

Cracking potential



The Thrifty 30 could well be in for a festive treat thanks to the recovering fortunes of a gift wrap maker, says **Richard Beddard**

After you've unwrapped your presents this Christmas, and had a jolly time, you might consider a punt on **International Greetings** (IGR.L), the company that last year made enough gift wrap to drape around the equator at least 10 times. It makes crackers and gifts too and, unsurprisingly due to the subject of this column, it's a fallen angel.

If you had bought shares in 1996, when International Greetings was the Alternative Investment Market (Aim) company of the year, you'd have seen your money multiplying 10 times over the following decade and earned an income too. But in the years since, the shares have fallen by much the same factor. The company no longer pays a dividend and, during the credit crunch Christmas of 2008, it looked briefly like International Greetings might not make it beyond the festive season.

Its problems were partly the result of over-ambition, and partly due to desperate times. Debtors, such as Woolworths, went bust owing the company money, but as recession loomed it was in a tricky position anyway, having spent too much on expansion. In 2007 alone it bought three gift wrap companies based in the US, Poland and Australia, a Dutch photo

frame manufacturer, and a children's book publisher.

I added International Greetings to the Thrifty 30 last August for the usual reasons. Its financial statements looked healthier than they had for a while. Debt levels were falling and profitability was edging up after two years in which it barely made a profit.

Judging by the rhetoric in the annual report, it looks as though the directors have been chastened by the cost of its acquisition programme. The chief executive and finance director are new faces and although the chairman, who founded the company and owns about 45 per cent of its shares, is still in place, at least he has first-hand experience and a keen interest in the firm's survival.

An indication of whether I was right to include International Greetings will come later this month when it publishes half-year results for the period ending on 30 September. It won't be a reliable guide to the full year, as it excludes Christmas trading, but clues about sales during the run-up will likely emerge.

Positive results would be an early Christmas present for the Thrifty 30. It's already had one, as the portfolio contains one of the few companies to benefit from the coalition's Spending Review. Educational supplier RM's price crashed in July as investors reacted to the cancellation of the Building Schools for the Future programme. But such knee-jerk reactions are often wrong and the shares recovered in October after the government confirmed spending on schools would still rise in real terms.

In October, I added Trifast, which makes fasteners that hold products like car interiors together. The return of

THRIFTY 30: UPWARDS MOMENTUM CONTINUES



Notes: £10 broker fee charged for all transactions, and 0.5% stamp duty for purchases. Cash earns no interest. Dividends and sale proceeds are credited to the cash balance. £30,000 invested on 9 September 2009 was worth £35,443 on 1 November 2010. £30,000 invested in a FTSE All-Share ETF was worth £35,417 (dividends reinvested). Objective: To beat a FTSE All-Share ETF handsomely over any five-year period. **Source:** Sharescope, 1 November 2010

two former bosses may have started a revival there. I narrowly rejected confectionary maker Zetar, a supplier of advent calendars and another victim of Woolworths' demise, because I was wary of its short and acquisitive history.

I also rejected Colefax, which supplies upmarket fabrics and wallpaper to interior designers and retail outlets. Although it is a strong and profitable company, I decided it's just not cheap enough.

For more Thrifty 30 information visit <http://blog.iii.co.uk>. Last month we transposed the lines in the chart above. Apologies.

THE THRIFTY 30 PORTFOLIO

Name	Shares	Price (£)	Cost (£)	Value (£)	Return %
Alumasc	938	1.26	999	1,177	18
Armour	6,677	0.09	1,000	584	-42
AutoLogic	3,517	0.25	1,000	862	-14
Castings	515	2.51	999	1,290	29
Clarke (T)	706	1.22	1,000	861	-14
Dart	1,824	0.80	1,000	1,459	46
Dewhurst	413	3.35	998	1,384	39
French Connection	2,310	0.53	1,000	1,213	21
Games Workshop	348	4.23	998	1,470	47
Haynes Publishing	539	2.13	999	1,145	15
Holders Technology	1,437	0.97	999	1,387	39
International Greetings	1,696	0.65	1,097	1,102	1
Johnson Service	5,035	0.25	1,000	1,234	23
Mallett	1,591	0.74	1,000	1,169	17
Northamber	2,276	0.50	1,200	1,127	-6
Northgate	511	2.41	1,099	1,232	12
Printing.com	2,940	0.38	1,000	1,117	12
Quadnetics	643	1.79	999	1,148	15
Ricardo	386	2.97	999	1,144	15
RM	611	1.65	999	1,008	1
Solid State	1,950	0.58	1,000	1,121	12
Titon	2,493	0.50	1,000	1,247	25
Trifast	3,112	0.41	1,130	1,260	12
Waterman	2,431	0.56	1,000	1,349	35
Total current holdings			24,511	28,091	15
Cash				7,352	
Total portfolio			30,000	35,443	18

INTERIM, PRELIMINARY RESULTS AND ANNUAL REPORTS

ADVENTURE CAPITALIST Jim Rogers once said the best advice he'd ever been given was to read company reports: 'Read them and you will have done more than 98 per cent of the people on Wall Street.'

UK companies publish results at least twice a year, an annual report and half-year results for the first six months. Half-year results are published within two

months of the half-year end (three months for Aim companies) and are not usually audited.

Audited annual reports are published within four months of the year-end (six for Aim companies).

To prevent insiders profiting illegally, companies publish pared-down and often unaudited preliminary results as soon as the figures are ready.