29 November 2016

IG Design Group PLC

(the "Company", the "Group" or "Design Group")

Interim Results

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of gift packaging, greetings, stationery, creative play products and giftware, announces its Interim Results for the six months ended 30 September, 2016.

Financial Highlights

- Sales up 21.5% to £145.5m at the half year from £119.8m
    - 5.6% organic growth, 7.1% Lang and 8.8% FX translation
- Gross margin up 40.8% to £30.8m from £21.9m
    - 14.9% organic growth, 13.8% Lang and 12.1% FX translation
- Operating profit before exceptional items and LTIP charges up 42.6% to £9.3m from £6.5m
    - 13.5% organic growth, 10.9% Lang, 18.2% FX translation
- PBT up 57.5% before exceptional items and LTIP charges to £8.2m from £5.2m
    - 25.2% organic growth, 13.7% Lang, 18.6% FX translation
- Underlying Earnings Per Share up 50.0% to 9.6p from 6.4p
    - 20.0% organic, 10.0% Lang, 20.0% FX translation
- Net Debt is £1.7m lower than in the prior year at £76.4m
- Interim Dividend declared of 1.75p
- Financial performance ahead of expectations, providing confidence for upgrading of annual dividend guidance

Operational Highlights

Group

- Successful re-branding to IG Design Group plc providing greater clarity to our customers, suppliers and employees.
- Considerable returns obtained from the successful implementation of efficiency projects worldwide.

UK

- Sales 4% lower at £55.1m due to scheduling of certain customer deliveries into the second half of the year.
- Profit increased 4.0% despite FX transaction impact following recent political and economic events.
- Our manufacturing facility in China has provided increased volumes of other products to our UK businesses with record levels of bags and cards being produced.

Continental Europe

- Sales in local currency up 11% to €19.8m with growth in profit of 25%.
- Strong order book in place for the balance of the financial year.

Australia (JV)

- Sales in local currency 6% lower driven by timing while profit has advanced 54% against prior year.

USA

- Trading performance has been particularly strong with organic sales in local currency up by 21% to $66.6m and profit even stronger up 36%.
- Initial integration of Lang Companies completed successfully, adding to profitability and now expected to be marginally earnings enhancing in the current year as well as more materially accretive in FY18.
- Further opportunities for commercial, operational and purchasing synergies to deliver enhanced profitability.

Outlook

The Board is confident that the current rate of sales and gross margin will continue into the second half of the year, resulting in the annual financial performance of the Group now expected to be above current market forecasts. While the timing of overheads and the acquisition of Lang part way through the year (and so excluding loss making months) has slightly flattered H1 results at the levels of operating profit and below, we are also confident that the full year outlook for profit and our key underlying earnings per share metric will continue to outperform.

Paul Fineman, Chief Executive said:

"We are delighted to be reporting such strong performance during the first half of the year, with all regions trading profitably and continuing to grow, both organically and through acquisition.

"We are continuing to drive growth from very solid foundations and still identifying further investment opportunities with fast payback to continuously improve efficiencies and enhance capabilities across all territories.

"With a substantial order book in place for the remainder of the year, we are on course to deliver a full year financial performance ahead of market expectations. Further we are sufficiently confident with the prospects for profits growth and cash generation to increase the total dividend expectation for the full year to 4p. The Group remains committed to creating sustainable value for our shareholders through both organic growth and, when the opportunity arises, through carefully considered acquisitions."

- ENDS –

This announcement contains inside information.

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Executive summary

Overview
We are delighted with our performance during the first six months of the current trading year, which has seen growth both organically and through acquisition. Overall sales and profit before tax, exceptional items and LTIP charges are up 21.5% and 57% respectively. Adjusted fully diluted earnings per share is up 50% whilst net debt is lower than at the prior period despite funding the seasonal working capital at the newly acquired Lang business.

Performance by region
We are pleased to report that all regions have again traded profitably during the period.

Americas – our trading performance has been particularly strong with organic sales and operating profit growth of 21% and 36% respectively. There has been sales growth across all channels and product categories. We have begun to deliver fast payback from the investment programme in our US wrap manufacturing facilities and have identified further opportunities both within the US and through leveraging our capability across our Group to accelerate growth across the Americas.

We are pleased with the smooth integration of the recently acquired Lang Group of Companies and are optimistic with prospects for commercial, operational and purchasing synergies to deliver enhanced profitability.

Europe – with sales growth of 11% and profits growth of 25%, our progress across Continental Europe has been most encouraging and we are pleased to report a strong order book in place for the balance of the trading year.

Australia – the timing of some customer delivery requirements has impacted on sales revenues during the first half of the year, however, whilst sales in local currency are 6% lower, profit is 54% ahead of the prior year with product mix and operational efficiency contributing to this pleasing outcome.

UK – scheduling of certain customer deliveries into the second half of the year has resulted in sales being 3.6% lower, although profits are modestly ahead of the prior year. Once again, our manufacturing facility in China has provided increased volumes of products to our UK businesses with record levels of bags and cards being produced.

Central costs – reflect some losses on foreign exchange translation at the half year which will largely reverse in the second half.

Financial review
Reported sales are up 21.5% to £145.5 million on the prior period (2015 H1: £119.8 million) despite minor timing differences in the UK and Australian markets. Organic growth represents 5.5% of this growth with foreign exchange translation effects accounting for 8.8% and our acquisition of Lang a further 7.1%. Overall phasing of delivery to customers is expected to be split equally between the two halves of the year.

Gross profit margins at 21.2% (2015 H1: 18.2%) were higher than the prior year, assisted by Lang which benefits from higher gross margins, albeit with a higher cost delivery model reflected in overheads. Organic progression on margins is also positive, benefiting from efficiencies and favourable mix.

Overhead costs are higher at £22.5 million (2015 H1: £16.0 million). This is largely driven by a) the impact of Lang (£2.3 million); b) the effect of overseas costs translated at current exchange rates; c) a higher LTIP charge of £0.9 million (2015 H1: £0.3 million) arising as the likelihood of vesting of share incentive plans to management increases; and d) our recent investments in people, rebranding and growth opportunities.

The LTIP charge is a largely non-cash accounting charge and we exclude the effect of this when measuring underlying trends in profitability. As a percentage of sales, and after removing the effect of the LTIP charge, overhead costs rose from 13.1% to 14.9% or 14.0% after excluding Lang from the current period.

Operating profit before exceptional costs and LTIP charges again improved strongly by 43% to £9.3 million (2015 H1: £6.5 million) while profit before tax, exceptional items and LTIP charges was up 57% to £8.2 million from £5.2 million in the equivalent period last year. These increases partly reflect advantageous phasing associated with the acquisition of Lang only part way through the period (and thus excluding early seasonal loss making months) and overheads which will be higher in the second half, but the Group´s performance to date and outlook for the full year is nonetheless well ahead of management’s previous expectations.

The exceptional credit during the period of £0.6 million (2015 H1: nil) comprises a cash charge of £0.5 million and a non-cash credit of £1.1 million both associated with the acquisition of Lang. The cash items reflect acquisition costs and restructuring. As previously indicated these costs may eventually reach circa $1.5 million (£1.2 million at current exchange rates). The non-cash credit is an estimated amount and reflects the 'gain on bargain purchase' on acquisition of the Lang business for an attractive price paid relative to the assets acquired. It is anticipated that this non-cash credit may be wholly or partly offset later in the year by other non-cash charges associated with further reinvestment in our global printing platform.

After allowing for such costs and credits in the period, profit before tax and after exceptional items and LTIP charges was £7.9 million, up 61% on the prior year (2015 H1: £4.9 million).

Finance expenses in the period were again substantially lower on the prior year period at £1.0 million (2015 H1: £1.3 million) reflecting the continued effect of improved borrowing costs, efficient use of lower cost asset based lending working capital facilities and lower average indebtedness. We refinanced our global facilities in June 2016 in every territory apart from Australia (which is a joint venture) with HSBC, achieving more attractive terms and conditions as a result and extending the maturity of our main facilities to at least June 2019. Costs of £0.5 million were incurred in respect of this, with payback expected to be achieved within the year.

The effective underlying tax rate (before exceptional items) was 24% (2015 H1: 23%), well below the blended prevailing rate which based upon the current mix of Group profits would be closer to 28%. The difference arises because of our ongoing ability to recognise further historical tax losses in the USA as profitable growth continues. We anticipate by the year end that all US losses will have been recognised with just £0.4 million of tax loss effect unrecognised in the UK. This means that the effective tax rate will rise quickly in future periods especially if growth is heavily fuelled by our US business as is our expectation. Cash tax is increasingly payable in most of our geographic regions of operation as historical losses are fully utilised.

Stated before exceptional items and LTIP charges, basic earnings per share were ahead of expectations and much improved at 9.8p (2015 H1: 6.5p). The equivalent statutory outcome was 9.7p (2015 H1: 6.2p) after exceptional items and LTIP charges. Our primary measure of performance is adjusted fully diluted earnings per share (stated before exceptional items and LTIP charges) and this was up 50% to 9.6p (2015 H1: 6.4p). The half year EPS outcome benefits from the timing of profitability for reasons explained above.

The Group issued three million new shares during the period for aggregate net proceeds of £5.0 million to fund the acquisition of Lang and associated working capital. The timing of this event further flatters EPS because the dilution effect of the new shares issued is only included for a part of the period, and will be included for the whole of the second half. Nonetheless, the growth in EPS was well ahead of management and market expectations, providing us with the confidence to upgrade our outlook for the full year against previous market expectations.

Capital expenditure in the six months was £3.0 million (2015 H1: £1.7 million), somewhat higher than the prior period as we seek out opportunities to invest in efficiency. A third of the expenditure was in our joint venture Artwrap where we invested in updating the warehouse management system to drive operational efficiencies and to support a new longer term customer contract.

As previously announced, we acquired the Lang Group of Companies in Wisconsin, USA in June 2016. While the purchase price was four times underlying EBITDA, the price paid was $3.4 million (£2.7 million) after an adjustment in respect of working capital. Since the assets acquired were greater than this, an estimated exceptional non-cash credit to the profit and loss account of £1.1 million has been reflected at the 30 September 2016, although this may be revised before the year end, as it is based upon estimates. Exceptional cash costs of the acquisition and associated restructuring were £0.5 million at the period end and are explained more fully above.

Cash used by operations was £54.2 million (2015 H1: £44.6 million) reflecting the growing scale of the business and the seasonal funding of the newly acquired Lang business. The underlying cash dynamics reflect the usual and highly variable phasing of deliveries to customer requirements from year to year.

Cash flows associated with interest, tax and dividends in aggregate were up from £2.6 million in 2015 H1 to £2.9 million, though dividend payments (including a modest amount to our joint venture partner) have doubled while tax and interest payments have declined.

Pleasingly, net debt at 30 September 2016 was lower than the prior year at £76.4 million (2015 H1: £78.0 million). This benefits from strong underlying trading cash flows, tight control of working capital and of course the equity issue in the period but is also despite funding substantial capital expenditure and the acquisition and peak seasonal requirements of Lang, both of which will yield future improvements in our cash flows.

Furthermore, while recent exchange rate movements have assisted profits growth – the translation effect has been explained fully above – they have also accounted for an additional £7.0 million on the reported debt balance at the half year. This is optical only since currency cash flows will largely repay the currency debt before the year end, at which point the retranslation effect is expected to be small. Our focus on reduction of average leverage has not wavered and we continue to target average debt to EBITDA of less than 2.5 times.

Dividend
A final dividend for the year ended 31 March 2016 of 1.5p per share was paid in September 2016 making the total for the year 2.25p. The Board is pleased to declare an interim dividend of 1.75p per share in respect of H1 2016/17 (2015 H1: 0.75p) in line with our intention to steadily increase total dividends whilst still preserving sufficient cash to reduce leverage and fund growth. This will be paid on Tuesday 17 January 2017 to shareholders on the register on Friday 9 December 2016.

Current trading outlook
With a strong order book in place for the balance of FY 2016/17 we are on course to deliver financial results materially ahead of market expectations for the full year. Current momentum in sales and gross margin is expected to be maintained into the second half of the year. While the timing of overheads and the acquisition of the Lang Group of Companies part way through the year (therefore excluding early periods which are seasonally loss making) has slightly flattered the first half year's results at the levels of operating profit and below, profits and our key metric of earnings per share are also expected to be stronger.

Our businesses continue to effectively convert profit into cash and our healthy balance across all aspects of our activities, by region, season, brand and product category have provided good insulation against recent macroeconomic and political events. Investment opportunities with fast payback continue to be identified across all territories, allowing us to continuously improve efficiencies, enhance our capabilities and expand into adjacent product and market areas.

With the positive outlook, underpinned by the Group's profits growth and cash generation, this has allowed us to increase dividend expectations for the total year to 4p including the 1.75p above in respect of the half year period.

We remain well placed to deliver ever-improving shareholder returns through both organic growth and, when the opportunity arises, through carefully considered acquisitions.

Paul Fineman	**Anthony Lawrinson**
Chief Executive Officer	*Chief Financial Officer*
29 November 2016	29 November 2016

Consolidated income statement
six months ended 30 September 2016

	Unaudited six months ended 30 Sep 2016			Unaudited six months ended 30 Sep 2015 total	12 months ended 31 Mar 2016 total
	Before exceptional items	**Exceptional items (note 10)**	**Total**		
	£000	**£000**	**£000**	£000	£000
Revenue	**145,525**	**—**	**145,525**	119,818	236,950
Cost of sales	**(114,730)**	**—**	**(114,730)**	(97,952)	(193,552)
Gross profit	**30,795**	**—**	**30,795**	21,866	43,398
	21.2%		**21.2%**	18.2%	18.3%
Selling expenses	**(8,317)**	**—**	**(8,317)**	(6,068)	(12,609)
Administration expenses	**(14,172)**	**563**	**(13,609)**	(9,944)	(18,923)
Other operating income	**99**	**—**	**99**	349	758
Operating profit	**8,405**	**563**	**8,968**	6,203	12,624
Finance expenses	**(1,045)**	**—**	**(1,045)**	(1,276)	(2,763)
Profit before tax	**7,360**	**563**	**7,923**	4,927	9,861
Income tax (charge)/credit	**(1,792)**	**26**	**(1,766)**	(1,133)	(2,219)
Profit for the period	**5,568**	**589**	**6,157**	3,794	7,642

Attributable to:			
Owners of the Parent Company	**5,865**	3,643	7,261
Non-controlling interests	**292**	151	381

Earnings per ordinary share

	Unaudited six months ended 30 Sep 2016		Unaudited six months ended 30 Sep 2015		12 months ended 31 Mar 2016	
	Diluted	**Basic**	Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items and LTIP charges	**9.6p**	**9.8p**	6.4p	6.5p	13.2p	13.5p
Cost per share on LTIP charges	**(1.1p)**	**(1.1p)**	(0.4p)	(0.3p)	(1.2p)	(1.2p)
Adjusted earnings per share excluding exceptional items	**8.5p**	**8.7p**	6.0p	6.2p	12.0p	12.3p
Earnings per share on exceptional items	**1.0p**	**1.0p**	—	—	—	—
Earnings per share	**9.5p**	**9.7p**	6.0p	6.2p	12.0p	12.3p

Consolidated statement of comprehensive income

six months ended 30 September 2016

	Unaudited six months ended 30 Sep 2016 £000	Unaudited six months ended 30 Sep 2015 £000	12 months ended 31 Mar 2016 £000
Profit for the period	**6,157**	3,794	7,642
Other comprehensive income:			
Exchange difference on translation of foreign operations (net of tax)	**3,069**	(687)	1,794
Transfer to profit and loss on maturing cash flow hedges (net of tax)	**223**	(572)	(572)
Net loss on cash flow hedges (net of tax)	**(580)**	(1)	(223)
Other comprehensive income for period, net of tax, items which may be reclassified to profit and loss in subsequent periods	**2,712**	(1,260)	999
Total comprehensive income for the period, net of tax	**8,869**	2,534	8,641
Attributable to:			
Owners of the Parent Company	**8,107**	2,541	8,191
Non-controlling interests	**762**	(7)	450
	8,869	2,534	8,641

Consolidated statement of changes in equity

six months ended 30 September 2016

	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 interest £000**	**Total £000**
At 31 March 2016	**2,963**	**4,852**	**17,164**	**(223)**	**(100)**	**43,346**	**68,002**	**3,370**	**71,372**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**5,865**	**5,865**	**292**	**6,157**
Other comprehensive income	**—**	**—**	**—**	**(357)**	**2,599**	**—**	**2,242**	**470**	**2,712**
Total comprehensive income for the period	**—**	**—**	**—**	**(357)**	**2,599**	**5,865**	**8,107**	**762**	**8,869**
Equity-settled share-based payment	**—**	**—**	**—**	**—**	**—**	**514**	**514**	**—**	**514**
Tax on equity-settled share-based payment	**—**	**—**	**—**	**—**	**—**	**850**	**850**	**—**	**850**
Shares issued	**150**	**4,883**	**—**	**—**	**—**	**—**	**5,033**	**—**	**5,033**

Options exercised	**19**	**34**	**—**	**—**	**—**	**—**	**53**	**—**	**53**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**(1,039)**	**(1,039)**	**(260)**	**(1,299)**
At 30 September 2016	**3,132**	**9,769**	**17,164**	**(580)**	**2,499**	**49,536**	**81,520**	**3,872**	**85,392**

six months ended 30 September 2015

	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 interest £000	Total £000
At 31 March 2015	2,910	4,801	17,164	572	(1,825)	36,042	59,664	2,920	62,584
Profit for the period	—	—	—	—	—	3,643	3,643	151	3,794
Other comprehensive income	—	—	—	(573)	(529)	—	(1,102)	(158)	(1,260)
Total comprehensive income for the period	—	—	—	(573)	(529)	3,643	2,541	(7)	2,534
Equity-settled share-based payment	—	—	—	—	—	165	165	—	165
Options exercised	33	4	—	—	—	(30)	7	—	7
Equity dividends paid	—	—	—	—	—	(588)	(588)	—	(588)
At 30 September 2015	2,943	4,805	17,164	(1)	(2,354)	39,232	61,789	2,913	64,702

year ended 31 March 2016

	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 interest £000	Total £000
At 1 April 2015	2,910	4,801	17,164	572	(1,825)	36,042	59,664	2,920	62,584
Profit for the year	—	—	—	—	—	7,261	7,261	381	7,642
Other comprehensive income	—	—	—	(795)	1,725	—	930	69	999
Total comprehensive income for the year	—	—	—	(795)	1,725	7,261	8,191	450	8,641
Equity-settled share-based payment	—	—	—	—	—	596	596	—	596
Tax on equity-settled share-based payments	—	—	—	—	—	509	509	—	509
Options exercised	53	51	—	—	—	(30)	74	—	74
Equity dividends paid	—	—	—	—	—	(1,032)	(1,032)	—	(1,032)
At 31 March 2016	2,963	4,852	17,164	(223)	(100)	43,346	68,002	3,370	71,372

Consolidated balance sheet

as at 30 September 2016

	Note	**Unaudited as at 30 Sep 2016 £000**	Unaudited as at 30 Sep 2015 £000	As at 31 March 2016 £000
Non-current assets				
Property, plant and equipment		**33,450**	28,093	30,190
Intangible assets		**33,733**	31,634	32,236

Deferred tax assets		**4,426**	3,342	4,296
Total non-current assets		**71,609**	63,069	66,722
Current assets				
Inventory		**74,355**	66,129	46,006
Asset held for sale – land and buildings		**—**	1,250	—
Trade and other receivables		**105,810**	86,131	21,187
Derivative financial assets		**86**	166	218
Cash and cash equivalents	4	**5,381**	1,327	8,380
Total current assets		**185,632**	155,003	75,791
Total assets		**257,241**	218,072	142,513
Equity				
Share capital		**3,132**	2,943	2,963
Share premium		**8,429**	3,465	3,512
Reserves		**20,423**	16,149	18,181
Retained earnings		**49,536**	39,232	43,346
Equity attributable to owners of the Parent Company		**81,520**	61,789	68,002
Non-controlling interests		**3,872**	2,913	3,370
Total equity		**85,392**	64,702	71,372
Non-current liabilities				
Loans and borrowings	4	**(254)**	20,395	18,349
Deferred income		**1,133**	1,013	1,145
Provisions		**872**	862	869
Other financial liabilities		**2,242**	3,133	2,095
Deferred tax liability		**352**	—	352
Total non-current liabilities		**4,345**	25,403	22,810
Current liabilities				
Bank overdraft	4	**4,576**	2,871	1,508
Loans and borrowings	4	**75,250**	52,370	3,584
Deferred income		**150**	626	118
Provisions		**220**	108	212
Income tax payable		**2,809**	1,706	1,945
Trade and other payables		**64,975**	55,287	27,221
Other financial liabilities		**19,524**	14,999	13,743
Total current liabilities		**167,504**	127,967	48,331
Total liabilities		**171,849**	153,370	71,141
Total equity and liabilities		**257,241**	218,072	142,513

Consolidated cash flow statement

six months ended 30 September 2016

	Unaudited six months ended 30 Sep 2016 £000	Unaudited six months ended 30 Sep 2015 £000	12 months ended 31 Mar 2016 £000
Cash flows from operating activities			
Profit for the year	**6,157**	3,794	7,642
Adjustments for:			
Depreciation	**1,809**	1,869	3,596
Amortisation of intangible assets	**328**	201	285
Finance expenses	**1,045**	1,276	2,763
Negative goodwill release to income	**(1,067)**	—	—
Income tax charge	**1,766**	1,133	2,219
Profit/(loss) on sales of property, plant and equipment	**15**	(62)	(186)
Profit on external sale of intangible fixed assets	**—**	—	1
Equity-settled share-based payment	**870**	300	908
Operating profit after adjustments for non-cash items	**10,923**	8,511	17,228

Change in trade and other receivables	**(78,676)**	(64,612)	1,041
Change in inventory	**(22,863)**	(20,698)	1,219
Change in trade and other payables	**36,436**	32,548	1,863
Change in provisions and deferred income	**(58)**	(305)	(607)
(Cash used by)/cash generated from operations	**(54,238)**	(44,556)	20,744
Tax paid	**(525)**	(838)	(1,797)
Interest and similar charges paid	**(1,060)**	(1,219)	(1,961)
Net cash (outflow)/inflow from operating activities	**(55,823)**	(46,613)	16,986
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	**48**	104	1,568
Acquisition of subsidiary	**(2,669)**	—	—
Acquisition of intangible assets	**(77)**	(193)	(382)
Acquisition of property, plant and equipment	**(2,914)**	(1,539)	(4,377)
Receipt of government grants	**39**	—	—
Net cash outflow from investing activities	**(5,573)**	(1,628)	(3,191)
Cash flows from financing activities			
Proceeds from issue of share capital	**5,086**	7	74
Repayment of secured borrowings	**(21,774)**	(640)	(5,708)
Net movement in credit facilities	**68,575**	47,000	184
Payment of finance lease liabilities	**(229)**	(301)	(1,712)
Loan arrangement fees	**(287)**	—	—
Equity dividend paid	**(1,039)**	(588)	(1,032)
Dividends paid to non-controlling interests	**(260)**	—	—
Net cash inflow/(outflow) from financing activities	**50,072**	45,478	(8,194)
Net (decrease)/increase in cash and cash equivalents	**(11,324)**	(2,763)	5,601
Cash and cash equivalents at beginning of period	**6,872**	1,278	1,278
Effect of exchange rate fluctuations on cash held	**5,257**	(59)	(7)
Cash and cash equivalents at end of the period	**805**	(1,544)	6,872

Notes to the interim financial statements

1 Accounting policies

Basis of preparation

The financial information contained in this interim report does not constitute statutory accounts as defined in Section 434 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 2016 is extracted from the statutory accounts of the Group for that financial year and does not constitute statutory accounts as defined in Section 434 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 2016.

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 sales of wrap and crackers are mainly for the Christmas market, before then reducing.

As with any company 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 the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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 2016.

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, and design-led giftware.

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

The results below are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure. The decision was made during 2011 to focus Asia as a service provider of manufacturing and procurement operations, whose main customers are our UK businesses. Both the China factory and the majority of the Hong Kong procurement operations are now overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise an operating segment. The chief operating decision maker is the Board.

Intra‑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 operating profit. Interest income or expense and tax are managed on a Group basis and not split between reportable segments.

Segment assets are all non‑current and current assets, excluding deferred tax and income tax receivable. Where cash is shown in one segment, which nets under the Group's banking facilities, against overdrafts in other segments, the elimination is shown in the eliminations column. Similarly inter‑segment receivables and payables are eliminated.

	UK and Asia	**Europe**	**USA**	**Australia**	**Eliminations**	**Group**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Six months ended 30 September 2016						
Revenue – external	**55,117**	**16,545**	**58,560**	**15,303**	**—**	**145,525**
– inter segment	**1,448**	**224**	**—**	**—**	**(1,672)**	**—**
Total segment revenue	**56,565**	**16,769**	**58,560**	**15,303**	**(1,672)**	**145,525**
Segment result before exceptional items	**4,000**	**1,258**	**3,758**	**1,020**	**—**	**10,036**
Exceptional items	**—**	**—**	**563**	**—**	**—**	**563**
Segment result	**4,000**	**1,258**	**4,321**	**1,020**	**—**	**10,599**
Central administration costs						**(1,631)**
Net finance expenses						**(1,045)**
Income tax						**(1,766)**
Profit for the six months ended 30 September 2016						**6,157**
Balances at 30 September 2016						
Segment assets	**139,043**	**31,989**	**66,914**	**14,869**	**4,426**	**257,241**
Segment liabilities	**(78,480)**	**(12,426)**	**(69,222)**	**(8,560)**	**(3,161)**	**(171,849)**
Capital expenditure						
– property, plant and equipment	**1,085**	**226**	**554**	**1,049**	**—**	**2,914**
– intangible	**26**	**—**	**49**	**2**	**—**	**77**
Depreciation	**885**	**349**	**424**	**151**	**—**	**1,809**
Amortisation	**131**	**21**	**165**	**11**	**—**	**328**

	UK and Asia	Europe	USA	Australia	Eliminations	Group
	£000	£000	£000	£000	£000	£000
Six months ended 30 September 2015						
Revenue – external	57,151	12,901	35,803	13,963	—	119,818
– inter segment	1,381	—	—	—	(1,381)	—
Total segment revenue	58,532	12,901	35,803	13,963	(1,381)	119,818
Segment result before exceptional items	3,558	835	1,796	509	—	6,698
Exceptional items	—	—	—	—	—	—
Segment result	3,558	835	1,796	509	—	6,698
Central administration costs						(495)
Net finance expenses						(1,276)
Income tax						(1,133)
Profit for the six months ended 30 September 2015						3,794

Balances at 30 September 2015						
Segment assets	141,597	24,388	35,441	13,304	3,342	218,072
Segment liabilities	(77,767)	(19,340)	(44,382)	(8,721)	(3,160)	(153,370)
Capital expenditure						
– property, plant and equipment	653	261	396	229	—	1,539
– intangible	162	—	31	—	—	193
Depreciation	1,091	332	362	84	—	1,869
Amortisation	133	20	29	19	—	201
Year ended 31 March 2016						
Revenue – external	109,723	34,097	65,259	27,871	—	236,950
– inter segment	2,085	337	—	—	(2,422)	—
Total segment revenue	111,808	34,434	65,259	27,871	(2,422)	236,950
Segment result	5,700	2,874	3,465	1,494	—	13,533
Central administration costs						(909)
Net finance expenses						(2,763)
Income tax						(2,219)
Profit for the year ended 31 March 2016						7,642
Balances at 31 March 2016						
Segment assets	114,171	18,029	(3,789)	9,806	4,296	142,513
Segment liabilities	(46,711)	(10,499)	(6,678)	(4,956)	(2,297)	(71,141)
Capital expenditure						
– property, plant and equipment	1,508	530	1,924	415	—	4,377
– intangible	285	16	56	25	—	382
Depreciation	2,062	654	711	169	—	3,596
Amortisation	163	40	55	27	—	285

3 Exceptional items

	Six months ended 30 Sep 2016 £000	Six months ended 30 Sep 2015 £000	12 months ended 31 Mar 2016 £000
Acquisition of Lang Companies Inc.			
– transaction and restructuring costs[(a)]	**504**	—	—
– gain on bargain purchase[(b)]	**(1,067)**	—	—
Total	**(563)**	—	—
– income tax credit	**(26)**	—	—
	(589)	—	—

(a) Transaction and restructuring costs relating to the acquisition of the Lang business.

(b) Gain on the bargain purchase on the acquisition of the Lang business (see note 7 for further details).

4 Cash, loans and borrowings

Net debt

	Six months ended 30 Sep 2016 £000	Six months ended 30 Sep 2015 £000	12 months ended 31 Mar 2016 £000
Cash and cash equivalents	**5,381**	1,327	8,380
Bank overdrafts	**(4,576)**	(2,871)	(1,508)
Cash and cash equivalents per cash flow statement	**805**	(1,544)	6,872
Bank loans and borrowings	**(75,402)**	(73,038)	(22,142)
Loan arrangement fees	**406**	273	209
Finance leases	**(2,200)**	(3,733)	(2,422)
Net debt as used in the executive summary	**(76,391)**	(78,042)	(17,483)

Split between current and non-current

	Six months ended 30 Sep 2016 £000	Six months ended 30 Sep 2015 £000	12 months ended 31 Mar 2016 £000
Non-current liabilities			
Secured bank loans	**—**	(20,553)	(18,425)
Loan arrangement fees	**254**	158	76
	254	(20,395)	(18,349)
Current liabilities			
Asset backed loan	**(51,043)**	(42,585)	(797)
Revolving credit facilities	**(24,359)**	(4,471)	—
Current portion of secured bank loans	**—**	(5,429)	(2,920)
Bank loans and borrowings	**(75,402)**	(52,485)	(3,717)
Loan arrangement fees	**152**	115	133
	(75,250)	(52,370)	(3,584)

Finance leases of £2,200,000 (2015: £3,733,000) are included within other financial liabilities and are split £1,703,000 (2015: £3,077,000) non-current and £497,000 (2105: £656,000) current.

Loan arrangement fees represent the unamortised portion of costs in arranging the new three year facilities which commenced in June 2016.

Drawings under the revolving credit facility are classified as short term in the above table, as current drawings under the facilities mature within one year.

5 Taxation

	Six months ended 30 Sep 2016 £000	Six months ended 30 Sep 2015 £000	12 months ended 31 Mar 2016 £000
Current tax expenses			
Current income tax charge	**1,376**	481	1,520
Deferred tax expense			
Relating to original and reversal of temporary differences	**390**	652	699
Total tax in income statement	**1,766**	1,133	2,219

Taxation for the six months to 30 September 2016 is based on the effective rate of taxation, which is estimated to apply in each country for the year ended 31 March 2017.

6 Earnings per share

	Six months ended 30 Sep 2016		Six months ended 30 Sep 2015		12 months ended 31 Mar 2016	
	Diluted	**Basic**	Diluted	Basic	Diluted	Basic
Adjusted earnings per share excluding exceptional items and LTIP charge	**9.6p**	**9.8p**	6.4p	6.5p	13.2p	13.5p
Cost per share on LTIP charge	**(1.1p)**	**(1.1p)**	(0.4p)	(0.3p)	(1.2p)	(1.2p)
Adjusted earnings per share excluding exceptional items	**8.5p**	**8.7p**	6.0p	6.2p	12.0p	12.3p
Earnings per share on exceptional items	**1.0p**	**1.0p**	—	—	—	—
Earnings per share	**9.5p**	**9.7p**	6.0p	6.2p	12.0p	12.3p

The basic earnings per share is based on the profit attributable to equity holders of the Parent Company of £5,865,000 (2015: £3,643,000) and the weighted average number of ordinary shares in issue of 60,442,000 (2015: 59,220,000) calculated as follows:

	As at 30 Sep 2016	As at 30 Sep 2015	As at 31 Mar 2016
Weighted average number of shares in thousands of shares			

Issued ordinary shares at 1 April	**59,257**	58,206	58,206
Shares issued in respect of share placing	**1,049**	—	—
Shares issued in respect of exercising of share options	**136**	1,014	637
Weighted average number of shares at end of the period	**60,442**	59,220	58,843

Total number of options, over 5p ordinary shares, in issue at 30 September 2016 was 1,210,000 (2015: 1,540,285).

Adjusted basic earnings per share excludes exceptional items and LTIP charges which were a net charge of £307,000 (2015: £300,000) along with the tax relief attributable to those items of £209,000 (2015: £69,000). This gives an adjusted profit of £5,963,000 (2015: £3,874,000).

7. Acquisitions of subsidiaries

Acquisitions in the current period

On 11 July 2016, the Group acquired all of the share capital of Lang Companies Inc. ("Lang") for a cash consideration of £2,669,000 ($3,443,000). Acquisition costs of £260,000 were incurred during the period and expensed in the income statement as an exceptional item. Lang is a design-led supplier of high-quality branded consumer home décor and lifestyle products, based in the USA. Lang is a natural fit with the Group, being a design-led company with complementary products and markets. There are natural synergy opportunities with the Group in sourcing and cross selling. In the period from acquisition to 30 September 2016 Lang contributed net profit of £761,000 to the consolidated Group net profit for the six months ended 30 September 2016. If the acquisition had occurred on 1 April 2016, Group revenue would have been £150,606,000 and net profit would have been £6,077,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2016.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities (numbers are provisional).

	Recognised values on acquisition £000
Property, plant and equipment	**298**
Intangible assets	**1,225**
Inventories	**2,967**
Trade and other receivables	**6,005**
Trade and other payables	**(6,002)**
Deferred tax liabilities	**(757)**
Net identifiable assets and liabilities	**3,736**
Total cash consideration paid	**2,669**
Gain on bargain purchase recognised immediately in the income statement	**1,067**

The gain on bargain purchase arose as a result of the sum of the net assets acquired being greater than the amount paid. This was possible due to the low number of potential acquirers for the business.

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Paul Fineman
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Anthony Lawrinson
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