26 November 2019

IG Design Group plc
(the "Company", the "Group" or "Design Group")
Results for the six months ended 30 September 2019
Double digit profit growth with significant increase to interim dividend

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of celebrations, gifting, stationery and creative play products, is pleased to announce its interim results for the six months ended 30 September 2019.

Financial Highlights

- Reported revenue up 21% to £248.4 million (H1 2019: £205.2 million) driven by organic growth and the full year effect of the acquisition of Impact Innovations Inc.
- Adjusted operating profit* increased 21% to £23.6 million (H1 2019: £19.4 million)
- Adjusted profit before tax* up 14% to £21.5 million (H1 2019: £18.9 million)
- Profit before tax up 22% to £17.1 million (H1 2019: £14 million)
- Adjusted fully diluted earnings per share* up 2% at 20.1p (H1 2019: 19.7p)
- Reported diluted earnings per share up 16% at 16.0p (H1 2019: 13.8p)
- Net debt** reduced by £13.8m to £86.2 million (H1 2019: £100.0 million) helping reduce average leverage*** to 1.0 times (12 months to 30 September 2018: 1.3 times)
- Interim dividend per share increased by 20% to 3.0p (H1 2019: 2.5p)

*stated before exceptional items, amortisation of acquired intangibles and LTIP charges
**excludes IFRS 16 lease liabilities
***average leverage is 12 month average debt divided by adjusted EBITDA

Strategic and Operational Highlights

- Group sales and profits growth delivered from strong performances in the USA, Europe and the UK
- Performance to date achieved despite the backdrop of US-China tariff headwinds. Considerable progress made to mitigate tariff impact going forward which will benefit our performance in the coming year
- Continued to implement fast payback capital investments, ensuring we remain market leaders, and to support the growth of the Group going into the 2020/21 selling season

Outlook

With good forward visibility from our order book, which is at record levels, we remain on course to deliver full year performance in line with expectations and to exploit opportunities for further growth in 2021.

Commenting on the performance, Paul Fineman, Group CEO, said:

"Our strong start to the year highlights the strength and agility of our business. Our initiatives and investments are bearing fruit and will drive further growth into the future.

Our long-established relationships with many of the world's leading and 'winning' retailers provides a strong foundation for us to meet ambitious growth targets, both organically and through an active pipeline of acquisition opportunities, whilst maintaining prudent average leverage.

We remain focused on driving growth, maintaining our financial strength and continuing to deliver in line with expectations, whilst ensuring we continue to make the most of our many exciting future prospects."

This announcement contains inside information

– Ends –

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EXECUTIVE REVIEW

Overview

The Group is again pleased to deliver double digit growth for the first half of the year, with revenue increasing 21% compared to the same period last year to £248.4 million (H1 2019: £205.2 million) driving a 21% increase in adjusted operating profit to £23.6 million (H1 2019: £19.4 million). Adjusted profit before tax was up 14% on the prior year period to £21.5 million (H1 2019: £18.9 million). This strong financial performance has been driven through organic growth and the full year effect of the Impact Innovations Inc. ('Impact') acquisition in the prior year and ensures we enter the second half with good momentum and a confident outlook for the full year.
Our performance continues to be underpinned by our focus on the Group's strategy of 'working with the winners' to produce high quality products with innovative designs, while benefiting from scale and efficiency. Reported profit before tax at £17.1 million was 22% up on the prior year (H1 2019: £14.0 million). It should be noted that our H1 2020 metrics throughout the executive review reflect IFRS 16 Leases accounting impacts. For more detail on the impact on our key metrics, please refer to note 9.

Average leverage improved to 1.0 times for the twelve month period ending 30 September 2019 from 1.3 times in the comparative period in 2018. Net debt at the half year was £86.2 million (H1 2019: £100.0 million), £13.8 million lower than last half year, largely driven by the improved opening cash position at the beginning of the financial year. As always, our half year debt position reflects our peak manufacturing and working capital needs, with forecast second half cash receipts from customers moving us to an anticipated closing net cash position as in previous years. We expect the closing position as at 31 March 2020 to be improved compared to 31 March 2019.

Adjusted earnings per share increased 2% on the prior half year to 20.1p (H1 2019: 19.7p). The reason this increase is lower than the 14% increase in adjusted profit before tax noted above, is the strong prior year comparative which saw a benefit from the timing of the Impact acquisition. We acquired Impact on 31 August 2018, just ahead of its peak selling period in September and as a result our half year results included a significant proportion of Impact's first half profits, while the calculation of adjusted earnings per share reflected only one month's weighting for the equity raise associated with the acquisition. Reported diluted earnings per share up 16% at 16.0p (H1 2019: 13.8p).

A final dividend of 6.0p in respect of the year ended 31 March 2019 was paid in September 2019, resulting in a total dividend of 8.5p representing 3.4 times dividend cover for the 2019 financial year compared to 3.7 times in 2018. The Board is pleased to declare an interim dividend of 3.0p in respect of the half year ended 30 September 2019 (H1 2019: 2.5p).

Our strategy

Our strategy underpins everything we do and helps drive each of our regional businesses forward. Our focus on working with the winners has again delivered success with our top ten customers continuing on an upward trajectory. During the period, we have also developed new business streams with some of the world's leading retailers, in particular developing exciting and innovative selling programmes with both new and existing customers. We continue to successfully use our local knowledge and expertise to tap into the market and retail trends in each of the key territories that we serve around the world. We aim to be our customers' partner of choice and our focus on service and quality helps differentiate us as a key supplier.

Our mantra is that 'design is at the heart of everything we do' and our focus on design and innovation is fundamental to our future success. Our team of talented and commercial designers across the world are working closely with our customers and our suppliers to bring fresh, innovative and vibrant designs to our products and into retail stores. We are already in advanced discussions with our customers about exciting new product and display ideas for 2020 and it is this passion for quality, design-led products which will help drive the Group forward year-on-year.

The final component of our strategy is efficiency and scale which combines investments in people and capital expenditure as well as growing through acquisition, alongside our organic growth. This year will see the launch of our second paper bag production line in Wales, driving growth in our 'not-for-resale' product offering. Over the coming months we will also be making further investment in Europe, with our first ever automated converting and packaging line. In the United States, we are installing our largest ever printing press, which will help take our manufacturing facilities to new levels of market leading efficiency.

Outlook

With a strong sales pipeline, which is ahead of the prior year and in line with our expectations, our teams around the world are focused on the delivery of our order book during the balance of this year while securing new business for 2020 and beyond. This focus, together with other major commercial and operational initiatives and investments throughout the Group, will support our growth going into the 2020/21 selling season. We also have a strong and active pipeline of acquisition opportunities throughout all regions, providing incremental growth and an exciting outlook for the future.

The Group is on track to meet full year market expectations including year-end average leverage showing further improvement against the prior year.

Operational regional highlights

We are delighted with the growth we have seen in adjusted operating profit in the US, UK and Europe. In Australia, our business is performing in line with expectations but, as previously communicated, at a lower level than the prior year. Despite market headwinds the Group maintained adjusted operating margin at 9.5%. Reported operating profit increased 30% on the comparable prior year period when including exceptional items, acquisition amortisation and LTIP charges.

			Segmental revenue			Adjusted operating profit[(a)]			Adjusted margin	
% Group revenue			**H1 2020**	H1 2019	% growth	**H1 2020**	H1 2019	% growth	**H1 2020 %**	H1 2019 %
60%	Americas	$m	**183.8**	131.6	40%	**17.6**	13.9	27%	**9.6%**	10.6%
22%	UK	£m	**58.3**	60.6	(4%)	**5.4**	4.9	9%	**9.2%**	8.1%
12%	Europe	€m	**32.3**	30.7	5%	**4.3**	3.8	13%	**13.3%**	12.3%
7%	Australia	AU$m	**30.0**	36.7	(18%)	**2.9**	4.1	(28%)	**9.2%**	11.1%
(1%)	Elims/Central costs	£m	**(3.3)**	(3.8)	—	**(1.7)**	(2.0)	—	**—**	—
100%	Total	£m	**248.4**	205.2	21%	**23.6**	19.4	21%	**9.5%**	9.5%

(a) Segmental profit is calculated as adjusted operating profit before management charges. The 2020 results include the impact of IFRS 16.

Americas

Following the acquisition of Impact, our Americas business has doubled in size and at the half year represents 60% of the Group's revenues. The first half of the financial year has been a significant period of change with the merging of our manufacturing facilities into one location in Memphis, Tennessee, the continuation of the implementation of a new ERP system across the Americas group, a restructuring of the management team, and the ongoing integration of the Impact team within the Group.

Against this backdrop and despite the rapid escalation of tariffs from China to the US over the period, the business has delivered a good financial performance reflecting a full year effect of Impact together with organic revenue growth and the delivery of synergies associated with the acquisition. Revenue was up 40% on the prior year at $183.8 million (H1 2019: $131.6 million), with adjusted operating profit up 27% year-on-year to $17.6 million (H1 2019: $13.9 million). Due to the nature and extent of the integration of the operations since the acquisition of Impact, it is not possible to provide a split of revenue and operating profits between legacy America growth and that of the combined business. Adjusted operating margin was down to 9.6% (H1 2019: 10.6%) against the prior year period. This is due to the timing of the Impact acquisition which drove a higher margin percentage for the prior year than that which would have been achieved in a full six month trading period.

We remain a key supplier of choice to the top US retailers and have worked on developing relationships and initiatives with new, as well as existing, customers. We go into the second half of the year with a strong order book and growth initiatives already developed for the 2020/21 selling season. Walmart, the largest retailer in the world and in the United States, with whom our revenues continue to grow, remain our biggest customer representing over 20% of the overall Group's revenues.

The China-US tariff situation has presented a significant challenge to our business in the first half of the year. The evolution of the tariffs came quickly, moving from 0% to 10% and then rapidly to 25% within just a few months, and became applicable to more of our product categories with no advance warning. Whilst mitigation strategies were in place, we have nevertheless had to react quickly to work with our customers and suppliers to manage the impact as far as possible. With further developments expected over the coming months we continue to create as many options as possible to ensure we are flexible to the situation and in a position to offer our customers an even more compelling portfolio of products and services.

One opportunity that is already underway is the imminent arrival in Memphis of our new printing press, the most efficient and largest in the Group to date. This will not only deliver significant efficiencies but also provides the Americas group with the competitive advantage of increased capacity and the capability for US domestic production, ensuring we and our customers are no longer exposed to tariffs on gift wrap imports from China. We are now looking to broaden our US manufacturing portfolio across paper products other than gift wrap, as well as further diversifying our supply chain and increasing volumes from our established non-China based sources of supply.

Importantly, we are keeping close to our customers and pursuing opportunities to be their one key supplier of choice as they seek to consolidate their supply base with those suppliers who have demonstrated the ability to navigate through tariff dynamics as well as having a broad portfolio of products to offer.

In addition to the work in Memphis, we continue to focus on delivering the operational synergies identified at the time of the Impact transaction and remain on track to deliver in 2021 the targeted $5 million of annualised operational synergies. The business incurred some further one-off expenditure associated with the integration in Memphis which included incremental costs associated with managing the first peak period with a newly combined manufacturing conversion process. More detail on the exceptional costs can be found in note 3 to the interim financial statements.

UK

Revenues in the UK business at £58.3 million (H1 2019: £60.6 million) were slightly behind the prior year, reflecting the timing of customer shipments in the current year (which were being managed by customers in preparation for an end of October Brexit). Second half sales are forecast to come back in line with our expectations for the full year. Adjusted operating profit was up 9% at £5.4 million

(H1 2019: £4.9 million) reflecting improved product mix and the impact of efficiency savings gained as a result of the restructuring of our UK business which has continued to consolidate activities and processes to leverage scale in the UK.

In the first half of the year, the UK business extended its licensing portfolio securing new agreements in respect of some key brands, including Harry Potter, Peppa Pig, Toy Story 4 and Frozen 2. We continue to invest in our 'not-for-resale' bags initiative and are in the process of commissioning our second bag making machine in Wales. Our order book for these products is showing encouraging growth in the second half of this financial year and into 2021 as we secure new customers and brands.

The Group continues to keep the potential implications of Brexit under review as we await further developments. We are currently prepared for Brexit, in whichever form it takes, and have workstreams in place to mitigate risks. We believe that the effect of Brexit on the strength of sterling will be the main impact to the Group.

Europe

Our business in Europe is as strong as ever and showed good revenue growth, up 5% compared to the prior year, at €32.3 million (H1 2019: €30.7 million). Adjusted operating profit at €4.3 million has grown 13% compared to last year (H1 2019: €3.8 million) with adjusted operating margin growing to 13.3% (H1 2019: 12.3%). The European team continue to deliver excellent results, capitalising on their commitment to our 'working with the winners' strategy by forming key partnerships with some of the fastest growing retailers in the European market.

The new printing press which came fully online in the Netherlands during the last financial year has improved operational efficiencies and allowed the team to accelerate production ahead of schedule this year. This leaves capacity for any additional orders for the back half of the year including the ability to support the rest of the Group.

We have printed a record volume of 157 million metres of wrap to date (compared to 149 million metres at this time in the previous year). This is an excellent example of the benefits we can derive from our investment in state-of-the-art production equipment. We are also in the process of upgrading the converting lines in our European facility to deliver an automated production line from converting to packing. A bespoke design, this is the very first automated process of its kind and we look forward to being able to have this available for production from April 2020.

Our order book in Europe is at its highest ever level as we continue to grow in both existing and new product categories.

Australia

Our performance in Australia has been in line with expectations and, as previously communicated, with revenues and profits having stepped back as a result of reduced business from certain national retailers in the region. Some of this relates to a conscious decision by the Group to move away from customers whose performance has been volatile. Revenues of AU$30.0 million were down 18% (H1 2019: AU$36.7 million), with adjusted operating profit down 28% at AU$2.9 million (H1 2019: AU$4.1 million). Our team in Australia have plans in place to grow the business, which include further diversifying our product portfolio.

Our products and brands

The Group continues to evolve as a diversified, multi-category, multi-channel and multi-product manufacturer and supplier, and we are continually looking at ways in which we can offer a one-stop product and service solution to make ourselves the market leading supplier of choice to our customers.

	30 Sep 2019		30 Sep 2018	
Revenue by product category	**%**	**£m**	%	£m
Celebrations	**77**	**188.7**	77	157.3
Stationery and creative play	**11**	**27.9**	9	19.4
Gifting	**9**	**23.2**	10	21.3
'Not-for-resale' consumables	**3**	**8.6**	4	7.2
Total		**248.4**		205.2

Whilst products suitable for the Christmas season still dominate our product portfolio, it is pleasing to see growth in all non-Christmas categories at the half year, in line with our strategic aims, with a 44% growth in our Stationery and Creative Play category.

The UK business has taken a lead in developing more environmentally friendly products for our customers. This included the launch of our sustainable product portfolio, including fully recyclable Christmas crackers and stationery made from recycled materials, which have been positively received by both customers and consumers. The Group's commitment to environmental sustainability was also recognised with the WWF 3 Trees award, which rewards businesses for using only paper from sustainable forestry and from responsible suppliers.

We are creating exciting product and display solutions across our product portfolio, including our new 'Impulse' category of all-year-round seasonal gift and décor products. These will be launched in the second half of the year and extensive programmes delivered in 2021.

Detailed financial review

The Group has delivered another strong performance in the half year to 30 September 2019.

	30 Sep 2019 £m	30 Sep 2018 £m	% change
Revenue	**248.4**	205.2	21
Gross profit	**51.3**	44.2	
Overheads	**(27.7)**	(24.8)	
Adjusted operating profit	**23.6**	19.4	21
Adjusted operating margin %	**9.5%**	9.5%	
Finance charge	**(2.1)**	(0.5)	
Adjusted profit before tax	**21.5**	18.9	14
Exceptional items	**(1.5)**	(3.0)	
Acquisition amortisation	**(1.4)**	(0.4)	
LTIP charges	**(1.5)**	(1.5)	
Profit before tax	**17.1**	14.0	22
Tax	**(3.8)**	(3.7)	
Profit after tax	**13.3**	10.3	29

Group **revenue** has grown 21% over the prior year to £248.4 million (H1 2019: £205.2 million) and at like-for-like exchange rates **revenue** was up 18% compared to this time last year. Adjusted operating profit of £23.6 million (H1 2019: £19.4 million) increased by 21%. On a constant currency basis the increase was 18%.

Finance charge

Our total finance charge as at 30 September 2019 was £2.1 million (H1 2019: £0.5 million excluding exceptional finance charge). The increased charge reflects our change in average debt year-on-year along with the impact of the adoption of IFRS 16 (see note 9 for more detail).

Exceptional items

The exceptional costs incurred in the half year to 30 September 2019 are £1.5 million (H1 2019: £3.0 million including exceptional finance charge). The costs relate largely to the restructure of our US operations following the Impact acquisition, including non-recurring costs associated with the integration of our manufacturing facilities into Memphis, in particular during its first manufacturing cycle as an integrated facility. Given the Group were part way through the peak manufacturing cycle as at 30 September 2019, it is anticipated that further one-off costs will be incurred before the cycle finishes.

Other exceptional costs incurred in the first half relate to further restructuring costs within the UK rationalisation programme and transaction costs incurred by the Group.

LTIP charges

A charge of £1.5 million (H1 2019: £1.5 million) has been incurred in relation to long-term incentive plans.

Taxation

The taxation charge for the half year is £3.8 million (H1 2019: £3.7 million) with the effective tax charge on adjusted profit before tax at 22.5% (H1 2019: 24%). This is slightly lower than the weighted blend of statutory rates in the countries in which we operate as a result of the recognition of previously unrecognised deferred tax assets relating to losses that are expected to be recovered against forecast taxable profits. The effective rate on profit before tax is 22.2% (H1 2019: 26.8%).

Acquisition amortisation

Acquisition amortisation charged in the period was £1.4 million (H1 2019: £0.4 million) of which £0.5 million relates to the accelerated amortisation of the Impact trade name.

Earnings per share

Adjusted earnings per share at 20.1p were 2% up over the prior year adjusted earnings per share of 19.7p. The slower growth in comparison to the other income statement metrics is a result of last year's earnings per share being affected by the timing of the Impact acquisition.

As discussed above, we acquired Impact on 31 August 2018, just ahead of its peak selling period in September and as a result our half year results included a significant proportion of Impact's first half profits, while the calculation of adjusted earnings per share reflected only one month's weighting for the equity raise associated with the acquisition.

Reported fully diluted earnings per share were 16.0p (H1 2019: 13.8p) and reported basic earnings per share were 16.0p (H1 2019: 14.1p).

Return on capital employed

The Group's return on capital employed, based on twelve months average net capital employed increased from 24.3% at 31 March 2019 to 25.4% as at 30 September 2019.

Cash flow and net debt

As at 30 September 2019 net debt (excluding IFRS 16 lease liabilities) was £86.2 million (H1 2019: £100.0 million). Average leverage as at the half year was 1.0 times from 1.3 times for the comparative prior period demonstrating continued focus on cash management through the period.

	30 Sep 2019 £m	30 Sep 2018 £m
Adjusted EBITDA	**30.4**	22.1
Change in trade and other receivables	**(116.2)**	(108.5)
Change in inventory	**(56.1)**	(32.3)
Change in creditors, provisions and accruals	**61.6**	43.9
Adjusted cash generated from operations	**(80.3)**	(74.8)
Exceptional items from operations	**(1.2)**	(1.1)
LTIP	**(0.4)**	(0.6)
Cash generated from operations	**(81.9)**	(76.5)
Proceeds from sale of property, plant and equipment	**—**	0.5
Net capital expenditure	**(4.1)**	(3.6)
Business acquired	**—**	(67.1)
Tax paid	**(2.3)**	(2.2)
Interest paid (including exceptional items)	**(1.7)**	(0.6)
Payments of lease liabilities	**(3.1)**	—
Equity dividends paid	**(4.7)**	(2.6)
Proceeds from issue of share capital	**—**	48.3
Other	**(5.5)**	(0.6)
Movement in net debt	**(103.3)**	(104.4)
Opening net cash	**17.1**	4.4
Closing net debt	**(86.2)**	(100.0)

Working capital

The Group's working capital movement this half year includes the full effect of Impact. We acquired Impact on 31 August 2018 at its peak working capital cycle when trade receivables, inventory and creditors were close to their highest level in the annual cycle, and as such, as at 30 September 2018 the Group only reflected one month's working capital movements in respect of the Impact business. Excluding Impact, our working capital movements are consistent with the previous half year.

Capital expenditure

During the first half of this year we invested £4.1 million (H1 2019: £3.6 million). The key projects include:

- a new, state-of-the-art printing press in the US;
- the automated converting line project in the Netherlands; and
- a new ERP system in the US.

Full year guidance remains between £11 million and £13 million.

Alternative performance measures

This review includes alternative performance measures ('APMs') that are presented in addition to the standard IFRS metrics. The Directors believe that these APMs provide important additional information regarding the adjusted performance of the business including trends, performance and position of the Group. APMs are used to enhance the comparability of information between reporting periods and segmental business units by adjusting for exceptional or uncontrollable factors which affect IFRS measures, to aid the understanding of the Group's performance. Consequently, APMs are used by the Directors and management for strategic and performance analysis, planning, reporting and reward setting.

The APMs are adjusted EBITDA, adjusted operating profit, adjusted profit before tax, adjusted profit after tax and adjusted earnings per share.

The definitions of APMs used are listed below:

- Adjusted EBITDA – EBITDA before exceptional items and LTIP charges
- Adjusted operating profit – Profit before interest, tax, exceptional items, acquisition amortisation and LTIP charges
- Adjusted profit before tax – Profit before tax, exceptional items, acquisition amortisation and LTIP charges
- Adjusted profit after tax – Profit after tax, before exceptional items, acquisition amortisation and LTIP charges
- Adjusted earnings per share – Fully diluted earnings per share before exceptional items, acquisition amortisation, LTIP charges and associated tax effect

Exceptional items
These include acquisition related costs and reorganisation and restructuring costs. These items are excluded to present the performance of the business in a consistent manner and in line with how the business is managed and measured on a day-to-day basis.

Further detail can be seen in note 3 to the interim financial statements.

Acquisition related costs
These costs, in our view, form part of the capital transaction and as they are not attributed to investment value under IFRS 3, they are excluded from our adjusted measures for the purposes of reporting underlying results. Similarly, where acquisitions have employee related payments (exclusive of LTIPs) which lock in and incentivise legacy talent, we have also excluded these costs.

Reorganisation and restructuring costs
In order to maximise efficiencies, as well as realise synergies from acquisitions, work is often undertaken outside of the normal day-to-day operations of the business to achieve these.

This is particularly relevant during a large scale restructuring that can result in some disruption to the normal business (for example manufacturing patterns) leading to operational inefficiencies occurring in this time frame. If we deem this to be the case, we will present the details and associated costs of the projects separately in our financial statements and exclude them from our adjusted measures.

LTIP costs
As part of our senior management remuneration, the Group operate a Long Term Incentive Plan ('LTIP') in the form of options for ordinary shares of the Group. In accordance with accounting principles, despite this plan not being a cash cost to the business, a share-based payments charge is taken to the income statement. We consider that these charges do not form part of the underlying operational costs and therefore exclude them from our adjusted measures.

Acquisition amortisation costs
Under IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer lists and brands which form part of the intangible value of the acquired business but are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over an appropriately judged period. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. As such we exclude them from the underlying results of the business.

A full reconciliation between our adjusted and reported results is provided below:

	30 Sep 2019	30 Sep 2018
	£m	£m
Adjusted EBITDA	**30.4**	22.1
Exceptional items	**(1.5)**	(3.0)
LTIP charges	**(1.5)**	(1.5)
EBITDA	**27.4**	17.6

	£m	£m
Adjusted operating profit	**23.6**	19.4
Exceptional items	**(1.5)**	(2.7)
Acquisition amortisation	**(1.4)**	(0.4)
LTIP charges	**(1.5)**	(1.5)
Reported operating profit	**19.2**	14.8

	£m	£m
Adjusted profit before tax	**21.5**	18.9
Exceptional items	**(1.5)**	(3.0)
Acquisition amortisation	**(1.4)**	(0.4)
LTIP charges	**(1.5)**	(1.5)
Reported profit before tax	**17.1**	14.0

	£m	£m
Adjusted profit after tax	**16.7**	14.3
Exceptional items	**(1.2)**	(2.4)
Acquisition amortisation	**(1.0)**	(0.3)
LTIP charges	**(1.2)**	(1.3)
Reported profit after tax	**13.3**	10.3

	Pence	Pence
Adjusted earnings per share	**20.1**	19.7
Exceptional items (including tax effect)	**(1.4)**	(3.6)
Acquisition amortisation (including tax effect)	**(1.2)**	(0.4)
LTIP charges (including tax effect)	**(1.5)**	(1.9)
Reported diluted earnings per share	**16.0**	13.8

The APMs are also used in a number of the Group's performance metrics detailed below:

- Adjusted operating margin – Adjusted operating profit divided by revenue
- Return on capital employed – Adjusted operating profit divided by monthly average net capital employed (excluding cash and intangibles)
- Average leverage – Average debt divided by adjusted EBITDA
- Dividend cover – Adjusted earnings per share divided by total dividends for the year

New accounting standards

IFRS 16 Leases is effective for accounting periods beginning on or after 1 January 2019 and as such the Group have adopted the standard in this half year. The Group have used the modified retrospective approach resulting in a right-of-use asset as at 30 September 2019 of £35.6 million and a corresponding lease liability as at the same date of £40.3 million. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases or low-value assets and will continue to expense the lease payments associated with these leases on a straight-line basis over the term of the lease. The impact on the Group's income statement is an increase in depreciation and interest charges, offset by the removal of related rental costs previously charged under IAS 17 Leases. The net effect on the income statement is a net increase in charges of £0.2 million as at 30 September 2019. The effect of IFRS 16 on our key metrics can be seen in note 9.

Principal risks and uncertainties

The Group's continued success is influenced by how well we manage our risks. As at 30 September 2019, the Group's principal risks and uncertainties, as detailed in our financial statements for the year ended 31 March 2019, are all still considered to be valid risks and there have been no significant movements in these risks in the past six months. These will be reviewed again at the year end.

Statement of Directors' responsibilities

We confirm to the best of our knowledge that:

- the condensed interim set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;
- the interim report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year); and
- the interim report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties transactions and any changes therein).

By order of the Board

Paul Fineman
Chief Executive Officer

Giles Willits
Chief Financial Officer

26 November 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

SIX MONTHS ENDED 30 SEPTEMBER 2019

	Note	**Unaudited six months ended 30 Sep 2019 £000**	Unaudited six months ended 30 Sep 2018 £000	Twelve months ended 31 Mar 2019 £000
Revenue	2	**248,371**	205,238	448,362
Cost of sales		**(197,597)**	(161,754)	(365,533)
Gross profit		**50,774**	43,484	82,829
Selling expenses		**(10,658)**	(10,557)	(23,095)
Administration expenses		**(21,336)**	(18,363)	(40,596)
Other operating income		**398**	284	620
Operating profit		**19,178**	14,848	19,758
Finance expenses		**(2,083)**	(827)	(2,476)
Profit before tax		**17,095**	14,021	17,282
Income tax charge	5	**(3,792)**	(3,757)	(4,031)
Profit for the period		**13,303**	10,264	13,251
Attributable to:				
Owners of the Parent Company		**12,799**	9,553	11,925
Non-controlling interests		**504**	711	1,326

Operating profit analysed as:				
Adjusted operating profit		**23,605**	19,440	32,646
Exceptional items	3	**(1,503)**	(2,661)	(8,274)
Acquisition amortisation		**(1,411)**	(429)	(1,609)
LTIP charges		**(1,513)**	(1,502)	(3,005)
Operating profit		**19,178**	14,848	19,758

Finance expenses analysed as:				
Adjusted finance expenses		**(2,083)**	(547)	(2,318)
Exceptional items	3	**—**	(280)	(158)
Finance expenses		**(2,083)**	(827)	(2,476)

Earnings per ordinary share

		Unaudited six months ended 30 Sep 2019		Unaudited six months ended 30 Sep 2018		Twelve months ended 31 Mar 2019	
	Note	**Diluted pence**	**Basic pence**	Diluted pence	Basic pence	Diluted pence	Basic pence
Earnings per share	6	**16.0**	**16.0**	13.8	14.1	15.9	16.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited six months ended 30 Sep 2019 £000	Unaudited six months ended 30 Sep 2018 £000	Twelve months ended 31 Mar 2019 £000
Profit for the period	**13,303**	10,264	13,251
Other comprehensive income:			
Exchange difference on translation of foreign operations	**860**	611	240
Transfer to profit and loss on maturing cash flow hedges	**(118)**	27	27
Net (loss)/gain on cash flow hedges	**(326)**	(630)	118
Other comprehensive income for period, net of tax, items which may be reclassified to profit and loss in subsequent periods	**416**	8	385
Total comprehensive income for the period, net of tax	**13,719**	10,272	13,636
Attributable to:			
Owners of the Parent Company	**13,123**	9,476	12,372
Non-controlling interests	**596**	796	1,264
	13,719	10,272	13,636

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 SEPTEMBER 2019

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interests £000	Total £000
At 31 March 2019 (restated)	**3,918**	**57,663**	**32,399**	**118**	**1,607**	**75,801**	**171,506**	**4,051**	**175,557**
Impact of adopting IFRS 16 (see note 9)	**—**	**—**	**—**	**—**	**—**	**(1,867)**	**(1,867)**	**(440)**	**(2,307)**
Restated equity at 31 March 2019	**3,918**	**57,663**	**32,399**	**118**	**1,607**	**73,934**	**169,639**	**3,611**	**173,250**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**12,799**	**12,799**	**504**	**13,303**
Other comprehensive income	**—**	**—**	**—**	**(444)**	**768**	**—**	**324**	**92**	**416**
Total comprehensive income for the period	**—**	**—**	**—**	**(444)**	**768**	**12,799**	**13,123**	**596**	**13,719**
Equity-settled share-based payment	**—**	**—**	**—**	**—**	**—**	**1,180**	**1,180**	**—**	**1,180**
Tax on equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**255**	**255**	**—**	**255**
Recognition of non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**98**	**98**
Options exercised	**36**	**—**	**—**	**—**	**—**	**(36)**	**—**	**—**	**—**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**(4,732)**	**(4,732)**	**—**	**(4,732)**
At 30 September 2019	**3,954**	**57,663**	**32,399**	**(326)**	**2,375**	**83,400**	**179,465**	**4,305**	**183,770**

SIX MONTHS ENDED 30 SEPTEMBER 2018 (RESTATED SEE NOTE 1)

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interests £000	Total £000
At 31 March 2018	3,194	9,815	17,164	(27)	1,305	65,404	96,855	3,661	100,516
Profit for the period	—	—	—	—	—	9,553	9,553	711	10,264
Other comprehensive income	—	—	—	(603)	526	—	(77)	85	8
Total comprehensive income for the period	—	—	—	(603)	526	9,553	9,476	796	10,272
Equity-settled share-based payments	—	—	—	—	—	1,014	1,014	—	1,014
Tax on equity-settled share-based payments	—	—	—	—	—	(286)	(286)	—	(286)
Shares issued	641	47,830	15,235	—	—	—	63,706	—	63,706
Disposal of non-controlling interest	—	—	—	—	—	—	—	(110)	(110)
Options exercised	79	18	—	—	—	(68)	29	—	29
Equity dividends paid	—	—	—	—	—	(2,597)	(2,597)	—	(2,597)
At 30 September 2018	3,914	57,663	32,399	(630)	1,831	73,020	168,197	4,347	172,544

YEAR ENDED 31 MARCH 2019 (RESTATED SEE NOTE 1)

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interests £000	Total £000
At 1 April 2018	3,194	9,815	17,164	(27)	1,305	65,404	96,855	3,661	100,516
Profit for the year	—	—	—	—	—	11,925	11,925	1,326	13,251
Other comprehensive income	—	—	—	145	302	—	447	(62)	385
Total comprehensive income for the year	—	—	—	145	302	11,925	12,372	1,264	13,636
Equity-settled share-based payments	—	—	—	—	—	2,333	2,333	—	2,333
Tax on equity-settled share-based payments	—	—	—	—	—	764	764	—	764
Shares issued	641	47,830	15,235	—	—	—	63,706	—	63,706
Recognition of non-controlling interest	—	—	—	—	—	—	—	311	311
Disposal of non-controlling interest	—	—	—	—	—	—	—	(110)	(110)
Options exercised	83	18	—	—	—	(72)	29	—	29
Equity dividends paid	—	—	—	—	—	(4,553)	(4,553)	(1,075)	(5,628)
At 31 March 2019	3,918	57,663	32,399	118	1,607	75,801	171,506	4,051	175,557

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	**Unaudited as at 30 Sep 2019 £000**	Unaudited restated as at 30 Sep 2018 £000	Restated as at 31 Mar 2019 £000
Non-current assets				
Property, plant and equipment		**41,276**	45,221	39,835
Intangible assets		**86,570**	80,502	85,002
Right-of-use assets		**35,586**	—	—
Deferred tax assets		**4,167**	2,909	3,610
Total non-current assets		**167,599**	128,632	128,447
Current assets				
Inventory		**128,213**	110,233	69,571
Trade and other receivables		**163,143**	183,571	45,405
Derivative financial assets		**415**	341	129
Cash and cash equivalents	4	**117,982**	126,014	77,608
Total current assets		**409,753**	420,159	192,713
Total assets		**577,352**	548,791	321,160
Equity				
Share capital		**3,954**	3,914	3,918
Share premium		**56,323**	56,323	56,323
Capital redemption reserve		**1,340**	1,340	1,340
Reserves		**34,448**	33,600	34,124
Retained earnings		**83,400**	73,020	75,801
Equity attributable to owners of the Parent Company		**179,465**	168,197	171,506
Non-controlling interests		**4,305**	4,347	4,051
Total equity		**183,770**	172,544	175,557
Non-current liabilities				
Loans and borrowings	4	**731**	3,315	1,421
Lease liabilities		**34,225**	—	—
Deferred income		**552**	—	751
Provisions		**2,516**	1,113	2,671
Other liabilities		**706**	1,762	1,817
Deferred tax liabilities		**736**	2,110	692
Total non-current liabilities		**39,466**	8,300	7,352
Current liabilities				
Bank overdraft	4	**102,051**	126,921	58,150
Loans and borrowings	4	**101,427**	95,824	953
Lease liabilities		**6,123**	—	—
Deferred income		**355**	1,047	99
Provisions		**934**	1,009	1,090
Income tax payable		**6,030**	5,077	4,771
Trade and other payables		**120,109**	118,421	58,563
Other liabilities		**17,087**	19,648	14,625
Total current liabilities		**354,116**	367,947	138,251
Total liabilities		**393,582**	376,247	145,603
Total equity and liabilities		**577,352**	548,791	321,160

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited six months ended 30 Sep 2019 £000	Unaudited six months ended 30 Sep 2018 £000	Twelve months ended 31 Mar 2019 £000
Cash flows from operating activities			
Profit for the year	**13,303**	10,264	13,251
Adjustments for:			
Depreciation	**3,041**	2,316	5,328
Depreciation of right-of-use asset	**3,208**	—	—
Amortisation of intangible assets	**1,944**	737	2,309
Finance expenses	**2,083**	827	2,476
Income tax charge	**3,792**	3,757	4,031
Loss/(profit) on sales of property, plant and equipment	**7**	(4)	(6)
Loss on disposal of intangible fixed assets	**—**	311	331
Equity-settled share-based payments	**1,513**	1,502	3,005
Operating profit after adjustments for non-cash items	**28,891**	19,710	30,725
Change in trade and other receivables	**(116,210)**	(108,524)	25,616
Change in inventory	**(56,065)**	(32,335)	6,508
Change in trade and other payables, provisions and deferred income	**61,502**	44,620	(18,086)
Cash (used by)/generated from operations	**(81,882)**	(76,529)	44,763
Tax paid	**(2,297)**	(2,236)	(3,694)
Interest and similar charges paid	**(1,672)**	(605)	(2,053)
Net cash (outflow)/inflow from operating activities	**(85,851)**	(79,370)	39,016
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	**21**	515	5,312
Acquisition of businesses	**—**	(67,055)	(65,601)
Acquisition of intangible assets	**(908)**	(1,044)	(2,190)
Acquisition of property, plant and equipment	**(3,171)**	(2,507)	(5,699)
Net cash outflow from investing activities	**(4,058)**	(70,091)	(68,178)
Cash flows from financing activities			
Proceeds from issue of share capital	**—**	48,348	48,348
Repayment of secured borrowings	**(497)**	(500)	(2,350)
Net movement in previous credit facilities	**37,976**	94,868	—
Repayment of previous credit facilities	**(37,976)**	—	—
Net movement in new credit facilities	**100,734**	—	—
Payment of lease liabilities	**(3,055)**	—	—
Loan arrangement fees	**(598)**	(30)	(30)
Equity dividends paid	**(4,732)**	(2,597)	(4,553)
Dividends paid to non-controlling interests	**—**	—	(1,075)
Net cash inflow from financing activities	**91,852**	140,089	40,340
Net increase/(decrease) in cash and cash equivalents	**1,943**	(9,372)	11,178
Cash and cash equivalents at beginning of period	**19,458**	9,031	9,031
Effect of exchange rate fluctuations on cash held	**(5,470)**	(566)	(751)
Cash and cash equivalents at end of the period	**15,931**	(907)	19,458

NOTES TO THE INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2019

1 Accounting policies
Basis of preparation
The financial information contained in this interim report does not constitute statutory accounts as defined in Section 435 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 IFRS'). The financial information for the year ended 31 March 2019 is extracted from the statutory accounts of the Group for that financial year and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The auditor's report was (i) unqualified; (ii) did not include a reference to any matters to which the auditor 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.

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 for the year ended 31 March 2019.

In the preparation of the interim financial statements, comparative amounts have been restated to reflect the following:

- the provisional Impact acquisition accounting (note 7) has been reviewed and hindsight adjustments made to goodwill (£2.0 million increase), intangibles (£0.7 million decrease) and provisions (£1.3 million increase). These have been adjusted in the comparative balance sheet;
- the shares issued in 2019 as consideration for the acquisition of Impact qualified for merger relief in accordance with the Companies Act 2006 (Section 612). In the year ended 31 March 2019, the Group applied incorrect accounting principles in that the excess value of shares over nominal was treated as share premium. As a result, £15.2 million has been reclassified from the share premium reserve to the merger reserve;
- cash balances and overdraft financial liabilities have been historically incorrectly offset within the Group's financial statements and presented on a net basis within the Group's consolidated balance sheet. This has been corrected to restate the prior year balance sheet to present the respective balances on a gross basis. Cash and cash equivalents have been restated from £1.6 million to £126.0 million as at 30 September 2018, and £19.5 million to £77.6 million as at 31 March 2019. A line detailing the bank overdraft amounts as at 30 September 2018 (£126.9 million) and 31 March 2019 (£58.2 million) has also been included; and
- previously, segmental assets and liabilities were incorrectly presented within the segmental information note (note 4). In order to correct this, the respective segmental assets and liabilities have been reallocated from the UK segment to the central and eliminations segment, and similarly, from the Australia segment to the US segment to reflect the correct allocation of assets and liabilities between the Group segments. In addition, segments have been restated to appropriately reflect investments held by each segment as well as the gross up of cash balances detailed above. The restated segment assets as at 31 March 2019 are as follows:

Segment	Original balance £000	Restated balance £000
UK	188,766	92,537
Europe	19,240	36,573
USA	36,306	112,825
Australia	13,776	17,198
Central & eliminations	3,610	62,027
Total	261,698	321,160

The restated segment liabilities as at 31 March 2019 are as follows:

Segment	Original balance £000	Restated balance £000
UK	(28,295)	(26,284)
Europe	(10,457)	(19,971)
USA	(35,931)	(84,063)
Australia	(7,396)	(8,284)
Central & eliminations	(4,062)	(6,461)
Total	(86,141)	(145,603)

In addition, from this financial year, the Group have adjusted their assumptions as to the shares that are to be included in the calculation of the weighted average number of shares for diluted and basic earnings per share purposes. As such the numbers detailed in respect of 2019 have been re-presented using the same methodology in order to provide appropriate comparatives.

Going concern basis
The borrowing requirement of the Group increases steadily over the period from July and peaks in October, due to the seasonality of the business, as Group sales are mainly for the Christmas market, before then reducing.

As with any Group 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 that 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 at least twelve months from the date of approval of the interim financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Supplier financing
The Group are also party to supplier financing arrangements with one of our key customers. This arrangement is considered non-recourse factoring and on receipt of payment from the banks the associated trade receivable is derecognised in accordance with IFRS 9. As at 30 September 2019, the Group had utilised $35.0 million of the facility (H1 2019: $5.9 million).

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 2019, with the exception of IFRS 16 which was adopted by the Group on 1 April 2019 (see note 9).

2 Segmental information
The Group has one material business activity being the design, manufacture and distribution of gift packaging and greetings, stationery and creative play products, seasonal décor, design-led giftware, and 'not-for-resale' consumables.

For management purposes the Group is organised into four geographic business units.

The results in this note are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure. The Group has a China factory and Asian procurement operations which are overseen by our UK operational management team and we therefore continue to include UK owned and managed Asian operations within the internal reporting of the UK operations, comprising one operating segment.

Since the acquisition of Impact Innovations, Inc. the Group now has a second China factory (wholly owned) and Asian procurement which form part of Impact's operations and therefore is included in the overall US segment.

Inter-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.

Financial performance of each segment is measured on adjusted operating profit before management recharges. Interest and tax are managed on a Group basis and not split between reportable segments. However the related financial liability and cash has been allocated out into the reportable segments as this is how they are managed by the Group.

Segment assets are all non-current and current assets, excluding deferred tax and income tax, which are shown in the eliminations column. Inter-segment receivables and payables are not included within segmental assets and liabilities as they eliminate on consolidation.

	UK[a]	Europe	USA[a]	Australia	Central & eliminations	Group
	£000	£000	£000	£000	£000	£000
Six months ended 30 September 2019						
Revenue – external	**55,968**	**27,866**	**147,990**	**16,547**	**—**	**248,371**
– inter segment	**2,340**	**949**	**—**	**—**	**(3,289)**	**—**
Total segment revenue	**58,308**	**28,815**	**147,990**	**16,547**	**(3,289)**	**248,371**
Segment result before exceptional items, acquisition amortisation, LTIP charges and management recharge	**5,365**	**3,838**	**14,504**	**1,622**	**(1,724)**	**23,605**
Exceptional items						**(1,503)**
Acquisition amortisation						**(1,411)**
LTIP charges						**(1,513)**
Operating profit						**19,178**
Finance expenses						**(2,083)**
Income tax						**(3,792)**
Profit for the six months ended 30 September 2019						**13,303**
Balances at 30 September 2019						
Segment assets	**147,911**	**60,109**	**238,263**	**21,504**	**109,565**	**577,352**
Segment liabilities	**(79,309)**	**(40,872)**	**(158,693)**	**(13,395)**	**(101,313)**	**(393,582)**
Capital expenditure additions						
– property, plant and equipment	**866**	**1,360**	**809**	**133**	**3**	**3,171**
– intangible assets	**109**	**9**	**721**	**—**	**69**	**908**
Depreciation	**1,278**	**478**	**981**	**302**	**2**	**3,041**
Amortisation	**—**	**—**	**1,258**	**153**	**—**	**1,411**

(a) Including Asian manufacturing and sourcing.

	UK[a]	Europe	USA[a]	Australia	Central & eliminations	Group
	£000	£000	£000	£000	£000	£000
Six months ended 30 September 2018						
Revenue – external	58,092	25,934	100,730	20,482	—	205,238
– inter segment	2,516	1,274	—	—	(3,790)	—
Total segment revenue	60,608	27,208	100,730	20,482	(3,790)	205,238
Segment result before exceptional items, acquisition amortisation, LTIP charges and management recharge	4,936	3,369	10,913	2,271	(2,049)	19,440
Exceptional items						(2,661)
Acquisition amortisation						(429)
LTIP charges						(1,502)
Operating profit						14,848
Finance expenses						(547)
Finance expense treated as exceptional						(280)
Income tax						(3,757)
Profit for the six months ended 30 September 2018						10,264
Balances at 30 September 2018						
Segment assets – restated	130,285	50,112	223,301	24,137	120,956	548,791
Segment liabilities – restated	(66,228)	(35,772)	(189,326)	(14,193)	(70,728)	(376,247)
Capital expenditure additions						
– property, plant and equipment	1,911	338	46	212	—	2,507
– property, plant and equipment on acquisition of business	—	—	9,313	—	—	9,313
– intangible assets	117	10	917	—	—	1,044
– intangible assets on acquisition of business	—	—	48,354	—	—	48,354
Depreciation	1,095	428	473	320	—	2,316
Amortisation	94	15	466	162	—	737

(a) Including Asian manufacturing and sourcing.

	UK[a]	Europe	USA[a]	Australia	Central & eliminations	Group
	£000	£000	£000	£000	£000	£000
Year ended 31 March 2019						
Revenue – external	123,006	63,188	223,101	39,067	—	448,362
– inter segment	4,112	1,377	—	—	(5,489)	—
Total segment revenue	127,118	64,565	223,101	39,067	(5,489)	448,362
Segment result before exceptional items, acquisition amortisation, LTIP charges and management recharge	8,073	8,871	15,522	4,278	(4,098)	32,646
Exceptional items						(8,274)
Acquisition amortisation						(1,609)
LTIP charges						(3,005)
Operating profit						19,758
Finance expenses						(2,318)
Finance expense treated as exceptional						(158)
Income tax						(4,031)
Profit for the year ended 31 March 2019						13,251
Balances at 31 March 2019						
Segment assets – restated	92,537	36,573	112,825	17,198	62,027	321,160
Segment liabilities – restated	(26,824)	(19,971)	(84,063)	(8,284)	(6,461)	(145,603)
Capital expenditure additions						
– property, plant and equipment	2,635	901	1,780	383	—	5,699
– property, plant and equipment on acquisition of business	—	—	9,313	—	—	9,313
– intangible assets	285	12	1,893	—	—	2,190
– intangible assets on acquisition of business	—	—	48,354	—	—	48,354
Depreciation	2,333	920	1,452	623	—	5,328
Amortisation	167	35	1,781	326	—	2,309

(a) Including Asian manufacturing and sourcing.

3 Exceptional items

These include acquisition related costs and reorganisation and restructuring costs. These items are excluded to present the performance of the business in a consistent manner and in line with how the business is managed and measured on a day-to-day basis. They are typically gains or costs associated with events that are not considered to form part of the core operations, or are considered to be a 'non-recurring' event (although they may span several accounting periods).

Acquisition related costs

Costs associated with acquisitions, including legal and advisory fees on deals, form part of our reported results on an IFRS basis. These costs, however, in our view form part of the capital transaction and as they are not attributed to investment value under IFRS 3, they are excluded from our adjusted measures for the purposes of reporting underlying results. Similarly, where acquisitions have employee related payments (exclusive of LTIPs) which lock in and incentivise legacy talent, we have also excluded these costs. As these costs are employment linked, they are treated as an expense and form part of the IFRS results, however, as with transaction costs, we do not consider these to form part of the underlying results of the business.

Reorganisation and restructuring costs

In order to maximise efficiencies, as well as recognise synergies from acquisitions, certain projects are undertaken to achieve these. These are projects outside of the normal operations of the business and typically are very sizeable in terms of costs. This is particularly relevant during a large scale restructuring that can result in some disruption to the normal business (for example manufacturing patterns) leading to operational inefficiencies occurring in this time frame. If we deem this to be the case, we will present the details and associated costs of the projects separately in our financial statements and exclude them from our adjusted measures.

Six months ended 30 Sep 2019	**Cost of sales £000**	**Selling expenses £000**	**Admin expenses £000**	**Finance expenses £000**	**Total £000**
UK unification[(a)]	**(89)**	**(59)**	**(38)**	**—**	**(186)**
US restructure[(b)]	**(454)**	**—**	**(735)**	**—**	**(1,189)**
Transaction costs[(c)]	**—**	**—**	**(128)**	**—**	**(128)**
Total before tax	**(543)**	**(59)**	**(901)**	**—**	**(1,503)**
Income tax credit					**343**
Exceptional items after tax					**(1,160)**

(a) Unification cost associated with the rationalisation of the UK business, including additional redundancies associated with restructuring our UK business.

(b) The restructure of our US operations including the incremental costs of integration in our Memphis facility and retention payments for legacy employees of Impact.

(c) Transaction costs associated with ongoing M&A activity.

Six months ended 30 Sep 2018	Cost of sales £000	Selling expenses £000	Admin expenses £000	Finance expenses £000	Total £000
Transaction costs[(a)]	—	—	(1,701)	(280)	(1,981)
US restructure[(b)]	(698)	(148)	(114)	—	(960)
Total before tax	(698)	(148)	(1,815)	(280)	(2,941)
Income tax credit					479
Exceptional items after tax					(2,462)

(a) Transaction costs relating predominantly to the acquisition of Impact Innovations Inc. in the current year (including the charge relating to the unwind of the inventory fair value adjustment) and the acquisition of the trade and certain assets of Biscay Greetings Pty Ltd and the remaining costs from the acquisition of the Lang Companies Inc. in the prior year.

(b) The restructure of the US operations linked to the acquisition of Impact Innovations Inc. and the final charges in relation to the Lang integration.

Year ended 31 March 2019	Cost of sales £000	Selling expenses £000	Admin expenses £000	Finance expenses £000	Total £000
Transaction costs[(a)]	—	—	(2,254)	(158)	(2,412)
UK unification[(b)]	—	—	(428)	—	(428)
US restructure[(c)]	(1,748)	(222)	(3,622)	—	(5,592)
Total before tax	(1,748)	(222)	(6,304)	(158)	(8,432)
Income tax credit					2,038
Exceptional items after tax					(6,394)

(a) Transaction costs relating predominantly to the acquisition of Impact Innovations Inc.

(b) Unification cost associated with relocating a part of our UK business to another site and associated redundancies with the move.

(c) The restructure of our US operations including the profit on sale of our manufacturing facility in Midway and closure costs. The cost of relocating equipment and personnel to Memphis, Tennessee along with manufacturing inefficiencies associated with the start up of converting operations. The charge relating to the unwind of the inventory fair value adjustment arising on acquisition and final charges in relation to the Lang integration.

4 Cash, loans and borrowings

Cash and cash equivalents/bank overdrafts

	Six months ended 30 Sep 2019 £000	Restated six months ended 30 Sep 2018 £000	Restated twelve months ended 31 Mar 2019 £000
Cash and cash equivalents	**117,982**	126,014	77,608
Bank overdrafts	**(102,051)**	(126,921)	(58,150)
Cash and cash equivalents per cash flow statement	**15,931**	(907)	19,458

Net (debt)/cash

	Six months ended 30 Sep 2019 £000	Six months ended 30 Sep 2018 £000	Twelve months ended 31 Mar 2019 £000
Cash and cash equivalents	**15,931**	(907)	19,458
Bank loans and borrowings	**(102,657)**	(99,201)	(2,405)
Loan arrangement fees	**499**	62	31
Net (debt)/cash as used in the financial review	**(86,227)**	(100,046)	17,084

Split between current and non-current

	Six months ended 30 Sep 2019 £000	Six months ended 30 Sep 2018 £000	Twelve months ended 31 Mar 2019 £000
Non-current liabilities			
Secured bank loans	**(934)**	(3,333)	(1,421)
Loan arrangement fees	**203**	18	—
	(731)	(3,315)	(1,421)
Current liabilities			
Asset backed loan	**(9,145)**	(33,920)	—
Revolving credit facilities	**(91,589)**	(60,948)	—
Current portion of secured bank loans	**(989)**	(1,000)	(984)
Bank loans and borrowings	**(101,723)**	(95,868)	(984)
Loan arrangement fees	**296**	44	31
	(101,427)	(95,824)	(953)

On 5 June 2019, we entered into a new three year Group facility with a club of five banks chosen to reflect and support the geographical spread of the Group. HSBC continue to be significant partner and have been joined in the new facility by NatWest, BNP Paribas, Sun Trust and PNC.

The new Group facilities, which run to May 2022, comprises of:

- a revolving credit facility ('RCF A') of $80.0 million;
- a further flexible revolving credit facility ('RCF B') with availability varying from month to month of up to £85.0 million. This RCF is flexed to meet our working capital requirements during those months when inventory is being built within our annual business cycle and is £nil when not required, minimising carry costs; and
- the existing invoice financing arrangements in Hong Kong which will remain in place for a minimum of the first year.

In total, the available facilities at approximately £160 million are more than sufficient to cover our peak requirements. Being partially framed in US dollars they provide a hedge against currency movements. The facilities, which do not amortise with time, include an additional uncommitted amount to finance potential acquisitions.

Loan arrangement fees represent the unamortised costs in arranging the three year Group facilities.

5 Taxation

	Six months ended 30 Sep 2019 £000	Six months ended 30 Sep 2018 £000	Twelve months ended 31 Mar 2019 £000
Current tax charge			
Current income tax charge	**3,790**	2,522	4,808
Deferred tax charge/(credit)			
Relating to original and reversal of temporary differences	**2**	1,235	(777)
Total tax in income statement	**3,792**	3,757	4,031

Income tax expense is recognised based upon the best estimate of the weighted average income tax rate on profit before tax, exceptional items and LTIP charges expected for the full financial year, taking into account the weighted average rate for each jurisdiction.

6 Earnings per share[(a)]

	Six months ended 30 Sep 2019		Six months ended 30 Sep 2018[(a)]		Twelve months ended 31 Mar 2019[(a)]	
	Diluted pence	**Basic pence**	Diluted pence	Basic pence	Diluted pence	Basic pence
Adjusted earnings per share excluding exceptional items, acquisition amortisation and LTIP charges[(b)]	**20.1**	**20.2**	19.7	20.0	29.1	29.6
Cost per share on exceptional items	**(1.4)**	**(1.5)**	(3.6)	(3.6)	(8.5)	(8.7)
Adjusted earnings per share excluding acquisition amortisation and LTIP charges[(c)]	**18.7**	**18.7**	16.1	16.4	20.6	20.9
Cost per share on acquisition amortisation	**(1.2)**	**(1.2)**	(0.4)	(0.4)	(0.9)	(0.9)
Adjusted earnings per share excluding LTIP charges[(d)]	**17.5**	**17.5**	15.7	16.0	19.7	20.0
Cost per share on LTIP charge	**(1.5)**	**(1.5)**	(1.9)	(1.9)	(3.8)	(3.8)
Earnings per share[(e)]	**16.0**	**16.0**	13.8	14.1	15.9	16.2

(a) From this financial year, the Group have adjusted their assumptions as to the shares that are to be included in the calculation of the weighted average number of shares for diluted and basic earnings per share purposes. As such the numbers detailed in respect of 2019 have been re-presented using the same methodology in order to provide appropriate comparatives.

(b) Excludes exceptional items, acquisition amortisation and LTIP charges of £4,427,000 (H1 2019: £4,372,000) plus the effect of non-controlling interests of £77,000 credit (H1 2019: £78,000 credit) and tax relief attributable to those items of £1,028,000 (H1 2019: £763,000), to give adjusted profit of £3,322,000 (H1 2019: £4,031,000).

(c) Excludes acquisition amortisation and LTIP charges of £2,924,000 (H1 2019: £1,931,000) plus the effect of non-controlling interests of £77,000 credit (H1 2019: £78,000 credit) and tax relief attributable to those items of £685,000 (H1 2019: £284,000), to give adjusted profit of £2,162,000 (H1 2019: £1,569,000).

(d) Excludes LTIP charges of £1,513,000 (H1 2019: £1,502,000) and tax relief attributable to those items of £337,000 (H1 2019: £195,000), to give adjusted profit (including the effect of non-controlling interests) of £1,176,000 (H1 2019: £1,307,000).

(e) The basic earnings per share is based on the profit attributable to equity holders of the Company of £12,977,000 (H1 2019: £9,553,000) and the weighted average number of ordinary shares in issue of 79,960,000 (H1 2019: 68,002,000) calculated as follows:

In thousands of shares	**As at 30 Sep 2019**	As at 30 Sep 2018[(a)]	As at 30 Mar 2019[(a)]
Issued ordinary shares at 1 April	**78,366**	63,890	63,890
Shares held by Employee Benefit Trust	**—**	(31)	(31)
Shares relating to share options	**1,594**	2,331	2,419
Shares issued as part of the consideration for Impact	**—**	497	1,761
Shares issued in respect of share placing	**—**	1,315	5,571
Weighted average number of shares at the end of the period	**79,960**	68,002	73,610

Diluted earnings per share

The diluted earnings per share is calculated taking into account LTIP awards whose specified performance conditions were satisfied at the end of the reporting period of 441,000 (H1 2019: 608,000) share options and share options under the Executive share options 2008 schemes of nil (H1 2019: 175,000). At 30 September 2019, the diluted number of shares was 80,401,000 (H1 2019: 68,785,000).

7 Acquisitions of businesses

Impact Innovations Inc.

On 31 August 2018, the Group acquired 100% of the equity of Impact Innovations Inc. ('Impact'), a leading supplier of gift packaging and seasonal décor products in the US.

The provisional acquisition accounting as stated in the financial statements to 31 March 2019 has been reviewed and measurement period adjustments made to goodwill, intangibles and provisions. The fair values of the assets and liabilities acquired have been reconsidered as part of the hindsight period. The changes made were the creation of additional provisions of £1.3 million and reduction of certain intangible assets (trade name) from £1.8 million to £1.1 million.

Adjustment to provisional accounting

	Provisional fair values recognised on acquisition £000	Adjustments within the measurement period £000	**Final fair values recognised on acquisition £000**
Property, plant and equipment	9,313	—	**9,313**
Intangible assets	19,000	(692)	**18,308**
Inventories	26,295	—	**26,295**
Trade and other receivables	31,966	—	**31,966**
Cash	1,208	—	**1,208**
Trade and other payables	(31,433)	—	**(31,433)**
Provisions (including taxation)	(2,197)	(1,312)	**(3,509)**
Net identifiable assets and liabilities	54,152	(2,004)	**52,148**
Consideration paid in shares	15,385	—	**15,385**
Consideration paid in cash	66,809	—	**66,809**
Total consideration	82,194	—	**82,194**
Goodwill	28,042	2,004	**30,046**

8 Related parties

As at 30 September 2019, there are no changes to the related parties or relevant transactions as disclosed at 31 March 2019.

9 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019 in section (b) below.

The Group has decided to adopt the modified retrospective approach on transition. Under this approach, comparative information is not restated and the impact of adopting IFRS 16 is presented as an opening retained earnings adjustment as at 1 April 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

	2019 £000
Operating lease commitments disclosed as at 31 March 2019 (restated)	**41,522**
Discounted using the lessee's incremental borrowing rate as at the date of initial application	**34,481**
Less: short-term lease	**(235)**
Add/(less): adjustments as a result of a different treatment of extension and termination options	**5,863**
Lease liability recognised as at 1 April 2019	**40,109**
Of which are:	
Current lease liabilities	**5,669**
Non-current lease liabilities	**34,440**
	40,109
Lease liability recognised as at 30 September 2019	**40,348**
Of which are:	
Current lease liabilities	**6,123**
Non-current lease liabilities	**34,225**
	40,348

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the lessee's incremental borrowing rate as at 1 April 2019. The Group has applied this methodology to 51 of its leases where sufficient historical information has been available to facilitate this; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. This has been applied to a small number of property leases where it was not possible to ascertain sufficient historical data to enable a retrospective calculation. This method has also been applied to the majority of the Group's non-property leases, comprising of motor vehicles and items of plant and equipment.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 Sep 2019	1 April 2019
	£000	£000
Properties	**33,945**	33,733
Equipment	**1,278**	1,282
Motor vehicles	**363**	496
Total right-of-use assets	**35,586**	35,511

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- right-of-use assets – increase by £35.5 million;
- deferred tax assets – increase by £0.8 million;
- lease liabilities – increase by £40.1 million; and
- other liabilities – decrease by £1.2 million.

The net impact on retained earnings on 1 April 2019 was a decrease of £2.3 million.

(i) Impact on segment disclosures and earnings per share
Segment assets and segment liabilities for 30 September 2019 all increased as a result of the change in accounting policy. The segments were affected by the change in policy as follows:

	Segment assets	Segment liabilities
	£000	£000
UK	17,550	19,975
Europe	3,997	4,015
USA	10,970	11,960
Australia	2,953	4,290
Central & eliminations	116	108
Total	**35,586**	**40,348**

Adjusted earnings per share decreased by 0.2p per share for the six months to 30 September 2019 as a result of the adoption of IFRS 16.

(ii) Practical expedients applied
In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

(b) The Group's leasing activities and how these are accounted for
The Group leases various offices, warehouses, equipment and motor vehicles. Rental contracts are typically made for fixed periods of five to 20 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 March 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The weighted average incremental borrowing rate applied by the Group upon transition was 3.9%. Incremental borrowing rates applied to individual leases ranged between 1.3% and 5.3%.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

(i) Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Impact on financial statements

The following table summarises the impact of adopting IFRS 16 on the Group's key metrics:

	Pre-IFRS 16 Sep 2019	Impact of IFRS 16	As reported Sep 2019
Adjusted operating profit (£m)	**23.0**	**0.6**	**23.6**
Finance expenses (£m)	**1.3**	**0.8**	**2.1**
Adjusted profit before tax (£m)	**21.7**	**(0.2)**	**21.5**
Adjusted EBITDA (£m)	**26.6**	**3.8**	**30.4**
Adjusted earnings per share (pence)	**20.3**	**(0.2)**	**20.1**
Average leverage (times)	**1.1**	**(0.1)**	**1.0**
ROCE (%)	**24.7**	**0.7**	**25.4**

Net debt excludes IFRS 16 lease liabilities.

10 Capital commitments

At 30 September 2019, the Group had outstanding capital commitments to purchase plant and equipment of £3,753,000.

11 Financial instruments

Derivative financial instruments

The derivative financial assets and liabilities below were measured at Level 2 fair value subsequent to initial recognition. The fair value of forward exchange contracts is assessed using valuation models taking into account market inputs such as foreign exchange spot and forward rates, yield curves and forward interest rates.

Fair value hierarchy

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All other financial assets and liabilities are measured at amortised cost.

The Group held the following financial instruments at fair value at 30 September 2019:

	30 Sep 2019 £000	30 Sep 2018 £000	31 Mar 2019 £000
Forward foreign currency contracts carried at fair value through the income statement	**14**	23	129
Forward foreign exchange contracts carried at fair value through the hedging reserve	**401**	318	—
Derivative financial assets	**415**	341	129

Included within other liabilities are derivative financial liabilities of:

	30 Sep 2019 £000	30 Sep 2018 £000	31 Mar 2019 £000
Forward foreign currency contracts carried at fair value through the income statement	**—**	2	—
Forward foreign exchange contracts carried at fair value through the hedging reserve	**662**	896	2
Derivative financial liabilities	**662**	898	2

INDEPENDENT REVIEW REPORT TO IG DESIGN GROUP PLC

Report on the interim financial statements

Our conclusion

We have reviewed IG Design Group Plc's interim financial statements (the "interim financial statements") in the Interim Report of IG Design Group Plc for the 6 month period ended 30 September 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 September 2019;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Other Matter

The interim financial statements for the six month period ended 30 September 2018, forming the corresponding figures of the interim financial statements for the six month period ended 30 September 2019, were not reviewed.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Milton Keynes

26 November 2019