EMBARGOED UNTIL 30th November at 7.00am

IG Design Group PLC

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

Results for the six months ended 30 September 2022

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of Gift Packaging, Celebrations, Craft & Creative Play, Stationery, Gifting and related product categories announces its results for the six months ended 30 September 2022.

Highlights for the six months ended 30 September 2022

Financial Highlights	HY2023	HY2022[b]
Revenue	**$521.2m**	**$483.9m**
Adjusted[a]		
- Operating profit	**$30.5m**	**$22.6m**
- Profit before tax	**$27.4m**	**$20.3m**
- Diluted earnings per share	**19.6c**	**14.2c**
Reported		
- Operating profit	**$35.1m**	**$21.4m**
- Profit before tax	**$32.0m**	**$18.9m**
- Diluted earnings per share	**23.1c**	**12.3c**
Net debt as at the period end	**$73.7m**	**$58.8m**
Half year dividend	**0.0c**	**1.7c**

[a] *Adjusted results exclude the impact of adjusting items – for further detail see alternative performance measures reconciliation within the detailed financial review*

[b] *All prior year adjusted results have been represented to exclude share-based payment credits/charges from adjusting items*

- Group revenue increased 8% to $521.2 million, with both of the Group's divisions, DG Americas and DG International, performing ahead of last year reflecting an acceleration of orders as customers seek to de-risk supply chains as well as catch-up pricing.
- Improved profits and margin recovery across both of the Group's divisions, with Group adjusted operating profit up 35%, and margin up 120 bps to 5.9%, reflecting cost-savings achieved.
- The Group has operated well within its banking covenants, with working capital requirements tightly managed and net debt lower than expected throughout the period.
- The Group appointed Paul Bal as Chief Executive Officer effective from 1 April 2023.
- Good progress with the DG Americas turnaround and recruiting a new DG Americas CEO.
- In line with the Board's previous guidance, no dividend is being declared.

Outlook

- A strong orderbook for FY2023, which at the end of October 2022 was at 93% of budgeted revenues (end October 2021: 91%), indicating customer relationships have been sustained and there is strong ongoing demand for the Group's products.
- The cost environment remains challenging, but where possible cost inflation is being mitigated, resulting in an operating margin improvement expected in FY2023.
- Improved working capital and cash performance is expected to mitigate the impact of higher interest base rates.
- The Group aims to complete a full refinancing in the second half of FY2023, and work on this has started.

- The Group saw an acceleration of customer orders related to Christmas trade, during the first half of the financial year, leading the Board to conclude that there will be a strong first half weighting to the financial results for the full year to 31 March 2023.
- The Group has also seen stronger trading in certain Everyday categories than previously had been anticipated. Due to this, the Board believes that the financial results for the full year to 31 March 2023 will be ahead of expectations, delivering a small full year adjusted profit before tax. As previously communicated the Board remains cautious on its outlook due to uncertainties relating to the current macroeconomic environment.
- With the senior team being reassembled and a turnaround commenced, the Board will shortly initiate the development of a growth-focused strategy.
- Risk around deteriorating consumer sentiment in some markets causes the Board to remain cautious as to the outlook beyond FY2023.

Stewart Gilliland, Interim Executive Chair, commented:

"Our strong performance during this period has undoubtedly benefitted from customers seeking to avoid last year's supply chain issues by ordering earlier, but also from recognising our high level of service and commitment to them. Pleasingly, the restructuring and simplification of the DG Americas business is progressing well. The turnaround of the Group has commenced and is expected to now gather momentum following the recently announced senior leadership appointments. Looking forward, the development of a growth-focused strategy alongside the establishment of a more resilient business model will benefit shareholders.

While the challenging external backdrop and the uncertain impact of sustained cost inflation on consumer sentiment in some markets does temper our optimism notwithstanding the strong start to this year, the Group has once again proved that it has extremely strong relationships with its customers and there is ongoing demand for our products."

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OVERVIEW

The Group has had a strong start in FY2023, contrasting with the challenges faced through much of FY2022. Revenue increased across both the DG Americas and DG International divisions. Wishing to de-risk their supply chains and ensure product availability, many of our customers accelerated their seasonal ordering. Through our 'catch-up' pricing they also recognised our consistent, high service-levels in the face of significant inflation and supply chain uncertainties. As a consequence of this, as well as product redevelopments, we have delivered increased **revenue** of 8% over the equivalent period last year. The Group's **adjusted operating margin** recovered from 4.7% to 5.9% year-on-year. It is further pleasing to deliver Group results that are now ahead of HY2020 and before the disruption of the Covid-19 pandemic. Furthermore, good progress has been made in the turnaround of the DG Americas division.

Currency exchange rates have not been favourable during this period, especially with the strength of the US dollar versus most other currencies. This has impacted reported sales levels and profitability versus underlying results.

Since the summer of 2021, the Group has experienced significant cost increases, particularly in relation to freight, raw materials and labour. Freight presented the most significant challenge across the Group with the scarce availability of sea containers significantly increasing the freight rates paid. Freight rates in FY2023 so far, though stabilising, have remained higher than the prior period on a number of our key shipping routes. Raw material costs have increased significantly during this year, especially where higher energy costs are a factor. The average prices paid for paper, the Group's major category of material purchases, increased around 50% compared to the prior period.

On 1 June 2022, the Company signed an amendment to the existing banking facilities to extend the agreement to March 2024 and replace the existing covenants with two new covenants which run to March 2023, and as a result the Directors believe the Group has sufficient facilities to support the working capital requirements of the business through the current financial year. During the current period, the Group has operated comfortably within the covenants, with overall working capital levels managed to well below expected levels notwithstanding the accelerated trading. Consequently, net debt was below expectation throughout the period. As previously announced, the Group aims to complete a full refinancing in the second half of FY2023, and work on this has started.

BOARD CHANGES

On 3 November 2022, the Board announced the appointment of Paul Bal as CEO Designate, ahead of his appointment as CEO with effect from 1 April 2023. This followed an extensive search and selection process involving both external and internal candidates. From that date Stewart Gilliland will revert to the role of Non-Executive Chair. The search for a replacement Chief Financial Officer is underway. Lance Burn has agreed to remain in role as Interim Chief Operating Officer through to 31 October 2023 to continue to lead the transformation of the DG Americas business and assist Group transition.

INCENTIVE SCHEME

A new Long-Term Incentive Plan ("2022-2025 LTIP") was granted on 11 August 2022, following the cancellation of grants made under the Long-Term Incentive Value Creation Scheme (the "VCS") on 28 June 2022. The 2022-2025 LTIP is subject to certain performance criteria being achieved during a three year period: relative Total Shareholder Return ("TSR") versus FTSE SmallCap (excluding Investment Trusts) constituents; and EPS growth, with an 'underpin' condition to reduce vesting levels if unwarranted 'windfall gains' from share price movements arise. The Remuneration Committee believe the 2022-2025 LTIP is a more appropriate incentive scheme and aligns to the interests of employees and shareholders.

OUTLOOK

Looking ahead, a high inflationary environment is expected to continue, with the challenge transferring from freight and labour to energy and raw materials. This is expected to translate into depressed consumer sentiment in our main markets to varying degrees, meaning continued uncertainty. However, the Board are encouraged by the ongoing strength of the Group's customer relationships with the resultant 'catch-up' pricing and accelerated ordering, with a strong orderbook at over 93% at the end of October 2022, compared to 91% at October 2021. The Group's core strategic pillar of 'working with the winners' continues to resonate as working with the winning retailers of now and the future is key to driving revenue growth and delivering profits. Full year operating margins are expected to improve year-on-year across the Group. These margins are not expected to be as impacted by higher finance charges as initially thought, despite increased borrowing rates, as working capital and average net debt are now expected to remain below previous expectations. Average net debt across the Group is expected to be below $40 million for FY2023, which although better than originally indicated, is higher than the prior year average net debt of $17.2 million, reflecting a lower opening net cash position at the start of the year.

Consequently, the Board expects greater profit improvement in FY2023, mainly reflecting progress being made in DG Americas and stronger trading in certain Everyday categories, now expecting to deliver a small **adjusted profit before tax** versus a loss last year. The Board aspires to return to paying dividends but based on the current outlook for the Group, the Board still does not expect to be in a position to pay a dividend in relation to FY2023. Risk around deteriorating consumer sentiment in some markets causes the Board to remain cautious as to the outlook beyond FY2023.

The Board's short-term focus remains on building a strong senior management team, repairing margins lost last year, reducing working capital levels, securing longer-term financing, and simplifying the business, particularly in DG Americas. Following the appointment of a CEO, the Board will now also initiate the development of a growth-focused strategy with the objective to explore opportunities to grow the business in a sustainable manner.

SUMMARY HY2023 FINANCIAL RESULTS

Revenue increased by 8% to $521.2 million (HY2022: $483.9 million) mainly driven by customers bringing seasonal orders forward compared to last year to mitigate against supply chain risk experienced in the second half of last year. During the period, the Group has also benefitted from redeveloping product ranges and negotiated price increases with our customers reflecting the significant increase in freight and raw material costs. The Group's responses to effectively counter the cost headwinds through sales price increases, in addition to the restructuring of DG Americas, has resulted in an increased **adjusted operating margin** of 5.9% (HY2022: 4.7%). **Adjusted profit before tax** of $27.4 million is up on the prior half year profit of $20.3 million resulting in an **adjusted diluted earnings per share** of 19.6 cents (HY2022: 14.2 cents) reflecting the strong first six months of trading. Foreign exchange, particularly the weakening pound versus the strengthening dollar, is having a significant impact on Group performance versus prior year. At constant currency, revenue would have increased by 12% ($54.8 million) compared to the 8% ($37.3 million) increase. Similarly, adjusted operating profit would have increased by 44% ($9.3 million) compared to 35% ($7.9 million).

The Group ended the half year with a net debt balance of $73.7 million (HY2022: $58.8 million), $14.9 million higher than prior year. The opening net cash position was $46.3 million lower than prior year and the improvement in cash flow during the period is reflective of a lower working capital requirement at half year, net proceeds of $6.7 million from the sale of the property in Manhattan, Kansas, offset in part by the purchase of the remaining 49% share of Anker Play Products, LLC ("APP").

Adjusting items in the first half of the year are a net credit of $4.6 million (HY2022: net charge $1.4 million) which includes insurance income received of $1.5 million from the settlement of the Impact Innovations, Inc ('Impact') Representations and Warranties insurance claim due to accounting and tax issues present at acquisition. As part of the ongoing DG Americas integration and restructuring, $4.6 million of profit on the sale of the property in Manhattan, Kansas has also been recognised as an adjusting item. Alongside these credits, there are also additional integration costs relating to the restructure of the DG Americas business, as well as amortisation of acquired intangibles.

The Group ended the half year with a **profit before tax** of $32.0 million (HY2022: $18.9 million), an improvement of $13.1 million. Consequently, **diluted earnings per share** is 23.1 cents (HY2022: 12.3 cents).

Given we are in the early stages of a turnaround, and the uncertain wider economic backdrop, the Board are not recommending an interim dividend (HY2022: 1.7 cents).

OUR STRATEGY

The experiences of the prior year highlighted aspects of our business model that need to be addressed and strengthened. Our immediate priorities are building a strong senior management team, repairing margins lost last year, reducing working capital levels, securing longer-term financing, and simplifying the business, particularly in DG Americas.

As we are making good progress with the senior appointments, the Board will shortly initiate the development of a growth-focused strategy. Whilst the current focus has been on ensuring the Group emerges more resilient to the types of challenges encountered in FY2022, some of the impacts of which persist into FY2023, the objective of that exercise is to look beyond this and will explore opportunities to grow the business in a sustainable manner.

SUSTAINABILITY

Progressing our environmental, social and governance (ESG) journey remains a priority. Not only do we have ambition to drive positive change and act sustainably, we also feel it is a driver of competitive advantage. As a market leader in our industry, we aim to leverage our design and innovation skills to create and manufacture sustainable products and packaging.

We continue to develop and explore new solutions, evidenced by investment in technology to enable the manufacture of shrink-free gift wrap in two of our key markets. Shrink-free gift wrap eliminates the use of plastic from the product and packaging, which reduces the volume of waste sent to landfills, aiming to reduce the pollution of our ecosystems. The manufacture of recyclable gift bag ranges is another sustainable solution, with increasing support from our customers. The local manufacture of giftwrap and bags supports local economies and helps to reduce our carbon footprint. The development of these sustainable product offerings is facilitated by investment in both capital equipment and our people.

We recognise our employees are key to the success of the Group and value both the talent and commitment of our teams, and so strive for an environment where our employees feel supported. Whilst the macroeconomic environment is challenging for the Group, we recognise that it is also challenging for our employees, we are therefore monitoring, and responding where appropriate to the impact of the cost-of-living crisis on our employees across the Group.

Our partnership with our customers also plays a significant role in progressing our ESG agenda. We aim to promote our sustainability principles to all our customers and pride ourselves on working with the winning retailers of now and the future. Many of our customers are already calling for sustainable solutions and recognise our achievements as a Group in providing these. Walmart have awarded us Giga-Guru status this year in their supply chain carbon reduction strategy project, Project Gigaton 2021.

Our sustainability framework, ‘helping design a better future’, launched in FY2021, is helping the Group to monitor, improve and demonstrate our performance as we continue to drive forward our approach to ESG.

REGIONAL HIGHLIGHTS

Overall, **revenue** and **adjusted operating profit** have increased across Group segments as the first half results benefit from earlier shipments and the Group mitigates margin risk seen as a result of significant cost headwinds.

			Segmental revenue			Adjusted operating profit			Adjusted operating margin	
% Group revenue			HY2023	HY2022	% growth	HY2023	HY2022	% growth	HY2023	HY2022
									%	%
71%	DG Americas	$m	**373.4**	347.5	7%	**15.2**	12.9	18%	**4.1%**	3.7%
29%	DG International	$m	**149.4**	136.9	9%	**18.4**	11.7	58%	**12.3%**	8.5%
	Elims / Central costs	$m	**(1.6)**	(0.5)		**(3.1)**	(2.0)			
100%	Total	$m	521.2	483.9	8%	30.5	22.6	35%	5.9%	4.7%

Design Group Americas

The DG Americas business represents over 70% of **revenue** and increased 7% year-on-year to $373.4 million (HY2022: $347.5 million), driven by the acceleration of seasonal sales which are 12% ahead of prior year. It is particularly décor sales, as well as greeting cards and the 'trim a package' ranges, all within our Celebrations product category, which are ahead with customers aiming to ensure product availability ahead of Christmas. Craft and creative play sales are also recovering. DG Americas delivered an **adjusted operating profit** of $15.2 million, a strong rise compared to the previous period of $12.9 million. This reflects the better pricing achieved to mitigate the significant cost headwinds in freight, labour and raw materials experienced, as well as the cost mitigating actions taken as part of the business restructuring.

The DG Americas leadership team have been focused on the restructuring and simplification of the DG Americas business. This is progressing well, with a variety of initiatives beginning to deliver improved margins and cash from cost-cutting initiatives as the business is simplified, integrated and consolidated. Examples include more efficient supply scheduling and sourcing, as well as headcount optimisation. The journey to becoming more commercially driven around core product categories continues, and will help to drive the business forward in pursuit of our strategy. As a notable example, consolidation of our pattern-printing facilities led to the closure of the Manhattan, Kansas site. The fully owned site was sold in April 2022 for net proceeds of $6.7 million, delivering a profit on disposal of $4.6 million, which is included within adjusting items. The selection process for recruiting the DG Americas CEO is also well advanced.

DG Americas' commitment to design and innovation has resulted in the award this year of Giga-Guru status in 'Project Gigaton 2021', demonstrating we have been a key supplier and contributor to the Walmart supply chain carbon reduction strategy. Once again, this is testament to our strong working relationships with our valued customers.

On 23 May 2022, the Group purchased the remaining 49% interest in APP, effective 1 April 2022, bringing its total ownership to 100%. This was completed pursuant to the exercise of a put option by Maxwell Summers, Inc., the holder of the remaining 49% interest, which the Group was legally obliged to purchase under the APP Limited Liability Company agreement dated 30 March 2017. APP develops and sources crafts, toys and games for the US retail market. The transaction, made through DG Americas, was satisfied with a cash payment of $3.0 million. The consideration was satisfied from existing Group banking facilities.

Design Group International

The DG International business saw an increase in **revenue** in HY2023 across all key markets. Strong revenue growth was experienced across the European markets we serve, as well as in the UK and Australia as we reflect the success of our customers through our "working with the winners" approach. Overall **revenue** is up 9% on the prior period at $149.4 million (HY2022: $136.9 million) and up 16% on HY2020 pre-Covid-19 sales. **Adjusted operating profit** at $18.4 million (HY2022: $11.7 million) is up $6.7 million, as a result of accelerated customer orders of higher margin seasonal products, the re-development of some of our product offers, and a pricing 'catch-up' to mitigate the inflationary cost headwinds. Seasonal products which have been particularly affected by this acceleration are: giftwrap, which makes up over 40%

of revenue, and crackers (8%), which combined have grown 21% year-on-year, and are both in the celebrations product category.

The design, production and roll-out of sustainable products remains a key focus for DG International. Following investment over recent years in updated machinery and technology in the UK and Europe, we are improving our sustainable product offering. The success of shrink-free gift wrap is growing in both the UK and Europe which has minimal packaging and eliminates plastic from the process, resulting in less waste and pollution. The UK business is also manufacturing ranges of recyclable gift bags as another sustainable solution, with the number of units sold up 40% year-on-year reflecting an increasing number of customers supporting the sustainable ranges. The growth in these ranges not only shows innovation, but also demonstrates our ability to work with our key customers to create successful ranges. This year Costco has recognised DG UK for our success in reducing the packaging of the Christmas gift wrap ranges, showing our commitment to sustainability.

OUR PRODUCTS AND CHANNELS

The Group has a diverse, yet complimentary, product portfolio which underpins our 'working with the winners' strategy.

Revenue by product category	HY2023		HY2022	
Celebrations	**64%**	$333.4m	64%	$311.6m
Craft & creative play	**15%**	$80.0m	15%	$73.2m
Stationery	**6%**	$28.9m	5%	$24.4m
Gifting	**9%**	$45.4m	9%	$42.3m
'Not-for-resale' consumables	**6%**	$33.5m	7%	$32.4m
Total		**$521.2m**		**$483.9m**

The increased Group revenue is spread across all product categories demonstrating the strong relationships that have been sustained with customers and our success in aiming to be our retail partners' supplier of choice. Celebrations are a core product category for the Group, of which giftwrap represents a third. Most of our giftwrap is manufactured locally across a number of our businesses in the USA, UK and Netherlands, which supports local economies and helps to reduce our carbon footprint.

Revenue by season	HY2023		HY2022	
Christmas	**50%**	$258.8m	46%	$222.1m
Minor seasons	**5%**	$26.6m	4%	$21.7m
Everyday	**45%**	$235.8m	50%	$240.1m
Total		**$521.2m**		**$483.9m**

Our revenue by season at this point in the year is skewed towards Christmas sales and this year this is exacerbated by our customers accelerating their seasonal orders to mitigate against supply chain risks.

Revenue by customer channel	HY2023		HY2022	
Value and mass-market	**71%**	$369.3m	62%	$299.8m
Specialist	**12%**	$60.8m	10%	$47.6m
Independents	**16%**	$84.2m	27%	$129.8m
Online	**1%**	$6.9m	1%	$6.7m
Total		**$521.2m**		**$483.9m**

The Group's strategy is underpinned by 'working with the winners'; a key channel for the Group is value and mass-market, which includes some of the world's biggest retailers such as Walmart, Costco and Target. This positions us well for any potential downturn in consumer sentiment. A lot of our products carry a low price point which will help to sustain consumer demand for them, thereby protecting our revenues from the worst of the current cost-of-living crisis.

DETAILED FINANCIAL REVIEW

The Group's financial results for the first six months of the year are summarised below. As detailed in the FY2022 results, the Group results now include the credit/charge associated with share-based payments within both the adjusted and reported results, as they are no longer treated as an adjusting Item. The prior year adjusted results have therefore been represented to include the impact of this change in accounting presentation.

	HY2023			HY2022		
	Reported $m	Adjusting Items $m	Adjusted $m	Reported $m	Adjusting Items $m	Adjusted $m
Revenue	**521.2**	-	**521.2**	**483.9**	-	**483.9**
Gross profit	86.6	-	86.6	78.6	(0.1)	78.5
Overheads	(51.5)	(4.6)	(56.1)	(57.2)	1.3	(55.9)
Operating profit	35.1	(4.6)	30.5	21.4	1.2	22.6
Finance charge	(3.1)	-	(3.1)	(2.5)	0.2	(2.3)
Profit before tax	32.0	(4.6)	27.4	18.9	1.4	20.3
Tax	(8.5)	1.2	(7.3)	(5.2)	0.4	(4.8)
Profit after tax	**23.5**	**(3.4)**	**20.1**	**13.7**	**1.8**	**15.5**

Revenue for the period increased by 8% to $521.2 million (HY2022: $483.9 million) driven by customers bringing forward their seasonal ordering to avoid the supply chain challenges experienced from the second half of calendar year 2021. The Group has also negotiated price increases with customers to adjust for the increase in supply chain cost headwinds experienced in the last twelve months. Foreign exchange, notably the weakening pound versus the strengthening dollar, is also having a significant impact on the results in the year. The constant currency Group revenues increased 12% year-on-year. **Adjusted operating profit** has improved year-on-year to $30.5 million (HY2022: $22.6 million) reflecting the strong trading in the period. **Adjusted gross margin** at 16.6% (HY2022: 16.2%) is marginally improved on prior year partly due to the price increases negotiated with customers to mitigate where possible against the unprecedented cost headwinds. **Adjusted overheads** as a percentage of revenue reduced to 10.8% (HY2022: 11.5%) reflecting the ongoing efforts to manage costs across the Group. **Adjusted operating profit** growth at constant currency is 44%, implying a $1.5 million foreign exchange drag compared to prior year.

Overall, the Group finished the half year with **adjusted profit before tax** of $27.4 million (HY2022: $20.3 million), and a reported **profit before tax** of $32.0 million (HY2022: $18.9 million). **Profit before tax** is higher than the **adjusted profit before tax**, reflecting the adjusting items net credit. Further details of the adjusting items are detailed below. **Profit after tax** is $23.5 million (HY2022: $13.7 million) for the six months to 30 September 2022.

Finance expenses

Finance costs in the year of $3.1 million are higher than prior year driven by rising interest rates, as well as higher net debt levels. The IFRS 16 related lease liability interest charge of $1.5 million (HY2022: $1.6 million) is marginally lower than prior year. In the prior year there was an additional $0.2 million of lease liability interest recognised within adjusting items relating to impaired, exited leases as part of the DG Americas restructuring and integration projects. This has not been treated as an adjusting item in the current year given the immaterial and recurring nature of these ongoing costs.

Adjusting items

Adjusting items are material items of an unusual or non-recurring nature which represent gains or losses which are separately presented by virtue of their nature, size and/or incidence. The Group's adjusting items in the period to 30 September 2022 total a net credit of $4.6 million compared to a net charge of $1.4 million in the prior year. Details of these items can be seen below. The treatment of share-based payment credits/charges was changed in the FY2022 results, such that they no longer form part of adjusting items, with the comparatives represented.

	HY2023	HY2022
(Gains)/losses and transaction costs relating to acquisitions and disposals of businesses	($1.5m)	$3.6m
Acquisition integration and restructuring (income)/costs	($4.4m)	($2.0m)
IT security incident	($0.1m)	($0.7m)
Amortisation of acquired intangibles	$1.4m	$1.4m
Impairment of assets	—	($0.9m)
Total	**($4.6m)**	**$1.4m**

(Gains)/losses and transaction costs relating to acquisitions and disposals of businesses – credit $1.5 million (HY2022: $3.6 million cost)

In the six months ended 30 September 2022, $1.5 million of insurance income was received relating to the Impact Representations and Warranties insurance settlement in connection with accounting and tax issues present at acquisition.

Acquisition integration and restructuring (income)/costs – credit $4.4 million (HY2022: credit $2.0 million)

In order to realise synergies from acquisitions, integration projects are undertaken that aim to deliver future savings and efficiencies for the Group. These are projects outside of the normal operations of the business and typically incur one-time costs to ensure successful implementation. As such it is appropriate that costs associated with projects of this nature be included as adjusting items.

The adjusting items in the half year relate to the integration of CSS Industries, Inc ('CSS') into the enlarged DG Americas business. As part of this integration, a number of properties have been exited or sold. In April 2022, the Manhattan, Kansas property was sold for proceeds of $6.7 million resulting in a profit on disposal of $4.6 million recognised as an adjusting item. An additional $0.2 million of costs have been incurred in relation to the relocation and closure of Manhattan, Kansas and consolidation of other sites.

IT security incident (income)/costs – credit $0.1 million (HY2022: credit $0.7 million)

Following the IT security incident which occurred in DG Americas in October/November 2020, further insurance income of $0.1 million was received in the half year.

Amortisation of acquired intangibles – $1.4 million (HY2022: $1.4 million)

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 which are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over their useful economic lives. These are not considered operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. These include tradenames and brands acquired as part of the acquisitions of Impact and CSS. As such these are included in adjusting items.

Taxation

The taxation charge for the half year on **profit before tax** is $8.5 million (HY2022: $5.2 million) with the effective tax rate at 26.3% (HY2022: 27.5%). The taxation charge on **adjusted profit before tax** is $7.3 million (HY2022: $4.8 million) with the effective tax rate at 26.5% (HY2022: 23.5%).

There is a higher effective tax rate in each jurisdiction than the relevant statutory rate due to permanently disallowable items. The effective tax rate in the UK is 0% as deferred tax is not recognised.

Earnings per share

Adjusted diluted earnings per share of 19.6 cents (HY2022: 14.2 cents) is 38% higher year-on-year driven by the increased profits. **Diluted earnings per share** is 23.1 cents (HY2022: 12.3 cents) which is higher than adjusted diluted earnings per share reflecting the adjusting items credit in the period. The reconciliation between **reported** and **adjusted diluted earnings per share** is shown below:

Earnings per share	HY2023	HY2022
Earnings attributable to equity holders of the Company	$22.8m	$12.1m
Adjustments		
Adjusting items (net of non-controlling interest effect)	($4.6m)	$1.4m
Tax charge on adjustments (net of non-controlling interest effect)	$1.1m	$0.4m
Adjusted earnings	**$19.3m**	**$13.9m**
Weighted average number of shares		
Basic weighted average number of shares outstanding	98.3m	98.1m
Dilutive effect of employee share option plans	—	0.1m
Diluted weighted average ordinary shares	**98.3m**	**98.2m**
Earnings per share		
Basic earnings per share	23.1c	12.3c
Adjustment	(3.5c)	1.9c
Basic adjusted earnings per share	19.6c	14.2c
Diluted earnings per share	**23.1c**	**12.3c**
Adjusted diluted earnings per share	**19.6c**	**14.2c**

Dividend

The Board are not recommending an interim dividend.

Cash flow and net debt

The Group ended the half year with a net debt balance of $73.7 million (HY2022: $58.8 million). Net debt is $14.9 million higher than prior year, despite a lower opening net cash position of $30.2 million (HY2022: $76.5 million). This improvement in cash flow during the period is reflective of a lower working capital requirement at half year, net proceeds of $6.7 million from the sale of the property in Manhattan, Kansas, offset partially by the purchase of the remaining 49% share of subsidiary APP. **Adjusted cash utilised by operations** is $23.4 million favourable compared to prior year due to a combination of a higher adjusted EBITDA and working capital requirements.

	HY2023	HY2022
Adjusted EBITDA	$46.8m	$40.2m
Add back for share-based payment charge/(credit)	$0.3m	($0.4m)
Movements in working capital	($136.3m)	($152.4m)
Adjusted cash utilised by operations	**($89.2m)**	**($112.6m)**
Adjusting items	$7.2m	($4.4m)
Cash utilised by operations	**($82.0m)**	**($117.0m)**
Capital expenditure (net of disposals of property, plant and equipment)	($3.2m)	($3.1m)
Acquisition of non-controlling interest	($3.0m)	—
Tax paid	($3.1m)	($3.5m)
Interest paid (including adjusting items)	($2.3m)	($1.8m)
Lease liabilities principal repayments	($10.8m)	($8.4m)

Dividends paid (including those paid to non-controlling interests)	($2.6m)	($2.7m)
Purchase of own shares	($0.9m)	—
FX and other	$4.0m	$1.2m
Movement in net debt	**($103.9m)**	**($135.3m)**
Opening net cash	$30.2m	$76.5m
Closing net debt	**($73.7m)**	**($58.8m)**

Working capital

Working capital levels of the Group increase steadily in the first half of the year as manufacturing of seasonal product builds ahead of distribution. The second half of the year then sees the borrowing of the Group decline and typically move to a net cash position as Christmas debtors are collected. The working capital outflow in the period was $136.3 million (HY2022: $152.4 million) reflecting the settlement of the accelerated seasonal orders by customers.

Adjusting items

During the period there was a $7.2 million net cash inflow (HY2022: $4.4 million outflow) in relation to adjusting items, of which $0.9 million outflow related to costs incurred in previous years. Further detail on adjusting items can be seen above.

Capital expenditure

Capital expenditure in the year remained in line with the prior year at $3.2 million (HY2022: $3.1 million), with no significant capital projects.

Acquisition of non-controlling interest

The Group purchased the remaining 49% share of APP, following the exercise of a put option by the holder of the 49% interest. The transaction was settled with a $3.0 million cash payment.

Purchase of own shares

In the year there was an outflow of $0.9 million due to the trustee of the IG Design Group Plc Employee Benefit Trust (the "EBT") purchasing 1 million ordinary shares in the Company. These ordinary shares are to be held in the EBT and are intended to be used to satisfy the exercise of share options by employees. The purchase of ordinary shares by the EBT has been funded by a loan provided by the Company from its existing financing facilities.

Foreign exchange exposure management

Our foreign exchange (‘FX’) exposure is split into two areas:

Translational FX exposure – This exposure is the result of the requirement for the Group to report its results in one currency. This necessitates the translation of our regional business units’ local currency financial results into the Group’s adopted reported currency. The Group’s reporting currency is US dollars in light of the fact that a significant proportion of the Group’s revenues and profits are in US dollars. There remains a smaller part of the Group whose functional currency is something other than US dollars. The constant currency results recalculate the prior year based on the exchange rates of the current period to enhance the comparability of information between reporting periods. The **revenue** increase would have been $17.6 million higher than prior year if a consistent currency was applied and the increase in **adjusted profit before tax** would have been $1.4 million higher.

Transactional FX exposure – This FX exposure is managed carefully by the Group as it can result in additional cash outflows if not managed appropriately. In response to this risk the Group adopts an active hedging policy to ensure foreign exchange movements remain mitigated as far as possible. In addition, a reasonable proportion of this hedging is achieved through natural hedges whereby our purchases and sales in US dollars are offset. The balance of our hedging is achieved through forward exchange contracts and similar derivatives.

Financial position and going concern basis

The Group's net assets at 30 September 2022 were $371.5 million which is $29.0 million lower than last year (HY2022: $400.5 million) in large part due to foreign exchange revaluations as well as the distribution of dividends to shareholders in the second half of FY2022.

As at the 30 September 2022 balance sheet date, the Directors have assessed going concern in preparation of these financial statements and the outlook for FY2023 and beyond. The Group has adequate liquidity at the half year with a net debt position of $73.7 million ($14.3 million of cash and $88.9 million of bank overdraft reduced by $0.9 million of loan arrangement fees).

Going concern forecasts have been produced using the Group's FY2023 and FY2024 forecasts and plans. These forecasts have been produced and reviewed in detail by the Board and take into account the seasonal working capital cycle of the business. They have been sensitised to reflect severe but plausible downturns in the current assumptions as well as separately considering the impact of any consumer spending squeeze, beyond those risks already factored into the forecasts and plans. The base forecasts and additional sensitivity analysis have been tested against the amended banking covenants to March 2023, as well as beyond this time when the covenants revert to the original covenants. The analysis demonstrates that the Group has sufficient facilities in place to meet its obligations as they fall due for a forecast period of more than twelve months beyond the date of signing these accounts and will also be compliant with all covenants within this time frame and beyond. The Group's current financing arrangements expire in March 2024. The Group intends to complete a full refinancing in the second half of FY2023 which is now underway. As such, after making appropriate enquiries, the Directors do not see any practical, regulatory or legal restrictions which would limit their ability to fund the different regions of the business as required as the Group has sufficient resources.

Accordingly, the Directors have continued to adopt the going concern basis of accounting in preparing the financial statements.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

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 underlying 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. APMs reflect the results of the business excluding adjusting items, which are items that are material and of an unusual or non-recurring nature.

The APMs and the definitions used are listed below:

- **Adjusted EBITDA** – EBITDA before adjusting items
- **Adjusted operating profit/(loss)** – Profit/(loss) before finance charges, tax and adjusting items
- **Adjusted profit/(loss) before tax** – Profit/(loss) before tax and adjusting items
- **Adjusted profit/(loss) after tax** – Profit/(loss) after tax before adjusting items and associated tax effect
- **Adjusted diluted earnings per share** – Diluted earnings per share before adjusting items and associated tax effect

In addition, the Group uses APMs in order to calculate other key performance metrics including:

- **Adjusted operating margin** – Adjusted operating profit divided by revenue

Adjusting items

Further details of the items categorised as adjusting items are disclosed in more detail in note 3. Note that all prior year comparatives have been represented to include the share-based payments credit/charge within adjusted metrics.

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

APM Reconciliation	HY2023	HY2022
Reported operating profit	**\$35.1m**	**\$21.4m**
Depreciation and impairment of property, plant and equipment	\$6.4m	\$6.9m
Depreciation and impairment of right-of-use assets	\$8.8m	\$6.8m
Acquisition amortisation	\$1.4m	\$1.4m
Amortisation of software	\$1.1m	\$1.7m
EBITDA	**\$52.8m**	**\$38.2m**
Adjusted EBITDA	**\$46.8m**	**\$40.2m**
Adjusting items	\$6.0m	(\$2.0m)
EBITDA	**\$52.8m**	**\$38.2m**
Adjusted operating profit	**\$30.5m**	**\$22.6m**
Adjusting items	\$4.6m	(\$1.2m)
Reported operating profit	**\$35.1m**	**\$21.4m**
Adjusted profit before tax	**\$27.4m**	**\$20.3m**
Adjusting items	\$4.6m	(\$1.4m)
Reported profit before tax	**\$32.0m**	**\$18.9m**
Adjusted profit after tax	**\$20.1m**	**\$15.5m**
Adjusting items	\$3.4m	(\$1.8m)
Reported profit after tax	**\$23.5m**	**\$13.7m**
Adjusted diluted earnings per share	**19.6c**	**14.2c**
Adjusting items	3.5c	(1.9c)
Reported diluted earnings per share	**23.1c**	**12.3c**

CONDENSED CONSOLIDATED INCOME STATEMENT

SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	**Unaudited six months ended 30 Sep 2022 $000**	Unaudited six months ended 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Revenue	2	**521,184**	483,908	965,093
Cost of sales		**(434,575)**	(405,287)	(842,926)
Gross profit		**86,609**	78,621	122,167
Selling expenses		**(23,216)**	(21,792)	(48,305)
Administration expenses		**(35,098)**	(35,859)	(66,604)
Other operating income	5	**2,107**	427	870
Profit/(loss) on disposal of property, plant and equipment	2	**4,721**	(17)	(436)
Loss on disposal of leases		**(73)**	—	—
Operating profit	3	**35,050**	21,380	7,692
Finance expenses		**(3,125)**	(2,495)	(5,491)
Profit before tax		**31,925**	18,885	2,201
Income tax	6	**(8,399)**	(5,191)	(2,517)
Profit/(loss) for the period		**23,526**	13,694	(316)
Attributable to:				
Owners of the Parent Company		**22,754**	12,063	(3,277)
Non-controlling interests		**772**	1,631	2,961

Earnings/(loss) per ordinary share

	Note	**Unaudited six months ended 30 Sep 2022**	Unaudited six months ended 30 Sep 2021	Twelve months ended 31 Mar 2022
Basic	9	**23.1c**	12.3c	(3.3c)
Diluted	9	**23.1c**	12.3c	(3.3c)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 SEPTEMBER 2022

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Profit/(loss) for the period	**23,526**	13,694	(316)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit pension and health benefit schemes	—	—	(715)
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations (net of tax)	**24,790**	3,799	8,686
Transfer to profit and loss on maturing cash flow hedges (net of tax)	**(753)**	58	(301)
Net unrealised (loss)/gain on cash flow hedges (net of tax)	**(513)**	395	686
	23,524	4,252	9,071
Other comprehensive income for the period, net of tax	**23,524**	4,252	8,356
Total comprehensive income for the period, net of tax	**47,050**	17,946	8,040
Attributable to:			
Owners of the Parent Company	**47,136**	16,616	5,173
Non-controlling interests	**(86)**	1,330	2,867
	47,050	17,946	8,040

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 SEPTEMBER 2022

	Attributable to the owners of the Parent Company								
	Share capital $000	Share premium and capital redemption reserve $000	Merger reserve $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	Shareholders' equity $000	Non-controlling interests $000	Total $000
At 1 April 2022	**6,373**	**228,143**	**42,549**	**299**	**(12,459)**	**96,806**	**361,711**	**7,999**	**369,710**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**22,754**	**22,754**	**772**	**23,526**
Other comprehensive income/(expense)	**—**	**—**	**—**	**(1,295)**	**25,677**	**—**	**24,382**	**(858)**	**23,524**
Total comprehensive income/(expense) for the period	**—**	**—**	**—**	**(1,295)**	**25,677**	**22,754**	**47,136**	**(86)**	**47,050**
Change in ownership interest									
Acquisition of non-controlling interest	—	—	—	—	—	(3,558)	(3,558)	607	(2,951)
Transactions with owners in their capacity as owners									
Equity-settled share-based payments	—	—	—	—	—	283	283	—	283
Purchase of own shares	—	—	—	—	—	(865)	(865)	—	(865)
Options exercised	51	—	—	—	—	(51)	—	—	—
Equity dividends paid	—	—	—	—	—	—	—	(2,616)	(2,616)
Option over non-controlling interest	—	—	—	—	—	3,069	3,069	—	3,069
Exchange differences on opening balances	(969)	(34,738)	(6,479)	—	—	—	(42,186)	—	(42,186)
At 30 September 2022	5,455	193,405	36,070	(996)	13,218	118,438	365,590	5,904	371,494

SIX MONTHS ENDED 30 SEPTEMBER 2021

	Attributable to the owners of the Parent Company								
	Share capital $000	Share premium and capital redemption reserve $000	Merger reserve $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	Shareholders' equity $000	Non-controlling interests $000	Total $000
At 1 April 2021	6,667	239,142	44,600	(86)	(21,239)	114,438	383,522	8,497	392,019
Profit for the period	—	—	—	—	—	12,063	12,063	1,631	13,694
Other comprehensive income/(expense)	—	—	—	453	4,100	—	4,553	(301)	4,252
Total comprehensive income for the period	—	—	—	453	4,100	12,063	16,616	1,330	17,946
Transactions with owners in their capacity as owners									
Equity-settled share-based payments	—	—	—	—	—	(121)	(121)	—	(121)
Tax on equity-settled share-based payments	—	—	—	—	—	(237)	(237)	—	(237)
Options exercised	11	—	—	—	—	(11)	—	—	—
Equity dividends paid	—	—	—	—	—	—	—	(2,650)	(2,650)
Exchange differences on opening balances	(149)	(5,339)	(996)	—	—	—	(6,484)	—	(6,484)
At 30 September 2021	**6,529**	**233,803**	**43,604**	**367**	**(17,139)**	**126,132**	**393,296**	**7,177**	**400,473**

YEAR ENDED 31 MARCH 2022

	Attributable to the owners of the Parent Company								
	Share capital $000	Share premium and capital redemption reserve $000	Merger reserve $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	Shareholders' equity $000	Non-controlling interests $000	Total $000
At 1 April 2021	**6,667**	**239,142**	**44,600**	**(86)**	**(21,239)**	**114,438**	**383,522**	**8,497**	**392,019**
(Loss)/profit for the year	—	—	—	—	—	(3,277)	(3,277)	2,961	(316)
Other comprehensive income/(expense)	—	—	—	385	8,780	(715)	8,450	(94)	8,356
Total comprehensive income/(expense) for the year	—	—	—	385	8,780	(3,992)	5,173	2,867	8,040
Transactions with owners in their capacity as owners									
Equity-settled share-based payments	—	—	—	—	—	241	241	—	241
Derecognition of deferred tax asset – share-based payments	—	—	—	—	—	(1,179)	(1,179)	—	(1,179)
Derecognition of deferred tax asset – IFRS 16	—	—	—	—	—	(346)	(346)	—	(346)
Options exercised	13	—	—	—	—	(13)	—	—	—
Equity dividends paid	—	—	—	—	—	(9,274)	(9,274)	(3,365)	(12,639)
Option over non-controlling interest	—	—	—	—	—	(3,069)	(3,069)	—	(3,069)
Exchange differences on opening balances	(307)	(10,999)	(2,051)	—	—	—	(13,357)	—	(13,357)
At 31 March 2022	6,373	228,143	42,549	299	(12,459)	96,806	361,711	7,999	369,710

In line with the Group's accounting policy, share capital, share premium, capital redemption reserve, merger reserve and hedging reserve are translated into US dollars at the rates of exchange at each balance sheet date and the resulting cumulative exchange differences are included in other reserves.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2022

	Note	**Unaudited as at 30 Sep 2022 $000**	Unaudited as at 30 Sep 2021 $000	As at 31 Mar 2022 $000
Non-current assets				
Property, plant and equipment		**71,803**	83,098	78,911
Intangible assets		**98,460**	111,066	107,398
Right-of-use assets		**74,025**	89,388	86,731
Long-term assets		**5,839**	6,321	5,105
Deferred tax assets		**8,159**	16,116	16,317
Total non-current assets		**258,286**	305,989	294,462
Current assets				
Asset held for sale		**—**	—	2,150
Inventory		**264,769**	259,893	230,885
Trade and other receivables		**265,998**	298,009	127,850
Income tax receivable		**1,223**	1,283	1,234
Derivative financial assets	10	**502**	375	316
Cash and cash equivalents	7	**83,396**	96,340	50,179
Total current assets		**615,888**	655,900	412,614
Total assets	2	**874,174**	961,889	707,076
Equity				
Share capital		**5,455**	6,529	6,373
Share premium		**191,912**	231,999	226,382
Capital redemption reserve		**1,493**	1,804	1,761
Merger reserve		**36,070**	43,604	42,549
Hedging reserve		**(996)**	367	299
Translation reserve		**13,218**	(17,139)	(12,459)
Retained earnings		**118,438**	126,132	96,806
Equity attributable to owners of the Parent Company		**365,590**	393,296	361,711
Non-controlling interests		**5,904**	7,177	7,999
Total equity		**371,494**	400,473	369,710

	Note	**Unaudited as at 30 Sep 2022 $000**	Unaudited as at 30 Sep 2021 $000	As at 31 Mar 2022 $000
Non-current liabilities				
Loans and borrowings	8	**(317)**	(195)	(20)
Lease liabilities		**66,322**	85,647	80,215
Deferred income		**463**	627	523
Provisions		**4,803**	5,222	5,016
Other financial liabilities		**17,827**	19,963	21,557
Deferred tax liabilities		**194**	2,513	381
Total non-current liabilities		**89,292**	113,777	107,672
Current liabilities				
Bank overdraft	7	**69,122**	70,511	20,380
Loans and borrowings	8	**88,274**	84,840	(340)
Lease liabilities		**18,234**	18,687	19,628
Deferred income		**1,681**	839	465
Provisions		**1,205**	1,446	1,342
Income tax payable		**4,660**	8,444	7,359
Trade and other payables		**188,690**	223,821	143,318
Other financial liabilities		**41,522**	39,051	37,542
Total current liabilities		**413,388**	447,639	229,694
Total liabilities	2	**502,680**	561,416	337,366
Total equity and liabilities		**874,174**	961,889	707,076

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS ENDED 30 SEPTEMBER 2022

	Note	**Unaudited six months ended 30 Sep 2022 $000**	Unaudited six months ended 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Cash flows from operating activities				
Profit/(loss) for the period		**23,526**	13,694	(316)
Adjustments for:				
Depreciation and impairment/(reversal of impairment) of property, plant and equipment		**6,384**	6,916	13,378
Depreciation and impairment/(reversal of impairment) of right-of-use assets		**8,862**	6,783	15,284
Amortisation of intangible assets		**2,477**	3,158	5,817
Finance expenses		**3,125**	2,495	5,491
Income tax charge		**8,399**	5,191	2,517
(Profit)/loss on disposal of property, plant and equipment		**(4,721)**	17	436
Loss on disposal of leases		**73**	—	—
Equity-settled share-based payments- expense/(income)		**312**	(418)	(848)
Operating profit after adjustments for non-cash items		**48,437**	37,836	41,759
Change in trade and other receivables		**(146,837)**	(171,325)	(994)
Change in inventory		**(48,061)**	(85,790)	(58,096)
Change in trade and other payables, provisions and deferred income		**57,779**	104,669	21,237
Cash (used by)/generated from operations		**(88,682)**	(114,610)	3,906
Tax paid		**(3,092)**	(3,464)	(5,205)
Interest and similar charges paid		**(2,326)**	(1,994)	(4,626)
Net cash outflow from operating activities		**(94,100)**	(120,068)	(5,925)
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment		**6,839**	128	131
Acquisition of intangible assets		**(16)**	(236)	(381)
Acquisition of property, plant and equipment		**(3,286)**	(2,968)	(8,140)
Net cash inflow/(outflow) from investing activities		**3,537**	(3,076)	(8,390)
Cash flows from financing activities				
Acquisition of non-controlling interest	13	**(2,951)**	—	—
Purchase of own shares	14	**(865)**	—	—
Net movement in credit facilities		**88,908**	85,441	—
Lease liabilities principal repayments		**(10,848)**	(10,532)	(20,717)
Loan arrangement fees		**(1,079)**	(494)	(494)
Equity dividends paid		**—**	—	(9,274)
Dividends paid to non-controlling interest		**(2,616)**	(2,650)	(3,365)
Net cash inflow/(outflow) from financing activities		**70,549**	71,765	(33,850)
Net decrease in cash and cash equivalents		**(20,014)**	(51,379)	(48,165)
Cash and cash equivalents at beginning of the period		**29,799**	75,727	75,727
Effect of exchange rate fluctuations on cash held		**4,489**	1,481	2,237
Cash and cash equivalents at end of the period	7	**14,274**	25,829	29,799

NOTES TO THE INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2022

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.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards (UK IFRS), with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK IFRS in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. This condensed consolidated interim financial report for the half-year reporting period ended 30 September 2022 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2022, which has been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006, and any public announcements made by IG Design Group plc during the interim reporting period.

The preparation of financial statements that conform with adopted UK IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if relevant.

For the purposes of these financial statements, 'Design Group' or 'the Group' means IG Design Group plc ('the Company') and its subsidiaries. The Company's ordinary shares are listed on the Alternative Investment Market (AIM).

Seasonality of the business
The business of the Group is seasonal and although revenues generally accrue relatively evenly in both halves of the year, working capital requirements, including inventory levels, increase steadily in the first half from July and peak in October as manufacturing of Christmas products builds ahead of distribution. The second half of the year sees the borrowing of the Group decline and move to typically a cash positive position as the Group collects its receivables through January to March.

Re-presentation of adjusting items
The treatment of share-based payment credits/charges was changed in the year ended 31 March 2022 such that they no longer formed part of adjusting items in line with best practice guidance. The comparative figures relating to adjusting items have been restated to exclude share-based payments where necessary in these financial statements.

Presentation currency
The presentation currency of the Group is US dollars. The functional currency of the Parent Company remains as pound sterling as it is located in the United Kingdom and substantially all of its cash flows, assets and liabilities are denominated in pound sterling, as well as its share capital. As such, the Parent Company's functional currency differs to that of the Group's reporting currency.

Going concern
Information regarding the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the detailed financial review above. Cash balances and borrowings are detailed in notes 7 and 8.

On 5 June 2019, to meet the funding requirements of the Group, the business refinanced with a banking group comprising HSBC, NatWest, Citigroup (who replaced BNP Paribas), Truist Bank (as successor by merger to SunTrust Bank) and PNC Bank as part of a three-year deal.

This facility was then subsequently amended and extended on 17 January 2020 with the same banking group to accommodate the acquisition of CSS Industries, Inc. (CSS). The facilities were then further extended in May 2021.

In June 2022, the facilities were amended and extended through to March 2024. The amendment to the terms of the banking agreement comprise of a revolving credit facility (RCF) of $90.0 million (reduced from $95.0 million) and a further flexible RCF of up to £92.0 million (reduced from a maximum level of £130.0 million) to meet the Group's working capital requirements during the peak manufacturing and selling season. The financial covenants were also amended – see note 8 for more details on these. The Group's current financing arrangements expire in March 2024. The Group aims to complete a full refinancing in the second half of FY2023 which is now underway. As such, after making appropriate enquires, the Directors do not see any practical, regulatory or legal restrictions which would limit their ability to fund the different regions of the business as required as the Group has sufficient resources.

We also have access to supplier financing arrangements from certain customers which we utilise at certain times of the year. The largest of these supplier financing arrangements are subject to the continuing support of the customers' banking partners and therefore could be withdrawn at short notice.

The Group financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue trading for a period of at least twelve months from the date of this report based on an assessment of the overall position and future forecasts for the going concern period. This assessment has also considered the overall level of Group borrowings and covenant requirements, the flexibility of the Group to react to changing market conditions and ability to appropriately manage any business risks.

The Directors have prepared detailed plans and forecasts up to 31 March 2024. These forecasts reflect the fact that the Group continues to generate strong sales this year but that cost pressures continue in the supply chain impacting profitability. They also reflect the seasonal operating cycle of the business and a recovery associated with the DG Americas plan.

These forecasts have been sensitised to reflect severe but plausible adverse downturns in the current assumptions. Specifically, the severe but plausible downside scenario has taken account of the following risks:

- a range of pressures which could affect the attainment of the DG Americas plan, including inflation in various parts of the business, sales shortfalls, sales timing and a disruption event such as a short-term manufacturing disruption leading to increased temporary labour costs; and
- the impact of inflation on disposable incomes and demand for products in the DG International business, noting that the potential risks in a severe but plausible downside scenario are not considered to be as significant as in the DG Americas business.

In the severe but plausible scenario modelled, there remains significant headroom in our forecast liquidity and sufficient headroom under the covenant requirements for both the amended covenants to March 2023 and the reverted covenants from June 2023 onwards.

Based on this assessment, the Directors have formed a judgement that there is a reasonable expectation the Group will have adequate resources to continue in operational existence for the foreseeable future.

Significant accounting policies

The accounting policies adopted in the preparation of the interim report are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 6) and the adoption of new and amended standards. A number of new or amended standards became applicate for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2. Segmental information

The Group has one material business activity, being the design, manufacture and distribution of Celebrations, Craft & creative play, Stationery, Gifting and 'Not-for-resale' consumable products.

The business operates under two reporting segments which are reported to, and evaluated by, the Chief Operating Decision Makers for the Group. The DG Americas segment includes overseas operations in Asia, Australia, the UK, India and Mexico, being the overseas entities of US companies. The DG International segment comprises the consolidation of the separately owned business in the UK, Asia, Europe and Australia.

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 liabilities and cash have 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.

	DG Americas[(a)] $000	DG International $000	Central & eliminations $000	Group $000
Six months ended 30 September 2022				
Revenue – external	373,417	147,767	—	521,184
– inter-segment	—	1,671	(1,671)	—
Total segment revenue	373,417	149,438	(1,671)	521,184
Segment profit/(loss) before adjusting items and management recharges	**15,199**	**18,408**	**(3,154)**	**30,453**
Adjusting items (note 3)	4,597	—	—	4,597
Operating profit/(loss)	19,796	18,408	(3,154)	35,050
Finance expenses				(3,125)
Income tax				(8,399)
Profit for the six months ended 30 September 2022				**23,526**
Balances at 30 September 2022				
Segment assets	513,678	286,517	73,979	874,174
Segment liabilities	(260,029)	(158,811)	(83,840)	(502,680)
Other segment information				
Capital expenditure additions				
– property, plant and equipment	1,558	1,705	23	3,286
– intangible assets	2	14	—	16
– right-of-use assets	431	46	24	501
Depreciation – property, plant and equipment	3,689	2,688	7	6,384
Amortisation – intangible assets	2,402	75	—	2,477
Depreciation – right-of-use assets	6,335	2,521	6	8,862
Profit on disposal of property, plant and equipment[(b)]	4,641	80	—	4,721

(a) Including overseas entities for the DG Americas operating segment.

(b) Includes $4.6 million relating to the profit on sale of a property owned by the Group in Manhattan, Kansas see note 3.

	DG Americas[(a)] $000	DG International $000	Central & eliminations $000	Group $000
Six months ended 30 September 2021				
Revenue – external	347,502	136,406	—	483,908
– inter-segment	16	468	(484)	—
Total segment revenue	347,518	136,874	(484)	483,908
Segment profit/(loss) before adjusting items and management recharges	12,917	11,652	(1,979)	22,590
Adjusting items[(b)] (note 3)	1,464	(42)	(2,632)	(1,210)
Operating profit/(loss)	14,381	11,610	(4,611)	21,380
Finance expenses				(2,297)
Finance expenses treated as an adjusting item				(198)
Income tax				(5,191)
Profit for the six months ended 30 September 2021				13,694
Balances at 30 September 2021				
Segment assets	586,279	282,985	92,625	961,889
Segment liabilities	(321,138)	(146,704)	(93,574)	(561,416)
Other segment information				
Capital expenditure additions				
– property, plant and equipment	1,866	1,062	40	2,968
– intangible assets	185	51	—	236
– right-of-use assets	2,281	591	—	2,872
Depreciation – property, plant and equipment	3,877	3,032	7	6,916
Amortisation – intangible assets	3,087	71	—	3,158
Depreciation – right-of-use assets	6,250	2,714	10	8,974
Impairment – right-of-use assets	—	—	22	22
Reversal of impairment – right-of-use assets	(2,213)	—	—	(2,213)

(a) Including overseas entities for the DG Americas operating segment.

(b) The prior year amounts above have been re-presented. For more detail please refer to note 1.

	DG Americas[a] $000	DG International $000	Central & eliminations $000	Group $000
Year ended 31 March 2022				
Revenue – external	**658,953**	**306,140**	**—**	**965,093**
– inter-segment	**16**	**1,725**	**(1,741)**	**—**
Total segment revenue	**658,969**	**307,865**	**(1,741)**	**965,093**
Segment (loss)/profit before adjusting items and management recharge	**(11,738)**	**20,836**	**(5,290)**	**3,808**
Adjusting items (note 3)	**5,667**	**1,570**	**(3,353)**	**3,884**
Operating profit/(loss)	**(6,071)**	**22,406**	**(8,643)**	**7,692**
Finance expenses				**(5,105)**
Finance expenses treated as an adjusting item				**(386)**
Income tax				**(2,517)**
Loss for the year ended 31 March 2022				**(316)**
Balances at 31 March 2022				
Segment assets	**451,270**	**237,625**	**18,181**	**707,076**
Segment liabilities	**(212,083)**	**(100,500)**	**(24,783)**	**(337,366)**
Other segment information				
Capital expenditure additions				
– property, plant and equipment	5,237	2,860	43	8,140
– intangible assets	223	158	—	381
– right-of-use assets	4,331	4,850	—	9,181
Depreciation – property, plant and equipment	7,803	5,891	11	13,705
Reversal of impairment – property, plant and equipment	—	(327)	—	(327)
Amortisation – intangible assets	5,634	183	—	5,817
Depreciation – right-of-use assets	12,406	5,352	18	17,776
Impairment – right-of-use assets	—	—	22	22
Reversal of impairment – right-of-use assets	(2,514)	—	—	(2,514)

(a) Including overseas entities for the DG Americas operating segment.

3. Operating profit and adjusting items

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended[a] 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Operating profit analysed as:			
Adjusted operating profit	**30,453**	22,590	3,808
Adjusting items	**4,597**	(1,210)	3,884
Operating profit	**35,050**	21,380	7,692

(a) The prior year comparatives above have been re-presented. For more detail please refer to note 1.

Adjusting items

Six months ended 30 September 2022	**Cost of sales $000**	**Selling expenses $000**	**Admin expenses $000**	**Other operating income $000**	**Profit on disposal of plant $000**	**Finance expenses $000**	**Total $000**
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses(1)	**—**	**—**	**—**	**(1,500)**	**—**	**—**	**(1,500)**
Acquisition integration and restructuring costs/(income)(2)	**—**	**—**	**235**	**—**	**(4,608)**	**—**	**(4,373)**
IT security incident income (3)	**—**	**—**	**(142)**	**—**	**—**	**—**	**(142)**
Amortisation of acquired intangibles(4)	**—**	**—**	**1,418**	**—**	**—**	**—**	**1,418**
Adjusting items	**—**	**—**	**1,511**	**(1,500)**	**(4,608)**	**—**	**(4,597)**

Six months ended 30 September 2021	Cost of sales $000	Selling expenses $000	Admin expenses $000	Other operating income $000	Loss on disposal of plant $000	Finance expenses $000	Total $000
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses(1)	—	—	3,612	—	—	(15)	3,597
Acquisition integration and restructuring costs/(income)(2)	(146)	—	(2,076)	—	31	213	(1,978)
IT security incident (income)/costs(3)	—	—	(687)	—	—	—	(687)
Amortisation of acquired intangibles(4)	—	—	1,418	—	—	—	1,418
Reversal of impairment of assets(5)	—	(942)	—	—	—	—	(942)
Adjusting items(a)	(146)	(942)	2,267	—	31	198	1,408

(a) The prior year comparatives above have been re-presented. For more detail please refer to note 1.

Year ended 31 March 2022	Cost of sales $000	Selling expenses $000	Admin expenses $000	Other operating income $000	Loss on disposal of plant $000	Finance expenses $000	Total $000
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses(1)	—	—	3,710	—	—	(15)	3,695
Acquisition integration and restructuring costs/(income)(2)	(980)	—	(1,336)	(124)	348	401	(1,691)
IT security incident (income)/costs(3)	—	—	(5,683)	—	—	—	(5,683)
Amortisation of acquired intangibles(4)	—	—	2,837	—	—	—	2,837
Reversal of impairment of assets(5)	(1,544)	(1,112)	—	—	—	—	(2,656)
Adjusting items	(2,524)	(1,112)	(472)	(124)	348	386	(3,498)

Adjusting items are separately presented by virtue of their nature, size and/or incidence (per each operating segment). These items are material items of an unusual or non-recurring nature which represent gains or losses and are presented to allow for the review of 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 and allow the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations. 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).

These (gains)/losses relating to the period ended 30 September 2022 are broken down as follows:

(1) Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses

Costs directly associated with acquisitions, including legal and advisory fees on deals, form part of our reported results on an IFRS basis. These costs, however, in the Board's view, form part of the capital transaction, and as they are not attributed to investment value under IFRS 3, they are included as an adjusting item. Similarly, where acquisitions have employee related payments (exclusive of Long Term Incentive Plans) which lock in and incentivise legacy talent, we also include these costs as adjusting items. Furthermore, gains or losses on the disposal of businesses, including any transaction costs associated with the disposal, are treated as adjusting items.

In the period, $1.5 million of insurance income was received relating to the Impact Innovations, Inc (Impact) Representations and Warranties insurance settlement in connection with accounting and tax issues present at acquisition in August 2018.

In the year to 31 March 2022, the Group incurred expenditure relating to acquisitions totalling $3.7 million, of which $113,000 related to previous successful acquisitions and the balance related to aborted acquisitions. In addition, the final tranche of acquisition related employee payments which lock in and incentivise legacy talent relating to the Impact acquisition in August 2018 was incurred ($278,000).

(2) Acquisition integration and restructuring (income)/costs

In order to realise synergies from acquisitions, integration projects are undertaken that aim to deliver future savings and efficiencies for the Group. These are projects outside of the normal operations of the business and typically incur one-time costs to ensure successful implementation. As such, the Board considers it is appropriate that costs associated with projects of this nature are included as adjusting items.

The adjusting items in the period, and in the year to 31 March 2022, relate to the integration of CSS (acquired in 2020) into the enlarged DG Americas business.

In April 2022, a property in Manhattan, Kansas which was previously acquired as part of the CSS acquisition, was sold for net proceeds of $6.7 million resulting in a net profit on disposal of $4.6 million. An additional $235,000 of costs have been incurred in relation to the relocation and closure of Manhattan, Kansas and consolidation of other sites.

In the year to 31 March 2022, two previously impaired properties were sub-let, resulting in a reversal of the impairment, net of associated provisions for costs to run the exited sites, of $2.8 million. In the year to 31 March 2022, ongoing net costs relating to these impaired and sub-leased properties were treated as adjusting items, however given the immaterial and recurring nature of these ongoing net costs the Group will no longer include these as adjusting items.

In the year to 31 March 2022, costs associated with the ongoing consolidation of operations around the Group were incurred. These included the enlarged printing and converting business moving from Memphis to a larger facility in Byhalia, Mississippi that also houses distribution. In addition, costs associated with the exit of the owned property in Manhattan, Kansas to consolidate our pattern printing facilities into one site were incurred. The total costs associated with this integration were $1.1 million. The remaining costs incurred in the prior year relate to severance costs associated with the wider DG Americas restructure programme.

(3) IT security incident (income)/costs

The IT security incident which occurred in DG Americas in October/November 2020 resulted in one-off costs of $2.2 million being incurred during the year ended 31 March 2021. This did not include the lost profits incurred as a result of downtime in the business for which an insurance claim was made. During the period ended 30 September 2022, further insurance income was received of $142,000 (FY2022: $5.7 million) in relation to this incident. The treatment of this income as adjusting, follows the previous treatment of the one-off costs as adjusting.

(4) Amortisation of acquired intangibles

Under IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer lists and trade names 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 their useful economic lives. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. These include trade names and brands acquired as part of the acquisition of Impact and CSS in the USA. As such, we include these as adjusting items.

(5) Reversal of impairment of assets

At the onset of the Covid-19 pandemic a review of inventory, trade receivables and fixed assets was undertaken. Inventories were assessed at 31 March 2020 for the net realisable value and an impairment of $7.4 million was recognised. Trade receivables were assessed for their expected credit loss in line with IFRS 9 and an impairment of $3.8 million was recognised. The UK's bag line machines were impaired by $348,000 based on expected future cash flows associated with the 'Not-for-resale' consumables business. During the year to 31 March 2022 there was a $2.7 million credit relating to reversal of impairments no longer required.

The cash flow effect of adjusting items

There was a $7.2 million net inflow in the current period's cash flow (HY2022: $4.4 million outflow[(a)]) relating to adjusting items which included $919,000 (HY2022: $1.7 million) deferred from prior years.

(a) The prior year comparatives above have been re-presented. For more detail please refer to note 1.

4. Share based payments charges

The total expense recognised for the period arising from equity-settled share-based payments is as follows:

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Charge in relation to the 2020-2022 LTIP scheme	**166**	367	723
Credit in relation to the VCS	—	(488)	(482)
Charge in relation to the 2022-2025 LTIP scheme	**117**	—	—
Equity-settled share-based payments charge/(credit)	**283**	(121)	241
Social security charge/(credit)	**29**	(297)	(1,089)
Total equity-settled share-based payments charge/(credit)	**312**	(418)	(848)

Following a review of the VCS scheme, the Remuneration Committee of the Company believed that the grants under the VCS no longer aligned interests of employees and shareholders. Under the VCS rules, any material changes to the VCS required the consent of participants holding awards which together represent more than 50 percent of all outstanding award values. Following consultation with participants, this minimum requirement was achieved allowing the cancellation of the VCS to occur. The VCS scheme was cancelled effective 28 June 2022.

The 2022-2025 LTIP was announced on 11 August 2022, following the cancellation of grants made under the VCS on 28 June 2022. The 2022-2025 LTIP is subject to certain performance criteria being achieved during a three year period: relative Total Shareholder Return versus FTSE SmallCap (excluding Investment Trusts) constituents; and EPS growth, with an 'underpin' condition to reduce vesting levels if unwarranted 'windfall gains' from share price movements arise. There is a two year holding period for certain individuals.

5. Other operating income

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Grant income received	**40**	—	(17)
Sub-lease rental income	**567**	325	628
Government assistance	**—**	101	125
Other	**—**	1	10
Other operating income before adjusting items	**607**	427	746
Adjusting items (note 3)	**1,500**	—	124
Total other operating income	**2,107**	427	870

6. Taxation

Recognised in the income statement

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended[(a)] 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Current tax charge			
Current income tax charge	648	2,999	3,886
Deferred tax charge/(credit)			
Origination and reversal of temporary differences	7,751	2,192	(1,369)
Total tax in the income statement	8,399	5,191	2,517
Total tax charge/(credit) on adjusting items			
Total tax on profit before adjusting items	7,250	4,765	3,333
Total tax on adjusting items	1,149	426	(816)
Total tax in the income statement	8,399	5,191	2,517

(a) The prior year comparatives above have been re-presented. For more detail please refer to note 1.

The tax expense has been calculated by applying the effective rate of tax which is expected to apply for the year ended 31 March 2023 by jurisdiction, using rates substantively enacted by 30 September 2022. The tax effect of adjusting items is recognised in the same period as the relevant adjusting item.

As at 31 March 2022, the previously recognised deferred tax assets in the UK were derecognised. The derecognition occurred as a result of the assessment of future taxable profits (which is due to the growing costs in IG Design Group plc) against which the asset could unwind.

The standard rate of corporation tax in the UK will rise to 25% effective from 1 April 2023. Given that no deferred tax is recognised in the UK, this does not impact the deferred tax measurement at the balance sheet date.

7. Cash and cash equivalents/bank overdrafts

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Cash and cash equivalents	**83,396**	96,340	50,179
Bank overdrafts	**(69,122)**	(70,511)	(20,380)
Cash and cash equivalents and bank overdrafts per cash flow statement	**14,274**	25,829	29,799

(Net debt)/net cash

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Cash and cash equivalents and bank overdrafts	**14,274**	25,829	29,799
Bank loans	**(88,908)**	(85,441)	—
Loan arrangement fees	**951**	796	360
Net (debt)/cash as used in the financial review	**(73,683)**	(58,816)	30,159

The bank loans and overdrafts are secured by a fixed charge on certain of the Group's land and buildings, a fixed charge on certain of the Group's book debts and a floating charge on certain of the Group's other assets. See note 8 for further details of the Group's loans and borrowings.

8. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Non-current liabilities			
Loan arrangement fees	**(317)**	(195)	(20)
	(317)	(195)	(20)
Current liabilities			
Asset backed loan	**10,579**	5,477	—
Revolving credit facilities	**78,329**	79,964	—
Bank loans and borrowings	**88,908**	85,441	—
Loan arrangement fees	**(634)**	(601)	(340)
	88,274	84,840	(340)

Secured bank facilities

The Group maintains its banking facilities through a club of five banks chosen to reflect and support the geographical spread of the Group. The banks within the club are HSBC, NatWest, Citigroup (which replaced BNP Paribas), Truist Bank (as successor by merger to SunTrust Bank) and PNC.

On 1 June 2022, the Company extended the term of its existing banking agreement to 31 March 2024. As part of this extension covenants have been revised for the period to 31 March 2023 and the amended facilities comprise:

- a revolving credit facility ('RCF A') which has reduced from $95.0 million to $90.0 million;
- a further flexible revolving credit facility ('RCF B') with availability varying from month to month of up to a maximum level of £92.0 million (reduced from a maximum level of £130.0 million). This RCF is flexed to meet Group working capital requirements during those months when inventory is being built within our annual business cycle and is £nil when not required, minimising carrying costs; and
- an invoice financing arrangement in Hong Kong, maximum limit $18.0 million dependent on level of the eligible receivables.

In total, accessible facilities are considered sufficient to cover the Group's peak requirements. The facilities do not amortise with time and being partially denominated in US dollars they also provide a hedge against currency movements.

Invoice financing arrangements are secured over the trade receivables that they are drawn on. The RCFs are secured with a fixed and floating charge over other assets of the Group. Amounts drawn under RCFs are classified as current liabilities as the Group expects to settle these amounts within twelve months.

The revised covenants, which operate for a maximum period to 31 March 2023, are as follows:

- minimum adjusted earnings before interest, depreciation and amortisation (adjusted EBITDA), as defined by the banking facility, measured quarterly at the end of June, September, December and March, which requires the Group to be within $10.0 million of its adjusted EBITDA budget at each quarter end, based on the last twelve-month adjusted EBITDA performance at each measurement point; and
- minimum liquidity level, which requires the Group to maintain a minimum of $35.0 million of headroom to the maximum available facility on a monthly basis.

The amendment also stipulates that any dividends to be paid by the Group during the remaining term of the agreement will require majority lender approval. Banking and legal fees associated with the amendment and extension of the facility totalled c.$1 million.

From April 2023 the Group will revert to the previous covenants tested quarterly, which are as follows:

- interest cover, being the ratio of adjusted earnings before interest, depreciation and amortisation (adjusted EBITDA), as defined by the banking facility, to interest on a rolling twelve-month basis; and
- leverage, being the ratio of debt to adjusted EBITDA, as defined by the banking facility, on a rolling twelve-month basis.

There is a further covenant tested monthly in respect of the working capital RCF by which available asset cover must not fall below agreed levels relative to amounts drawn.

Both revised and previous covenants are measured on pre-IFRS 16 accounting definitions.

Loan arrangement fees represent the unamortised costs in arranging the Group facilities. These fees are being amortised on a straight-line basis over the terms of the facilities.

The Group is party to supplier financing arrangements with a number of its key customers and the associated balances are recognised as trade receivables until receipt of the payment from the bank, at which point the receivable is derecognised.

9. Earnings/(loss) per share

	Unaudited six months ended 30 Sep 2022 $000	Unaudited six months ended[(a)] 30 Sep 2021 $000	Twelve months ended 31 Mar 2022 $000
Earnings/(loss)			
Earnings/(loss) attributable to equity holders of the Company	**22,754**	12,063	(3,277)
Adjustments			
Adjusting items (net of non-controlling interest effect)	**(4,597)**	1,408	(3,498)
Tax charge/(relief) on adjustments (net of non-controlling interest effect)	**1,149**	426	(816)
Adjusted earnings/(loss) attributable to equity holders of the Company	**19,306**	13,897	(7,591)

In thousands of shares	**Unaudited six months ended 30 Sep 2022**	Unaudited six months ended 30 Sep 2021	Twelve months ended 31 Mar 2022
Issued ordinary shares at 1 April	**97,062**	96,858	96,858
Shares relating to share options	**1,242**	1,260	1,260
Less: Shares held by Employee Benefit Trust	**(12)**	—	—
Weighted average number of shares for the purposes of calculating basic EPS	**98,292**	98,118	98,118
Effect of dilutive potential shares – share awards	**10**	79	119
Weighted average number of shares for the purposes of calculating diluted EPS	**98,302**	98,197	98,237

	30 Sep 2022	30 Sep 2021[a]	31 Mar 2022
	Cents	Cents	Cents
Earnings/(loss) per share			
Basic earnings/(loss) per share	**23.1**	12.3	(3.3)
Impact of adjusting items (net of tax)	**(3.5)**	1.9	(4.4)
Basic adjusted earnings/(loss) per share	**19.6**	14.2	(7.7)
Diluted earnings/(loss) per share	**23.1**	12.3	(3.3)
Diluted adjusted earnings/(loss) per share	**19.6**	14.2	(7.7)

(a) The prior year comparatives above have been re-presented. For more detail please refer to note 1.

Adjusted earnings per share is provided to reflect the underlying earnings performance of the Group.

Basic earnings per share
Basic EPS is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period, excluding own shares held by the Employee Benefit Trust.

Diluted earnings per share
Diluted EPS is calculated by dividing the profits for the period attributable to ordinary shareholdings by the weighted average number of shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of the potentially dilutive shares.

10. Financial instruments
Derivative financial instruments
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 30 September 2022, which were measured at Level 2 fair value subsequent to initial recognition:

	Unaudited six months ended 30 Sep 2022	Unaudited six months ended 30 Sep 2021	Twelve months ended 31 Mar 2022
Forward exchange contracts carrying amount	**$000**	$000	$000
Derivative financial assets	**502**	375	316
Derivative financial liabilities	**(1,467)**	—	(18)

The Group has forward currency hedging contracts outstanding at 30 September 2022 designated as hedges of expected future purchases in US dollars, Chinese renminbi and Japanese yen for which the Group has firm commitments, as the derivatives are based on forecasts and an economic relationship exists at the time the derivative contracts are taken out. The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments.

11. Capital commitments

At 30 September 2022, the Group had outstanding authorised capital commitments to purchase plant and equipment for $2.3 million (HY2022: $553,000).

12. Related parties

As at 30 September 2022, there are no changes to the related parties or types of transactions as disclosed at 31 March 2022.

13. Acquisitions

On 23 May 2022, the Group purchased the remaining 49% interest in Anker Play Products LLC (‘APP'), bringing its total ownership to 100%. This was completed pursuant to the exercise of a put option by Maxwell Summers, Inc., the holder of the remaining 49% interest, which the Group was legally obliged to purchase with the exercise of the put option under the APP Limited Liability Company agreement dated 30 March 2017. The transaction was contractually committed on 23 May 2022, with an effective date of 1 April 2022. The transaction, made through the Group’s American subsidiary IG Design Group Americas, Inc., was satisfied with a cash payment of $3.0 million. The consideration was satisfied from the existing Group banking facilities.

14. Purchase of own shares

On 29 September 2022, the trustee of the IG Design Group Plc Employee Benefit Trust (the "EBT"), purchased 1 million ordinary shares of 5 pence each in the Company ("ordinary shares") at an average price of 77.50 pence per ordinary share. These ordinary shares are to be held in the EBT and are intended to be used to satisfy the exercise of share options by employees. The EBT is a discretionary trust for the benefit of the Company's employees, including the Directors of the Company. The purchase of ordinary shares by the EBT has been funded by a loan provided by the Company from its existing financing facilities. The EBT has waived its rights to dividend payments.

15. Non-adjusting post balance sheet events

There were no known material non-adjusting events which occurred between the end of the reporting period and prior to the authorisation of this interim report.

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Independent review report to IG Design Group Plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed IG Design Group Plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Report of IG Design Group Plc for the 6 month period ended 30 September 2022 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies.

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 September 2022;
- the Condensed consolidated income statement and the 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 of IG Design Group Plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

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. In preparing the Interim Report, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. 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.

PricewaterhouseCoopers LLP

Chartered Accountants
Watford
29 November 2022