compared to 9.41p for the 53 weeks to 3 August 2008.

The basic and diluted loss per share after the write off of discontinued operations of £57.6m and the profits arising on the acquisition of £13.5m was 16.26p (2008: 8.14p)

The Board has decided not to propose a final dividend in order to facilitate early repayment of £12m of debt planned for January 2010. The Board will consider the payment of the interim dividend when the interim results are announced in March 2010. In the longer term, the Board remains committed to paying a dividend.

Shareholders' Funds

Total shareholders funds at 2 August 2009 amounted to £31.0m (2008: £66.4m). Net assets per share at the period end were 14.96p (2008: 32.07p). This reduction is largely as a result of the loss on discontinued operations of Birthdays Limited of £57.6m (2008: £34.8m).

Store Development

The Clinton brand

In the 52 week period we opened eight new stores (including five from Birthdays), relocated seven stores and disposed of 30 stores (including five to Birthdays) resulting in 681 stores trading at 2 August 2009 with a trading area of 1.30 million square feet. The average trading area of a Clinton store at the year end is 1,919 square feet. During the period 12 Clinton stores were modernised and minor works carried out in many others.

The Birthdays brand

In June 2009 we acquired 180 stores trading with the Birthdays fascia. The average trading area of a Birthdays store at the year end is 1,657 square feet and a total trading area of 0.3 million square feet.

E-Commerce (www.clintoncards.co.uk)

Clinton Cards operates a fully transactional website. The Birthdays website is principally an information site only. The Clinton website sells a wide range of gifts, some of which can be personalised, party products, a comprehensive selection of greetings cards for everyday and seasonal occasions and a broad selection of flowers. Greetings cards can be purchased for use or for personalising and direct delivery to the recipient.

The site is also valuable in supporting the Clinton brand as well as providing information to customers and investors, it is a source for recruitment with all vacancies advertised and applications completed on line.

An online party site has also just been launched, www.purepartyonline.co.uk

Systems and Information Technology

During the year under review the back office system was comprehensively updated in all stores. The system comprises a suite of modules dealing with all aspects of the business from time and attendance records to store planning as well as all company communications. When faster broadband becomes available we will also be able to use the system for streaming training and information videos. All of the telephone traffic within the company is now based on voice over internet protocol (VOIP) and this has significantly reduced telecoms charges for the Group.

The new Dynamics central merchandising system took many months of development and is now installed and operational. Store merchandise and display planning will be the next development followed by the full stock control system and both of these will be fully operational by the summer of 2010.

In view of the average transaction values of the Group, we are very interested in the new contactless card payment system which will significantly speed up dealing with customers at the till point. This is currently being tested and will be in use during 2010.

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Business and Financial Review *(continued)***Staff**

The average number of staff employed during the period was 8,620 (2008: 9,578). Administrative staff totalled 271 (2008: 292) and store and field staff totalled 8,349 (2008: 9,286). Many of the store staff are part time employees and the number of full time equivalent staff was 5,868 (2008: 5,914). Staff have moved across the two brands either as a result of re-branding stores or to fill vacancies at all levels within the business. The Group operates a policy of appointing internal candidates wherever possible to fill any vacancies which arise. Clearly the operation of two sizeable chains enhances these opportunities.

Strategy and Outlook

We continue our strategy of running two brands. In addition we are also testing a number of Pure Party stores which specialise in selling party products and offering advice on all aspects of hosting a successful party or attending a themed party. An online party site has also just been launched.

We are pleased to see in the opening 10 weeks of the new financial year that Clinton is ahead 2.9% on a like for like basis and is meeting expectations as is the newly constituted Birthdays business.

We look forward to reporting our progress over the all important Christmas trading period in January 2010.

Clinton Lewin

Group Managing Director

Paul Salador

Group Finance Director

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Consolidated Income Statement

For the 52 weeks to 2 August 2009

		52 weeks ended 2 August 2009 (unaudited) £'000	Restated** 53 weeks ended 3 August 2008 (unaudited) £'000
Revenue (including VAT)	Note	399,013	419,310
Revenue (excluding VAT)	1	345,200	357,450
Cost of sales		(319,335)	(320,408)
Gross profit		25,865	37,042
Other operating income		68	90
Loss on sale of property, plant and equipment		(1,824)	(1,681)
Exceptional profit arising on acquisition		13,460	-
Administrative expenses		(10,276)	(10,092)
Operating profit	1	27,293	25,359
Finance income		386	501
Finance costs		(3,089)	(3,395)
Change in fair value of financial instruments		(430)	(395)
Unwinding of property provision discount		(68)	(82)
Profit before taxation		24,092	21,988
Taxation		(113)	(3,980)
Profit from continuing operations		23,979	18,008
Loss for the period from discontinued operations		(57,619)	(34,842)
Loss for the period		(33,640)	(16,834)
Earnings/(loss) per share from continuing and discontinued operations	8		
From continuing operations:			
Basic and diluted earnings per share		11.59	8.70
From continuing & discontinued operations:			
Basic and diluted loss per share		(16.26)	(8.14)
Non GAAP measure: adjusted profit before tax from continuing operations:			
Basic and diluted earnings per share		7.69	9.41

The directors consider that the above presentation reflects the underlying performance of the Group based on ongoing store operations and before the exceptional impairment charge, intangible asset amortisation, fair value movements on financial instruments, loss on asset disposals and exceptional profit arising on acquisition.

** The prior year comparative has been restated to reflect the results of Birthdays Limited as discontinued.

Non-GAAP measure: adjusted profit before tax from continuing operations

Profit before tax	24,092	21,988
Adjustments for:		
IAS32 and IAS39 'Financial Instruments' - Fair value remeasurements	430	395
Loss on disposal of property, plant and equipment	1,824	1,681
Exceptional profit arising on acquisition	(13,460)	-
Adjusted profit before tax	12,886	24,064

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Consolidated statement of recognised income and expenses

For the 52 weeks ended 2 August 2009

		52 weeks ended 2 August 2009 (unaudited)	Restated** 53 weeks ended 3 August 2008 (audited)
	Note	£'000	£'000
Loss attributable to equity shareholders		(33,640)	(16,834)
Currency translation differences		(4)	397
Fair value of warrants issued		308	-
Total recognised income and expenses for the period	3	<u>(33,336)</u>	<u>(16,437)</u>

** The prior year comparative has been restated to reflect the results of Birthdays Limited as discontinued.

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Unaudited preliminary results for the 52 weeks to 2 August 2009

Consolidated Balance Sheet

as at 2 August 2009

	Note	As at 2 August 2009 (unaudited) £'000	As at 3 August 2008 (audited) £'000
Non current assets			
Goodwill		17,327	31,330
Other intangible assets		1,750	21,718
Property, plant and equipment		<u>65,204</u>	<u>77,778</u>
		<u>84,281</u>	<u>130,826</u>
Current assets			
Inventories		36,216	49,105
Trade and other receivables		19,418	25,172
Deferred tax asset		411	-
Derivative financial instruments		250	121
Cash and cash equivalents	6	<u>9,056</u>	<u>5,023</u>
		<u>65,351</u>	<u>79,421</u>
Total assets		<u>149,632</u>	<u>210,247</u>
Current liabilities			
Borrowings	6	(56,581)	(63,483)
Trade and other payables	5	(51,265)	(66,122)
Current tax liabilities		(1,301)	(1,660)
Provisions		<u>(366)</u>	<u>(554)</u>
		<u>(109,513)</u>	<u>(131,819)</u>
Net current liabilities		<u>(44,162)</u>	<u>(52,398)</u>
Non current liabilities			
Deferred tax liabilities		-	(371)
Other non current liabilities		(7,868)	(9,880)
Provisions		<u>(1,298)</u>	<u>(1,819)</u>
		<u>(9,166)</u>	<u>(12,070)</u>
Total liabilities		<u>(118,679)</u>	<u>(143,889)</u>
Net assets		<u>30,953</u>	<u>66,358</u>
Shareholders' equity			
Called up share capital		20,693	20,693
Share premium account		5,873	5,873
Capital redemption reserve		50	50
Translation reserve		325	329
Other reserves		308	-
Retained Earnings		<u>3,704</u>	<u>39,413</u>
Total equity	3	<u>30,953</u>	<u>66,358</u>

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Consolidated Cash Flow Statement

For the 52 weeks ended 2 August 2009

	52 weeks ended 2 August 2009 (unaudited) £'000	Restated** 53 weeks ended 3 August 2008 (unaudited) £'000
Note		
Cash flows from operating activities		
Profit before tax from continuing operations	24,092	21,988
Loss before tax from discontinued operations	(57,619)	(35,129)
Adjustments for:		
Net finance costs (see note below)	2,698	2,836
Depreciation	11,415	10,882
Impairment of goodwill	-	30,000
Amortisation of intangible assets	384	484
Net impairment of property, plant and equipment	183	1,454
Fair value of warrants	308	-
Loss on sale of operating fixed assets	2,073	1,755
Exceptional profit arising on acquisition	(13,460)	-
Net assets written off relating to discontinued operations	50,761	-
Operating cash flows before movements in working capital	20,835	34,270
Decrease in inventories	19,009	3,860
Decrease/(increase) in trade and other receivables	5,977	(2,063)
(Decrease)/increase in trade and other payables	(19,247)	2,948
Movement in provisions and financial instruments	(839)	(2,321)
Cash generated from operations	25,735	36,694
Interest received	426	652
Interest paid	(2,703)	(4,093)
Net taxation paid	(1,253)	(6,758)
Net cash generated from operating activities	22,205	26,495
Cash flows from investing activities		
Payments made to acquire assets, net of cash acquired	(574)	-
Fees paid for refinancing	(2,793)	-
Payments relating to disposal of property, plant and equipment	(412)	(431)
Purchase of property, plant and equipment	(7,841)	(17,238)
Net cash used in investing activities	(11,620)	(17,669)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	-	35
Dividends paid to group shareholders	(2,069)	(5,462)
Net cash used in financing activities	(2,069)	(5,427)
Net increase in cash and cash equivalents	8,516	3,399
Net debt at beginning of period	(58,460)	(61,859)
Net debt at close of period	(49,944)	(58,460)

Note: Net finance costs excludes movement in financial instruments and unwinding of property provision discount.

** The prior year comparatives have been restated to reflect the results of Birthdays Limited as discontinued.

Notes to the Financial Statements

1. Segmental information

For management purposes, the Group is currently organised into two operating divisions namely Clinton Cards and Birthdays Retail. These divisions are the basis on which the Group reports its primary segment information.

The Group operates only in the United Kingdom and the Republic of Ireland, a single geographical segment. The Group's geographical segment is determined by the location of the Group's assets and operations together with the location of its customers.

Store information	Clinton Cards	Birthdays Retail	Continuing operations	Birthdays Limited	Group
	No.	No.	No.	No.	No.
Store numbers					
Stores at 29 July 2007	723	-	723	349	1,072
Additions	11	-	11	22	33
Disposals	(31)	-	(31)	(23)	(54)
Stores at 3 August 2008	703	-	703	348	1,051
Additions	15	180	195	16	211
Disposals	(37)	-	(37)	(364)	(401)
Stores at 2 August 2009	681	180	861	-	861
Trading area (square feet)	'000	'000	'000	'000	'000
Trading area at 29 July 2007	1,331	-	1,331	507	1,838
Additions	33	-	33	35	68
Disposals	(48)	-	(48)	(31)	(79)
Resizing	3	-	3	5	8
Trading area at 3 August 2008	1,319	-	1,319	516	1,835
Additions	37	298	335	33	368
Disposals	(50)	-	(50)	(549)	(599)
Resizing	1	-	1	-	1
Trading area at 2 August 2009	1,307	298	1,605	-	1,605
Average store size	sq ft	sq ft	sq ft	sq ft	sq ft
At 29 July 2007	1,841	-	1,841	1,453	1,715
At 3 August 2008	1,876	-	1,876	1,483	1,746
At 2 August 2009	1,919	1,657	1,864	-	1,864

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1 Segmental information (continued)

Income statement	Clinton Cards	Birthdays Retail	Continuing operations	Birthdays Limited	Group
	£'000	£'000	£'000	£'000	£'000
52 weeks ended 2 August 2009					
Revenue (excluding VAT)	<u>340,473</u>	<u>4,727</u>	<u>345,200</u>	<u>84,913</u>	<u>430,113</u>
Operating profit/(loss) as reported	<u>15,232</u>	<u>12,061</u>	27,293	(57,591)	(30,298)
Net finance costs			<u>(3,201)</u>	<u>(28)</u>	<u>(3,229)</u>
Loss before tax			24,092	(57,619)	(33,527)
Taxation			<u>(113)</u>	<u>-</u>	<u>(113)</u>
Profit/(loss) after tax			<u>23,979</u>	<u>(57,619)</u>	<u>(33,640)</u>
Operating profit/(loss) as reported	15,232	12,061	27,293	(57,591)	(30,298)
Loss/(profit) on sale of property, plant and equipment	1,826	(2)	1,824	249	2,073
Amortisation of intangible assets	-	-	-	384	384
Net assets written off	-	-	-	50,761	50,761
Exceptional profit arising on acquisition	<u>-</u>	<u>(13,460)</u>	<u>(13,460)</u>	<u>-</u>	<u>(13,460)</u>
Adjusted operating profit/(loss)	<u>17,058</u>	<u>(1,401)</u>	15,657	(6,197)	9,460
Net finance costs less movement in financial instruments			<u>(2,771)</u>	<u>(28)</u>	<u>(2,799)</u>
Adjusted net profit/(loss) before tax			12,886	(6,225)	6,661
53 weeks ended 3 August 2008					
Revenue (excluding VAT)	<u>357,450</u>	<u>-</u>	<u>357,450</u>	<u>107,579</u>	<u>465,029</u>
Operating profit/(loss) as reported	<u>25,359</u>	<u>-</u>	25,359	(35,016)	(9,657)
Net finance costs			<u>(3,371)</u>	<u>(113)</u>	<u>(3,484)</u>
Profit/(loss) before tax			21,988	(35,129)	(13,141)
Taxation			<u>(3,980)</u>	<u>287</u>	<u>(3,693)</u>
Profit/(loss) after tax			<u>18,008</u>	<u>(34,842)</u>	<u>(16,834)</u>
Operating profit/(loss) as reported	25,359	-	25,359	(35,016)	(9,657)
Loss on sale of property, plant and equipment	1,681	-	1,681	74	1,755
Amortisation of intangible assets	-	-	-	484	484
Impairment of goodwill	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Adjusted operating profit/(loss)	<u>27,040</u>	<u>-</u>	27,040	(4,458)	22,582
Net finance costs less movement in financial instruments			<u>(2,976)</u>	<u>(113)</u>	<u>(3,089)</u>
Adjusted net profit/(loss) before tax			24,064	(4,571)	19,493

CLINTON CARDS PLC

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1 Segmental information (continued)

	Clinton Cards £'000	Birthdays Retail £'000	Continuing operations £'000	Birthdays Limited £'000	Group £'000
Balance Sheet					
Assets as at 2 August 2009	127,272	22,360	149,632	-	149,632
Liabilities as at 2 August 2009	<u>(57,655)</u>	<u>(4,443)</u>	<u>(62,098)</u>	<u>-</u>	<u>(62,098)</u>
Net assets excluding Group borrowings	<u>69,617</u>	<u>17,917</u>	<u>87,534</u>	<u>-</u>	<u>87,534</u>
Group borrowings					<u>(56,581)</u>
Net assets at 2 August 2009					<u>30,953</u>
Assets as at 3 August 2008	135,853	-	135,853	74,394	210,247
Liabilities as at 3 August 2008	<u>(62,068)</u>	<u>-</u>	<u>(62,068)</u>	<u>(18,338)</u>	<u>(80,406)</u>
Net assets excluding Group borrowings	<u>73,785</u>	<u>-</u>	<u>73,785</u>	<u>56,056</u>	<u>129,841</u>
Group borrowings					<u>(63,483)</u>
Net assets at 3 August 2008					<u>66,358</u>
Other segment information					
	Clinton Cards £'000	Birthdays Retail £'000	Continuing operations £'000	Birthdays Limited £'000	Group £'000
Non current assets					
52 weeks ended 2 August 2009					
Additions to property, plant and equipment	5,836	356	6,192	2,080	8,272
Depreciation	9,268	106	9,374	2,041	11,415
Impairment recognised in the period	1,293	-	1,293	-	1,293
Impairment reversed in the period	(1,110)	-	(1,110)	-	(1,110)
Amortisation of intangible assets	-	-	-	384	384
Elimination of goodwill/intangibles on disposal	-	-	-	35,337	35,337
53 weeks ended 3 August 2008					
Additions to property, plant and equipment	12,203	-	12,203	4,929	17,132
Depreciation	8,448	-	8,448	2,434	10,882
Impairment recognised in the period	1,504	-	1,504	986	2,490
Impairment reversed in the period	(960)	-	(960)	(76)	(1,036)
Amortisation of intangible assets	-	-	-	484	484
Impairment of goodwill	-	-	-	30,000	30,000

Revenue principally arises from provision of goods. There are no sales between the business segments.

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2 Discontinued operations

On 21 May 2009, a member of the Group, Birthdays Limited entered administration. As control of the Company and its subsidiary, Birthdays (Ireland) Limited ceased at that date the results and assets of the Birthdays Group have been deconsolidated and treated as discontinued in these results. A single amount is shown on the face of the income statement comprising the post-tax result of discontinued operations up to the date of the administration and the post tax loss recognised on the re-measurement of the Birthday's group to fair value less costs to sell and on the disposal of the discontinued operation.

The table below provides further detail of the amounts shown in the income statement. In accordance with IFRS 5 the income statement for the prior period has been restated to conform to this style of presentation.

	2009	2008
	52 weeks	53 weeks
	£'000	£'000
Revenue	84,913	107,579
Expenses	(91,771)	(142,708)
Loss before tax of discontinued operations	(6,858)	(35,129)
Tax	-	287
Loss after tax of discontinued operations	(6,858)	(34,842)
Net assets written off at administration	(50,761)	-
	(57,619)	(34,842)
The cash flows of Birthdays' operations up to the date of the administration are shown below:		
Operating cash flows	1,705	7,352
Investing cash flows	(2,151)	(4,717)
Total cash flows	(446)	2,635
Balance Sheet		
Goodwill	14,004	44,004
Intangible Assets	21,333	21,718
Property, plant and equipment	14,909	15,047
Investment in subsidiary	33	33
Inventories	15,208	15,388
Deferred tax asset	1,499	1,212
Trade and other receivables	12,058	6,247
Cash and cash equivalents	1,545	1,991
Trade, other payables and provisions	(29,828)	(19,521)
Net assets of the discontinued operation	50,761	86,119
Loss per share from discontinued operations		
From discontinuing operations:		
Basic and diluted loss per share (pence)	(27.85)	(16.84)

CLINTON CARDS PLC

Unaudited preliminary results for the 52 weeks to 2 August 2009

3 Statement of changes in total equity

	Called-up share capital	Share premium account	Capital redemption reserve	Translation reserve	Other reserves	Retained earnings	Total equity
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 29 July 2007	20,685	5,846	50	(68)	-	61,709	88,222
Recognised income and expense for the period	-	-	-	397	-	(16,834)	(16,437)
Dividends paid	-	-	-	-	-	(5,462)	(5,462)
Issue of shares	<u>8</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>
At 3 August 2008	20,693	5,873	50	329	-	39,413	66,358
Recognised income and expense for the period	-	-	-	(4)	308	(33,640)	(33,336)
Dividends paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,069)</u>	<u>(2,069)</u>
At 2 August 2009	<u>20,693</u>	<u>5,873</u>	<u>50</u>	<u>325</u>	<u>308</u>	<u>3,704</u>	<u>30,953</u>

4 Dividends

	2009	2008
	52 weeks	53 weeks
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend of 1.00p per share for the period ended 3 August 2008 (1.70p per share for the period ended 30 July 2007)	2,069	3,517
There was no interim dividend paid for the period ended 2 August 2009 (0.94p per share for the period ended 3 August 2008)	<u>-</u>	<u>1,945</u>
	2,069	5,462

The directors are not proposing a final dividend in respect of the financial period ended 2 August 2009.

5 Trade and other payables

	2 August	3 August
	2009	2008
	£'000	£'000
Trade payables	26,349	34,852
Other taxation and social security	3,705	6,193
Other payables	6,650	9,462
Deferred income	990	663
Other accruals	<u>13,571</u>	<u>14,952</u>
	51,265	66,122

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Unaudited preliminary results for the 52 weeks to 2 August 2009

6 Reconciliation of net debt

	Cash	Borrowings	Net debt
Group	£'000	£'000	£'000
Balance at 29 July 2007	10,646	(72,505)	(61,859)
Cash flow	<u>(5,623)</u>	<u>9,022</u>	<u>3,399</u>
Balance at 3 August 2008	5,023	(63,483)	(58,460)
Cash flow	<u>4,033</u>	<u>6,902</u>	<u>10,935</u>
	9,056	(56,581)	(47,525)
Financing costs capitalised	<u>-</u>	<u>(2,419)</u>	<u>(2,419)</u>
Balance at 2 August 2009	<u>9,056</u>	<u>(59,000)</u>	<u>(49,944)</u>

7 Taxation

	Continuing operations		Discontinued operations	
	2009	2008	2009	2008
	52 weeks	53 weeks	52 weeks	53 weeks
	£'000	£'000	£'000	£'000
Analysis of charge in period:				
UK corporation tax				
Current period	3,401	5,426	-	-
Previous periods	<u>(2,506)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>
Total current tax charge	<u>895</u>	<u>4,426</u>	<u>-</u>	<u>-</u>
Deferred tax				
Current period	(1,055)	486	-	620
Previous periods	<u>273</u>	<u>(932)</u>	<u>-</u>	<u>(907)</u>
Total deferred tax (credit)/charge	<u>(782)</u>	<u>(446)</u>	<u>-</u>	<u>(287)</u>
Taxation charge	<u>113</u>	<u>3,980</u>	<u>-</u>	<u>(287)</u>
Reconciliation between expected and actual tax charge:				
Profit/(loss) before taxation	<u>24,092</u>	<u>21,988</u>	<u>(57,619)</u>	<u>(35,129)</u>
Profit/(loss) before tax at standard rate of UK corporation tax of 28% (2008: 29.3%)	6,746	6,443	(16,133)	(10,293)
Expenses not deductible for tax purposes	(3,470)	6	14,282	8,957
Prior year adjustment to corporation tax	(2,506)	(1,000)	-	-
Adjustments on transfer of assets of business	(410)	-	380	-
Group relief surrendered	(1,471)	(1,643)	1,471	1,643
Non qualifying depreciation and disposal of fixed assets	951	1,106	-	313
Prior year adjustment to deferred tax	<u>273</u>	<u>(932)</u>	<u>-</u>	<u>(907)</u>
Total taxation charge for the period	<u>113</u>	<u>3,980</u>	<u>-</u>	<u>(287)</u>

CLINTON CARDS PLC

Unaudited preliminary results for the 52 weeks to 2 August 2009

8 Earnings per share

The basic earnings per share is calculated by dividing the profit after taxation by the weighted average number of shares in issue during the period. For diluted earnings per share the weighted average number of ordinary shares is increased to assume conversion of all dilutive potential ordinary shares. These comprise share options granted to employees and directors where the exercise price is less than the average market price of the Company's ordinary shares during the period.

	52 weeks to 2 August 2009			53 weeks to 3 August 2008		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000s	'000	pence	£'000s	'000	pence
Profit before discontinued operations	23,979	206,925	11.59	18,008	206,889	8.70
Loss on discontinued operations	(57,619)	-	(27.85)	(34,842)	-	(16.84)
Effect of dilutive share options	-	-	-	-	23	-
Fully diluted loss per share	(33,640)	206,925	(16.26)	(16,834)	206,912	(8.14)

Supplementary earnings per share figures are presented as set out below. These exclude the effect of the charge for the impairment of goodwill, profit or loss on sale of property, plant and equipment, amortisation of intangible assets, other exceptional restructuring costs and the change in the fair value of financial instrument and exceptional profits arising on acquisition.

	52 weeks to 2 August 2009			53 weeks to 3 August 2008		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000s	'000	pence	£'000s	'000	pence
Basic loss from above	(33,640)	206,925	(16.26)	(16,834)	206,889	(8.14)
Loss on discontinued operations	57,619	-	27.85	34,842	-	16.84
Exceptional profit arising on acquisition	(13,460)	-	(6.50)	-	-	-
Loss on sale of property, plant and equipment	1,824	-	0.88	1,681	-	0.81
Change in fair value of financial instruments	430	-	0.21	395	-	0.19
Related taxation effect	3,138	-	1.51	(608)	-	(0.29)
Adjusted earnings from continuing operations	15,911	206,925	7.69	19,476	206,889	9.41

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9 Business combination

On 25 June 2009, the Group acquired 196 stores and the related assets of Birthdays Limited including the investment in its subsidiary, Birthdays (Ireland) Limited.

The acquired business contributed revenues of £4.7m and net loss of £1.4m to the Group for the period from 25 June 2009 to 2 August 2009.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	£'000
Cash paid to vendor	596
Cash paid for directly attributable costs	936
Directly attributable costs	1,542
Waiver of amount due from Birthdays Limited	3,254
Total purchase consideration	6,328

The provisional fair value of the assets and liabilities acquired are as follows:

	Book value	Fair value
	£'000	£'000
Property, plant and equipment	7,394	7,224
Brand	-	1,750
Inventories	8,281	6,123
Trade and other receivables	549	549
Trade and other payables	(1,569)	(1,569)
Cash & cash equivalents	958	958
Deferred tax asset	1,499	1,499
Net assets	17,112	16,534
Purchase consideration		(6,328)
Fair value of net assets		16,534
Negative goodwill		10,206
Write back of amount due from Birthdays Limited		3,254
Exceptional profits arising on acquisition		13,460
Cash paid to vendor		(596)
Cash paid for directly attributable costs		(936)
Cash and cash equivalents acquired		958
Cash outflow on acquisition		(574)

- 10 The Preliminary Announcement of results for the 52 weeks ended 2 August 2009 was approved by a Committee of the Board on 15th October 2009 and is an extract from the forthcoming 2009 Annual Report and Financial Statements and does not constitute the Group's statutory accounts for 2009 nor 2008. Statutory accounts for 2008 have been delivered to the Registrar of Companies, and those for 2009 will be delivered following the Company's Annual General Meeting. The auditors have reported on the 2008 accounts; their report was unqualified and did not contain statements under Sections 237(2) or (3) of the Companies Act 1985 or Section 498 of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with listing rules of the FSA and International Financial Reporting Standards (IFRS) adopted for use in the European Union and accounting policies are consistent with those used in the 2008 annual report, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full accounts that comply with IFRS towards the end of October 2009.

- 11 The Report and Accounts will be posted towards the end of October and the Annual General Meeting will be held on 26 November 2009 at The Crystal Building, Langston Road, Loughton, Essex. Copies will also be available on request and on the Clinton Cards website (www.clintoncards.co.uk).