design group

design is at the heart of everything we do.

INTERIM REPORT 2017
(updated Monday 27 November 2017)

We transform paper and a whole lot more into products that help celebrate life's special occasions and turn them into memories.

We are proud to serve the best retailers around the globe with a complete **end-to-end service** from design to distribution.

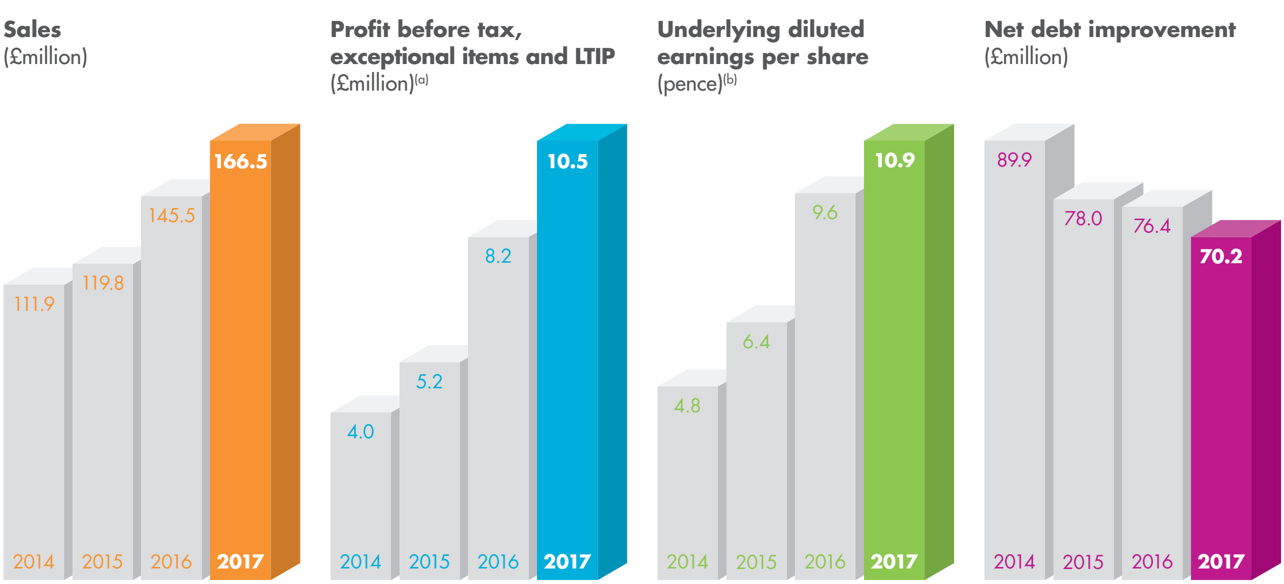
We are
IG Design Group plc

What's inside

Overview
A summary of the Company's progress and highlights for the six months ended 30 September 2017.

Financials
The Group financial statements and comprehensive notes covering the six months ended 30 September 2017.

Find us online at
thedesigngroup.com



+14% on 2016

+27% on 2016

+14% on 2016

8% reduction on 2016

(a) Profit before tax stated after exceptional charge of £0.1 million (2016: £0.6 million credit) and LTIP charges of £0.9 million (2016: £0.9 million) is £9.5 million (2016: £7.9 million).
(b) Fully diluted earnings per share stated after exceptional items of nil (2016: 1.0p credit) and LTIP charges of 1.0p (2016: 1.1p) is 9.9p (2016: 9.5p).

Executive summary

A very pleasing start to the year with positive momentum going into the second half and beyond.

Paul Fineman
Chief Executive Officer

Overview

The first half of FY18 has seen a very pleasing performance with growth achieved both organically and through acquisition.

Overall, sales and profit before tax, exceptional items and LTIP charges are up 14% and 27% respectively. Underlying, fully diluted earnings per share is up 14% whilst net debt is lower than at the previous half-year period, despite funding the seasonal working capital at the recently acquired Lang business.

Performance by region

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

Americas

- An excellent trading performance with sales up 18% to $91.3 million and underlying profit[(a)] up 45% to $7.1 million
- This includes organic growth of sales up 13% and profits up 27%
- The integration of The Lang Companies (Lang) acquired in July 2016 has progressed very well resulting in sales in the first half up 46% to $16.2 million and profit up 124% to $2.1 million
- The planned investment to upgrade our IT systems in the USA is proceeding on time and on budget and is due for installation during FY19

Europe

- Sales in local currency up 19% to €23.6 million with growth in underlying profit[(a)] of 26% to €2.0 million
- A second high speed, highly efficient, printing press is on track for delivery and on budget for installation early in 2018
- A strong order book is in place for the balance of the financial year

Australia

- Sales in local currency up 13% to AUD30.9 million with growth in underlying profit[(a)] of 17% to AUD2.0 million
- Growth mainly driven by the robust Independents channel
- The completion of the acquisition of Biscay Greetings Pty Limited is on track to take place in January 2018

(a) Underlying profit is stated before exceptional items and LTIP charges.

Reported sales are up 14% to £166.5 million on the prior period (2016 H1: £145.5 million).

UK

- Sales up 4% at £57.5 million with underlying profit[a] remaining stable at £4.2 million, reflecting the initial impact of the integration of our three UK operating businesses
- Our UK business continues to work hand-in-hand with our manufacturing facility in China, which continues to efficiently supply record volumes of gift bags and greetings cards, as well as high volumes of crackers
- State-of-the-art manufacturing equipment producing retailer branded bags to be given to consumers is now fully operational, having been installed on time and on budget in our manufacturing facility in Wales

Central costs

Reflect investment to broaden and strengthen our ability to support growth both organically and through M&A activity.

Financial review

Reported sales are up 14% to £166.5 million on the prior period (2016 H1: £145.5 million) with some favourable timing differences in the USA assisting. Organic growth (excluding Lang) represents 10% of this growth with foreign exchange translation effects accounting for 2% and the acquisition in 2016 of Lang a further 2%. Lang was only owned for half of the period in H1 last year. As usual, there are geographical variations but overall phasing of delivery to customers appears to be slightly ahead of prior years.

Gross margins increased from £30.8 million to £35.4 million which was stable as a percentage of sales at 21.2%.

Overhead costs are higher at £25.3 million (2016 H1: £22.5 million). This is largely driven by a) the impact of Lang ownership for the full period (£0.8 million); b) the effect of overseas costs translated at current exchange rates; and c) 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 were flat at 15%.

Operating profit before exceptional costs and LTIP charges again improved strongly by 20% to £11.1 million (2016 H1: £9.3 million) while profit before tax, exceptional items and LTIP charges was up 27% to £10.5 million from £8.2 million in the equivalent period last year. This strong trading position at the end of the first half of the year is firmly underpinning management's expectations for the full year.

The exceptional cost during the period was £0.1 million (2016 H1: £0.6 million credit) mainly reflecting costs associated with the acquisition of Biscay.

After allowing for exceptional items in the period, profit before tax and after exceptional items and LTIP charges was £9.5 million, up 20% on the prior year (2016 H1: £7.9 million).

Reconciliation to underlying measures	**Unaudited six months ended 30 Sept 2017 £m**	Unaudited six months ended 30 Sept 2016 £m	Twelve months ended 31 Mar 2017 £m
Profit before tax	**9.5**	7.9	13.0
Exceptional items	**0.1**	(0.6)	1.1
LTIP charges	**0.9**	0.9	2.2
Underlying profit	**10.5**	8.2	16.3

	Unaudited six months ended 30 Sept 2017 pence	Unaudited six months ended 30 Sept 2016 pence	Twelve months ended 31 Mar 2017 pence
Fully diluted EPS	**9.9**	9.5	15.0
Cost per share on exceptional items	**0.0**	(1.0)	0.4
Costs per share on LTIP charge	**1.0**	1.1	2.8
Underlying EPS	**10.9**	9.6	18.2

Executive summary
continued

Commencement of manufacturing in Wales of "Not-for-sale" consumables

In USA, synergies delivered from integration of Lang Group of Companies, acquired in 2016

Investment in latest 'state-of-the-art' press to be installed in Holland in early 2018 on track and on budget

Finance expenses in the period were again substantially lower on the prior year period at £0.6 million (2016 H1: £1.1 million) reflecting the continued effect of improved borrowing costs, efficient use of our lower cost asset-based lending working capital facilities and lower average indebtedness. We also agreed to extend the term of our global facilities in May 2017 by a further year to June 2020. The facility is capable of extension for one further year on the same terms should the parties agree.

The effective underlying tax rate (before exceptional items and LTIP charges) was 28% (2016 H1: 24%), slightly below the blended prevailing rate which based upon the current mix of Group profits would be 28.5%. We now anticipate by the year end that all US losses will have been used with only £3.4 million of tax losses unutilised in the UK. If growth is heavily fuelled by our US business as is our expectation, the blended tax rate could continue to rise; however, should US tax rates be significantly reduced as is currently under review, this could provide a material additional advantage to the Group's earnings after tax. Cash tax is increasingly becoming payable at the prevailing rate in most of our geographic regions of operation as historical losses are fully utilised although this will be not be evident in the US or UK until 2018/19.

Stated before exceptional items and LTIP charges, basic earnings per share were ahead of expectations and much improved at 11.3p (2016 H1: 9.8p). The equivalent statutory outcome was 10.2p (2016 H1: 9.7p) after exceptional items and LTIP charges. Our primary measure of performance is underlying fully diluted earnings per share (stated before exceptional items and LTIP charges) and this was up 14% to 10.9p (2016 H1: 9.6p). The half year EPS outcome benefits slightly from the timing of profitability for reasons explained above.

Capital expenditure in the six months was £3.8 million (2016 H1: £3.0 million), somewhat higher than the prior period as we seek out opportunities to invest in efficiency. Notably we have taken delivery of new machinery in Wales to manufacture retail branded bags ("Not-for-sale" consumables) as part of our diversification into new adjacent product categories. This equipment was already fully operational at 30 September 2017 with a strong order book in place. Orders have also been confirmed and deposits placed for a second high definition, high speed, printing press in Europe and to implement a new ERP system in our US business. Both are expected to yield attractive paybacks.

Cash used by operations was £64.5 million (2016 H1: £54.2 million) reflecting the growing scale of the business and the seasonal funding of the newly acquired Lang business. The underlying cash dynamic reflects the usual phasing of production, geared heavily towards H1. As always this is impacted by the high variability year to year of the exact timing of customer delivery requirements.

Cash flows associated with interest, tax and dividends in aggregate were up from £2.9 million in 2016 H1 to £4.5 million, with increases in dividend payments (including a modest amount to our joint venture partner) and taxation accounting for £1 million each while interest payments continue to decline.

Despite the increasing working capital need, net debt at 30 September 2017 was lower than the prior year at £70.2 million (2016 H1: £76.4 million). This results from strong underlying trading cash flows and tight disciplines around working capital control.

Recent exchange rate translation effects have depressed underlying profits by a modest £0.1 million compared with the prior year.

Our focus on reduction of average leverage has not wavered and having achieved our long term target last year, two years ahead of schedule, we will now continue to target a level of average debt of between 1.5 and 2.5 times EBITDA.

Future growth in USA underpinned by investment in new IT system

Record volumes of gift bags and greetings cards manufactured in our China factory

Acquisition of Biscay Greetings Pty Ltd to complete in January 2018

Dividend

A final dividend for the year ended 31 March 2017 of 2.75p per share was paid in September 2017 making the total for the year 4.5p. The Board is pleased to declare an interim dividend of 2p per share in respect of H1 2017/18 (2017 H1: 1.75p) in line with our intention to steadily increase total dividends. This will be paid on 18 January 2018 to shareholders on the register on 8 December 2017.

Directorate changes

As previously announced in July, Anthony Lawrinson indicated his intention to retire from his role as Chief Financial Officer for family reasons, after six years with the Group. The Board is pleased to have announced alongside these financial results that it intends to appoint Giles Willits as its new Chief Financial Officer effective from 2 January 2018. Anthony is continuing in his role until early January 2018 and he has agreed to provide additional transitional support in order to ensure an orderly handover.

The Board would like to thank Anthony for the diligence, commitment and dedication he has shown over the past six years. He has made a significant contribution to the Group, supporting its turnaround, global diversification and subsequent stellar growth, executing its M&A strategy and creating a robust finance function which will serve the Group well over the coming years. We wish him well for the future.

Current trading outlook

We are once again delighted to be reporting a robust performance during the first half of the year, with all regions trading profitably and growth being achieved both organically and through the successful integration of Lang which we acquired in July 2016.

Our business is diversified by product category, regional and seasonal activity as well as by customer channel, all with a common theme of adding value through creating products with potent and highly commercial designs, efficient manufacturing and sourcing and excellent customer service.

Whilst we have delivered fast payback through investment in capital equipment, we are really pleased to be identifying further compelling investment opportunities to continuously improve efficiency and enhance capability across all territories.

We look forward to providing a further update during January 2018 and creating sustainable value for our shareholders through both organic growth and, when the opportunity arises, through carefully considered acquisitions.

Paul Fineman
Chief Executive Officer

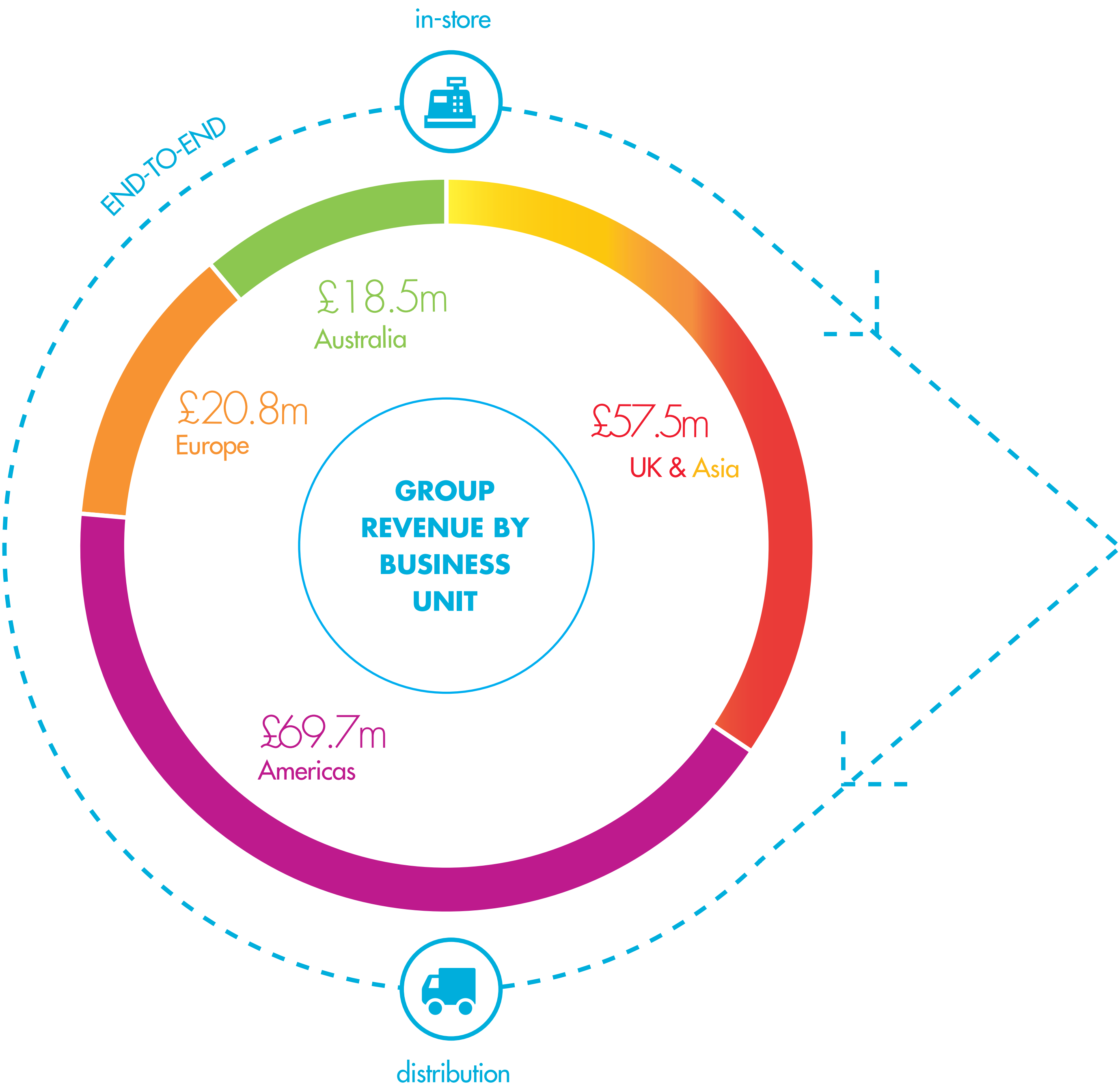
28 November 2017

Anthony Lawrinson
Chief Financial Officer

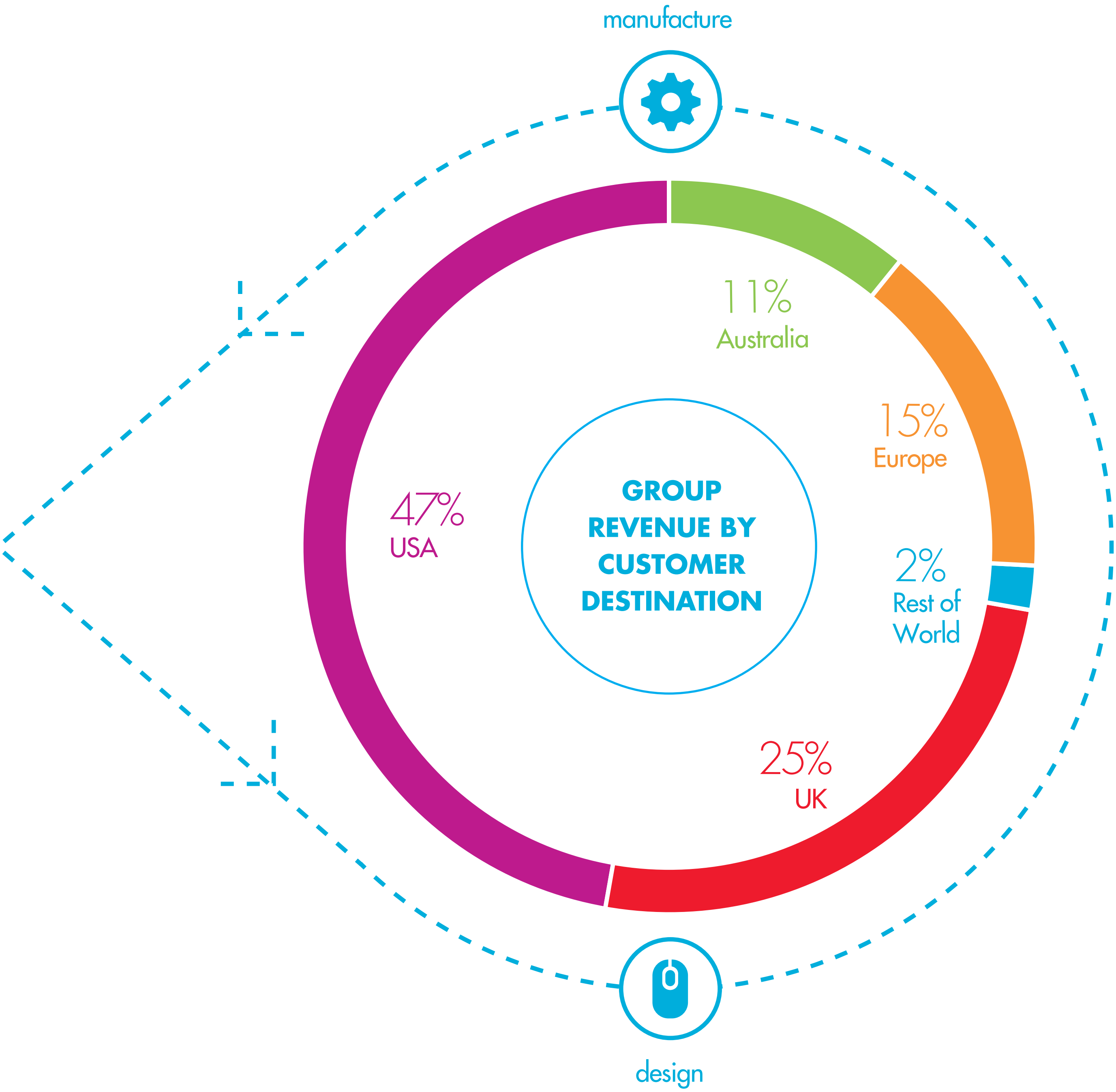
28 November 2017

Our international diversity

We're truly international, with 10,000 customers selling our products through over 200,000 stores across more than 80 countries, we enjoy considerable market presence around the world. Focused on our three major product categories of Celebrations, Stationery and Creative Play, and Gifting, we leverage our Group size and expertise whilst retaining local market knowledge and relationships through our local businesses.



This blend of global scale and local knowledge allows us to offer our customers a high quality one-stop shop solution from small independents to large multinational retailers and e-tailers. In addition to our own generic brands, our design-led product offerings include an excellent portfolio of licensed and customer bespoke products.



Consolidated income statement

six months ended 30 September 2017

	Unaudited six months ended 30 Sep 2017			Unaudited six months ended 30 Sep 2016			Twelve months ended 31 Mar 2017		
	Before exceptional items £000	Exceptional items (note 3) £000	Total £000	Before exceptional items £000	Exceptional items (note 3) £000	Total £000	Before exceptional items £000	Exceptional items (note 3) £000	Total £000
Revenue	**166,530**	**–**	**166,530**	145,525	–	145,525	310,992	–	310,992
Cost of sales	**(131,168)**	**–**	**(131,168)**	(114,730)	–	(114,730)	(247,058)	(1,532)	(248,590)
Gross profit	**35,362**	**–**	**35,362**	30,795	–	30,795	63,934	(1,532)	62,402
	21.2%		**21.2%**	21.2%		21.2%	20.6%		20.1%
Selling expenses	**(9,383)**	**–**	**(9,383)**	(8,317)	–	(8,317)	(19,019)	–	(19,019)
Administration expenses	**(15,910)**	**(88)**	**(15,998)**	(14,172)	563	(13,609)	(29,832)	495	(29,337)
Other operating income	**179**	**–**	**179**	99	–	99	210	–	210
Operating profit/(loss)	**10,248**	**(88)**	**10,160**	8,405	563	8,968	15,293	(1,037)	14,256
Finance expenses	**(660)**	**–**	**(660)**	(1,045)	–	(1,045)	(1,229)	–	(1,229)
Profit/(loss) before tax	**9,588**	**(88)**	**9,500**	7,360	563	7,923	14,064	(1,037)	13,027
Income tax (charge)/credit	**(2,737)**	**4**	**(2,733)**	(1,792)	26	(1,766)	(3,480)	761	(2,719)
Profit/(loss) for the period	**6,851**	**(84)**	**6,767**	5,568	589	6,157	10,584	(276)	10,308
Attributable to:									
Owners of the Parent Company			**6,432**			5,865			9,650
Non-controlling interests			**335**			292			658

Earnings per ordinary share

	Unaudited six months ended 30 Sep 2017		Unaudited six months ended 30 Sep 2016		Twelve months ended 31 Mar 2017	
	Diluted	**Basic**	Diluted	Basic	Diluted	Basic
Earnings per share	**9.9p**	**10.2p**	9.5p	9.7p	15.0p	15.7p

Consolidated statement of comprehensive income

six months ended 30 September 2017

	Unaudited six months ended 30 Sep 2017 £000	Unaudited six months ended 30 Sep 2016 £000	Twelve months ended 31 Mar 2017 £000
Profit for the period	**6,767**	6,157	10,308
Other comprehensive income:			
Exchange difference on translation of foreign operations (net of tax)	**(573)**	3,069	3,213
Transfer to profit and loss on maturing cash flow hedges (net of tax)	**(271)**	223	223
Net loss on cash flow hedges (net of tax)	**(110)**	(580)	271
Other comprehensive income for period, net of tax, items which may be reclassified to profit and loss in subsequent periods	**(954)**	2,712	3,707
Total comprehensive income for the period, net of tax	**5,813**	8,869	14,015
Attributable to:			
Owners of the Parent Company	**5,676**	8,107	12,795
Non-controlling interests	**137**	762	1,220
	5,813	8,869	14,015

Consolidated statement of changes in equity

six months ended 30 September 2017

	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 2017	**3,132**	**9,769**	**17,164**	**271**	**2,551**	**53,330**	**86,217**	**3,833**	**90,050**
Profit for the period	—	—	—	—	—	6,432	6,432	335	6,767
Other comprehensive income	—	—	—	(381)	(375)	—	(756)	(198)	(954)
Total comprehensive income for the period	**–**	**–**	**–**	**(381)**	**(375)**	**6,432**	**5,676**	**137**	**5,813**
Equity-settled share-based payment	—	—	—	—	—	594	594	—	594
Tax on equity-settled share-based payment	—	—	—	—	—	424	424	—	424
Options exercised	31	—	—	—	—	(31)	—	—	—
Equity dividends paid	—	—	—	—	—	(1,734)	(1,734)	(575)	(2,309)
At 30 September 2017	**3,163**	**9,769**	**17,164**	**(110)**	**2,176**	**59,015**	**91,177**	**3,395**	**94,572**

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

year ended 31 March 2017

	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 2016	2,963	4,852	17,164	(223)	(100)	43,346	68,002	3,370	71,372
Profit for the year	—	—	—	—	—	9,650	9,650	658	10,308
Other comprehensive income	—	—	—	494	2,651	—	3,145	562	3,707
Total comprehensive income for the year	—	—	—	494	2,651	9,650	12,795	1,220	14,015
Equity-settled share-based payment	—	—	—	—	—	1,555	1,555	—	1,555
Tax on equity-settled share-based payments	—	—	—	—	—	913	913	—	913
Shares issued	150	4,883	—	—	—	—	5,033	—	5,033
Options exercised	19	34	—	—	—	—	53	—	53
Capital contribution from non-controlling investor	—	—	—	—	—	—	—	110	110
Equity dividends paid	—	—	—	—	—	(2,134)	(2,134)	(867)	(3,001)
At 31 March 2017	3,132	9,769	17,164	271	2,551	53,330	86,217	3,833	90,050

Consolidated balance sheet
as at 30 September 2017

	Note	**Unaudited as at 30 Sep 2017 £000**	Unaudited as at 30 Sep 2016 £000	As at 31 March 2017 £000
Non-current assets				
Property, plant and equipment		**33,270**	33,450	32,607
Intangible assets		**33,879**	33,733	33,681
Deferred tax assets		**4,640**	4,426	5,398
Total non-current assets		**71,789**	71,609	71,686
Current assets				
Inventory		**70,197**	74,355	49,475
Trade and other receivables		**120,422**	105,810	29,622
Derivative financial assets		**188**	86	307
Cash and cash equivalents	4	**2,282**	5,381	3,659
Total current assets		**193,089**	185,632	83,063
Total assets		**264,878**	257,241	154,749
Equity				
Share capital		**3,163**	3,132	3,132
Share premium		**8,429**	8,429	8,429
Reserves		**20,570**	20,423	21,326
Retained earnings		**59,015**	49,536	53,330
Equity attributable to owners of the Parent Company		**91,177**	81,520	86,217
Non-controlling interests		**3,395**	3,872	3,833
Total equity		**94,572**	85,392	90,050
Non-current liabilities				
Loans and borrowings	4	**(39)**	(254)	(39)
Deferred income		**1,048**	1,133	1,083
Provisions		**883**	872	881
Other financial liabilities		**1,960**	2,242	1,911
Deferred tax liability		**584**	352	525
Total non-current liabilities		**4,436**	4,345	4,361
Current liabilities				
Bank overdraft	4	**6,409**	4,576	916
Loans and borrowings	4	**66,055**	75,250	(232)
Deferred income		**152**	150	111
Provisions		**455**	220	441
Income tax payable		**3,337**	2,809	3,153
Trade and other payables		**72,763**	64,975	37,450
Other financial liabilities		**16,699**	19,524	18,499
Total current liabilities		**165,870**	167,504	60,338
Total liabilities		**170,306**	171,849	64,699
Total equity and liabilities		**264,878**	257,241	154,749

Consolidated cash flow statement

six months ended 30 September 2017

	Unaudited six months ended 30 Sep 2017 £000	Unaudited six months ended 30 Sep 2016 £000	Twelve months ended 31 Mar 2017 £000
Cash flows from operating activities			
Profit for the year	**6,767**	6,157	10,308
Adjustments for:			
Depreciation	**2,198**	1,809	4,571
Amortisation of intangible assets	**347**	328	798
Finance expenses	**660**	1,045	1,229
Negative goodwill release to income	**–**	(1,067)	(1,271)
Income tax charge	**2,733**	1,766	2,719
(Profit)/loss on sales of property, plant and equipment	**(2)**	15	24
Loss on external sale of intangible fixed assets	**–**	–	51
Equity-settled share-based payment	**874**	870	2,216
Operating profit after adjustments for non-cash items	**13,577**	10,923	20,645
Change in trade and other receivables	**(90,306)**	(78,676)	(772)
Change in inventory	**(21,358)**	(22,863)	2,670
Change in trade and other payables	**33,601**	36,436	8,940
Change in provisions and deferred income	**(45)**	(58)	44
(Cash used by)/cash generated from operations	**(64,531)**	(54,238)	31,527
Tax paid	**(1,501)**	(525)	(2,003)
Interest and similar charges paid	**(734)**	(1,060)	(1,867)
Net cash (outflow)/inflow from operating activities	**(66,766)**	(55,823)	27,657
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	**27**	48	58
Acquisition of businesses	**–**	(2,669)	(2,669)
Capital contribution from non-controlling investor	**–**	–	110
Acquisition of intangible assets	**(462)**	(77)	(534)
Acquisition of property, plant and equipment	**(3,372)**	(2,914)	(4,633)
Receipt of government grants	**15**	39	40
Net cash outflow from investing activities	**(3,792)**	(5,573)	(7,628)
Cash flows from financing activities			
Net proceeds from issue of share capital	**–**	5,086	5,086
Repayment of secured borrowings	**–**	(21,774)	(21,774)
Net movement in credit facilities	**66,265**	68,575	(795)
Payment of finance lease liabilities	**(17)**	(229)	(2,383)
Loan arrangement fees	**(67)**	(287)	(319)
Equity dividends paid	**(1,734)**	(1,039)	(2,134)
Dividends paid to non-controlling interests	**(575)**	(260)	(867)
Net cash inflow/(outflow) from financing activities	**63,872**	50,072	(23,186)
Net decrease in cash and cash equivalents	**(6,686)**	(11,324)	(3,157)
Cash and cash equivalents at beginning of period	**2,743**	6,872	6,872
Effect of exchange rate fluctuations on cash held	**(184)**	5,257	(972)
Cash and cash equivalents at end of the period	**(4,127)**	805	2,743

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 2017 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 2017.

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 2017.

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.

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, which are shown in the eliminations column. Where cash shown in one segment, nets under the Group's banking facilities against overdrafts in other segments, the elimination is shown in the eliminations column. Inter-segment receivables and payables are eliminated similarly.

		UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Six months ended 30 September 2017							
Revenue	– external	**57,516**	**20,817**	**69,713**	**18,484**	**–**	**166,530**
	– inter segment	**1,737**	**786**	**–**	**–**	**(2,523)**	**–**
Total segment revenue		**59,253**	**21,603**	**69,713**	**18,484**	**(2,523)**	**166,530**
Segment result before exceptional items		**4,003**	**1,684**	**5,132**	**1,227**	**–**	**12,046**
Exceptional items		**–**	**–**	**(12)**	**(76)**	**–**	**(88)**
Segment result		**4,003**	**1,684**	**5,120**	**1,151**	**–**	**11,958**
Central administration costs							**(1,798)**
Net finance expenses							**(660)**
Income tax							**(2,733)**
Profit for the six months ended 30 September 2017							**6,767**
Balances at 30 September 2017							
Segment assets		**147,275**	**32,870**	**63,985**	**16,108**	**4,640**	**264,878**
Segment liabilities		**(62,018)**	**(28,276)**	**(65,247)**	**(10,844)**	**(3,921)**	**(170,306)**
Capital expenditure							
	– property, plant and equipment	**2,263**	**789**	**124**	**196**	**–**	**3,372**
	– intangible	**32**	**10**	**420**	**–**	**–**	**462**
Depreciation		**1,192**	**341**	**425**	**240**	**–**	**2,198**
Amortisation		**92**	**25**	**219**	**11**	**–**	**347**

		UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £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

Notes to the interim financial statements continued

2 Segmental information continued

		UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2017							
Revenue	– external	114,113	45,497	117,831	33,551	—	310,992
	– inter segment	2,904	227	—	—	(3,131)	—
Total segment revenue		117,017	45,724	117,831	33,551	(3,131)	310,992
Segment result before exceptional items		5,541	4,490	6,119	1,710	—	17,860
Exceptional items		—	—	(1,037)	—	—	(1,037)
Segment result		5,541	4,490	5,082	1,710	—	16,823
Central administration costs							(2,567)
Net finance expenses							(1,229)
Income tax							(2,719)
Profit for the year ended 31 March 2017							10,308
Balances at 31 March 2017							
Segment assets		95,760	20,413	21,461	11,717	5,398	154,749
Segment liabilities		(10,934)	(16,382)	(27,952)	(5,753)	(3,678)	(64,699)
Capital expenditure							
	– property, plant and equipment	1,866	687	812	1,268	—	4,633
	– intangible	184	36	263	51	—	534
Depreciation		1,813	1,081	1,306	371	—	4,571
Amortisation		194	45	536	23	—	798

3 Exceptional items

	Six months ended 30 Sep 2017 £000	Six months ended 30 Sep 2016 £000	Twelve months ended 31 Mar 2017 £000
Acquisition of Biscay Greetings Pty Ltd			
Transaction costs[(a)]	**76**	—	—
Acquisition of Lang Companies Inc.			
Transaction and restructuring costs[(b)]	**–**	504	722
Gain on bargain purchase[(c)]	**–**	(1,067)	(1,271)
Restructuring of American operations[(d)]	**12**	—	1,586
Total before tax	**88**	(563)	1,037
Income tax credit	**(4)**	(26)	(761)
	84	(589)	276

(a) Transaction costs relating to the acquisition of the Biscay business.
(b) Transaction and restructuring costs relating to the acquisition of the Lang business.
(c) Gain on the bargain purchase on the acquisition of the Lang business (see note 7 for further details).
(d) Restructuring of American printing platform.

4 Cash, loans and borrowings

Net debt

	Six months ended 30 Sep 2017 £000	Six months ended 30 Sep 2016 £000	Twelve months ended 31 Mar 2017 £000
Cash and cash equivalents	**2,282**	5,381	3,659
Bank overdrafts	**(6,409)**	(4,576)	(916)
Cash and cash equivalents per cash flow statement	**(4,127)**	805	2,743
Bank loans and borrowings	**(66,265)**	(75,402)	—
Loan arrangement fees	**249**	406	271
Finance leases	**(30)**	(2,200)	(45)
Net debt as used in the executive summary	**(70,173)**	(76,391)	2,969

Split between current and non-current

	Six months ended 30 Sep 2017 £000	Six months ended 30 Sep 2016 £000	Twelve months ended 31 Mar 2017 £000
Non-current liabilities			
Loan arrangement fees	**39**	254	39
	39	254	39
Current liabilities			
Asset backed loan	**(36,374)**	(51,043)	—
Revolving credit facilities	**(29,891)**	(24,359)	—
Bank loans and borrowings	**(66,265)**	(75,402)	—
Loan arrangement fees	**210**	152	232
	(66,055)	(75,250)	232

Finance leases of £30,000 (2016: £2,200,000) are included within other financial liabilities and are split £1,000 (2016: £1,703,000) non-current and £29,000 (2016: £497,000) current.

Loan arrangement fees represent the unamortised costs in arranging the three-year Group facilities which commenced in June 2016 and the unamortised costs relating to a one-year extension.

Notes to the interim financial statements continued

5 Taxation

	Six months ended 30 Sep 2017 £000	Six months ended 30 Sep 2016 £000	Twelve months ended 31 Mar 2017 £000
Current tax expenses			
Current income tax charge	**2,082**	1,376	3,132
Deferred tax expense			
Relating to original and reversal of temporary differences	**651**	390	(413)
Total tax in income statement	**2,733**	1,766	2,719

Taxation for the six months to 30 September 2017 is based on the effective rate of taxation, which is estimated to apply in each country for the year ended 31 March 2018.

6 Earnings per share

	Six months ended 30 Sep 2017		Six months ended 30 Sep 2016		Twelve months ended 31 Mar 2017	
	Diluted pence	**Basic pence**	Diluted pence	Basic pence	Diluted pence	Basic pence
Underlying earnings per share excluding exceptional items and LTIP charges	**10.9**	**11.3**	9.6	9.8	18.2	19.0
Cost per share on LTIP charge	**(1.0)**	**(1.1)**	(1.1)	(1.1)	(2.8)	(2.9)
Underlying earnings per share excluding exceptional items	**9.9**	**10.2**	8.5	8.7	15.4	16.1
Earnings per share on exceptional items	**–**	**–**	1.0	1.0	(0.4)	(0.4)
Earnings per share	**9.9**	**10.2**	9.5	9.7	15.0	15.7

The basic earnings per share is based on the profit attributable to equity holders of the Parent Company of £6,432,000 (2016: £5,865,000) and the weighted average number of ordinary shares in issue of 62,868,000 (2016: 60,442,000) calculated as follows:

In thousands of shares	**As at 30 Sep 2017**	As at 30 Sep 2016	As at 31 Mar 2017
Issued ordinary shares at 1 April	**62,642**	59,257	59,257
Shares issued in respect of exercising of share options	**226**	136	260
Shares issued in respect of share placing	**–**	1,049	2,022
Weighted average number of shares at end of the period	**62,868**	60,442	61,539

Total number of executive share options, over 5p ordinary shares, in issue at 30 September 2017 was 710,000 (2016: 710,000).

Total number of Long Term Incentive Plan ("LTIP") options, over 5p ordinary shares, in issue at 30 September 2017 was 1,213,013 (2016: 500,000).

Underlying basic earnings per share excludes exceptional items and LTIP charges of £924,000 (2016: £307,000) and tax relief attributable to those items of £196,000 (2016: £209,000) to give underlying profits of £7,160,000 (2016: 5,963,000).

7 Acquisitions of businesses

Biscay Greetings Pty Limited

On 21 September 2017, IG Design Group plc announced that it had signed a contract to acquire the trade and certain assets of Biscay Greetings Pty Limited, a leading greetings card and paper products business based in Australia. Completion will take place in January 2018.

The acquisition, to be made through Design Group's Australian joint venture Artwrap, will be satisfied by a cash consideration of AUD9.0 million (£5.5 million) using local debt facilities. Stock and fixed assets acquired are estimated at a market value of AUD5.0 million (£3.1 million) with the balance of the consideration to be treated as intangible assets and goodwill. The consideration represents 2.7x EBITDA for the year ended 30 June 2017 although an injection of working capital of up to AUD3.0 million (£1.8 million) will also be required.

Biscay provides greetings cards and related products to an extensive base of almost 2,000 customers through regional, wholesale, and independent retail channels across Australia and New Zealand.

The Lang Companies Inc.

On 11 July 2016, the Group acquired all of the shares capital of The 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 31 March 2017, Lang contributed net profit of £528,000 to the consolidated Group net profit for the year ended 31 March 2017. If the acquisition had occurred on 1 April 2016, Group revenue would have been £316,160,000 and net profit would have been £9,224,000. 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:

	Recognised fair values on acquisition £000
Property, plant and equipment	**292**
Intangible assets	**1,230**
Inventories	**2,967**
Trade and other receivables	**6,005**
Trade and other payables	**(5,742)**
Deferred tax liabilities	**(812)**
Net identifiable assets and liabilities	**3,940**
Total cash consideration paid	**2,669**
Gain on bargain purchase recognised immediately in the income statement	**1,271**

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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Visit us online at
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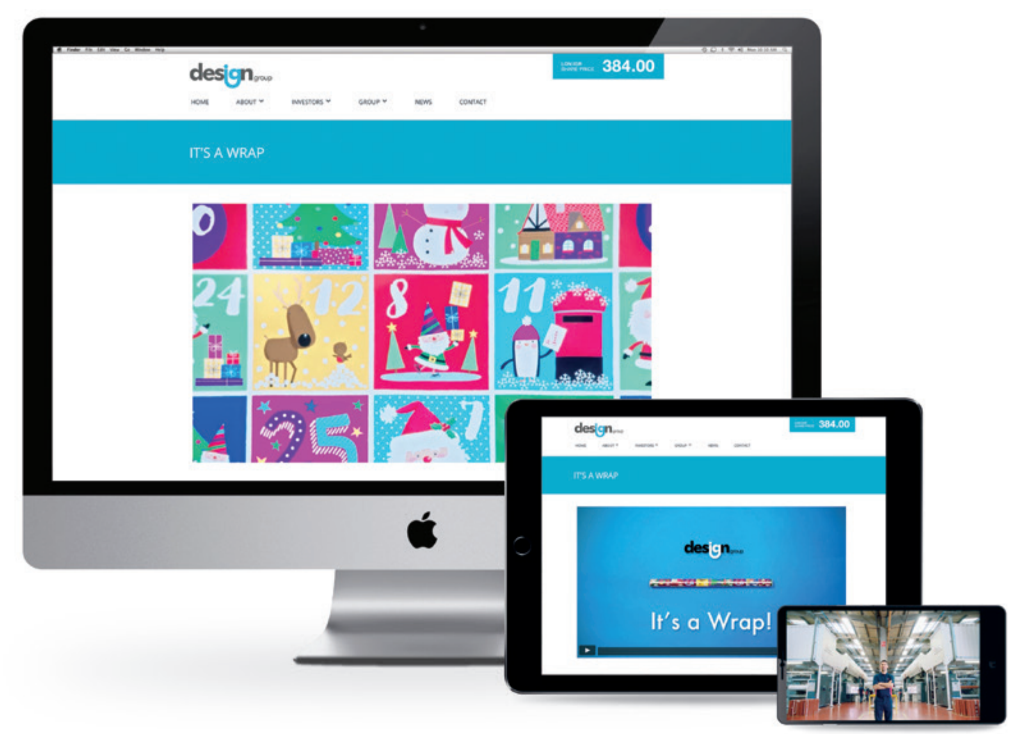

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