EMBARGOED UNTIL 7.00 AM, 27 NOVEMBER 2018

IG Design Group plc

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

Results for the six months ended 30 September 2018

Organic growth and acquisition of Impact Innovations delivers 76% underlying profits growth and full year upgrade

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of celebrations, gifting, stationery and creative play products, is pleased to announce its results for the six months ended 30 September 2018.

Financial Highlights

- Reported revenue up 23% to £205.2 million (H1 2018: £166.5 million)
  - driven by organic growth[a] of 4% and the acquisition of Impact Innovations Inc. ("Impact")
- Underlying operating profit[b] increased 71% to £19.0 million (H1 2018: £11.1 million)
  - reflecting 35% organic growth[a] and the peak trading period of Impact
- Underlying operating margin increased to 9.3% (H1 2018: 6.7%)
- Underlying profit before tax[b] up 76% to £18.5 million (H1 2018: £10.5 million)
- Profit before tax up 48% to £14.0 million (H1 2018: £9.5 million)
- Underlying fully diluted earnings per share[b] up 79% at 19.5p (H1 2018: 10.9p)
- Net debt at the half year in line with expectations at £100.0 million (H1 2018: £70.2 million), reflecting the acquisition of Impact and seasonal working capital requirements. Adjusting for acquisitions and foreign exchange movements half year debt was at £75.3 million
- Average leverage[c] during the 12 month period to 30 September 2018 was 1.3 times (12 months to 30 September 2017: 1.9 times)
- Interim dividend per share increased by 25% to 2.5p (H1 2018: 2.0p)

Strategic and Operational Highlights

- Sales and profits growth delivered across all regions with particularly strong overall performances in Europe, the USA and Australia
- The acquisition of Impact, a leading supplier of gift packaging and seasonal décor products in the US, completed on 31 August 2018, supported by the successful completion of the £50 million equity placing;
  - integration of Impact and Design Group Americas progressing well, with synergies expected to be delivered on time or sooner;
  - consolidation of the manufacturing operations underway with production moving to Memphis, and conditional sale of Design Group America's facilities in Midway, Georgia;
  - commitment to investing in our printing capabilities in Memphis in line with management's plan;
- The Group's growth strategy has continued to be well executed:
  - the new state-of-the art printing press in the Netherlands is now fully operational and supporting record levels of production volume and improved efficiencies;
  - the full integration of Biscay in Australia delivering targeted synergies;
  - an on time go-live of phase one of the new enterprise IT system in the USA; and
  - the new initiative of 'not-for-resale' paper bags in the UK resulting in increased volumes with a strong pipeline of new customers.

Outlook

- Organic growth and stronger performance from Impact anticipated to deliver earnings ahead of market expectations.

Paul Fineman, CEO, commented:

"Our overall performance during the first half of the year has been particularly pleasing. Alongside the completion of a milestone acquisition in the USA, we have seen robust organic growth particularly in higher margin product categories and an excellent return on investment coming through from the many efficiency initiatives undertaken.

The acquisition of Impact was a landmark moment for the Company and, since completion, our teams have been effective in implementing the integration and leveraging the increased scale we now have as the world's largest consumer gift packaging business. The potential synergies identified at the time of the acquisition are expected to be delivered in line with or ahead of schedule.

With strong forward visibility and confidence in full year prospects across profits growth and cash generation, we are pleased to report that the interim dividend per share will be increased by 25% to 2.5p.

We go into the second half with a record order book and meaningful operational and commercial initiatives in full swing throughout the Group. As a result we are pleased to announce the Group's full year forecasted earnings are anticipated to be ahead of market expectations. The Board is confident that our stakeholders should expect more of the same going forward, as these results are a product of the ongoing investment made in the Group. We have great confidence that we remain very well placed for future growth both organically and through well considered M&A opportunities."

[a] organic growth calculated on like for like exchange rates
[b] stated before exceptional items and LTIP charges. A reconciliation to reported (IFRS) results is included in the Executive review
[c] calculated as the twelve month average net debt divided by the last twelve months EBITDA before exceptional items and LTIP charges as at the half year to 30 September 2018

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Notes to Editors

IG Design Group plc (LON: IGR), the largest consumer gift packaging business in the world, is a designer, innovator and manufacturer of products that help people celebrate life's special occasions. Design Group works with more than 10,000 customers in over 80 countries throughout the UK, Europe, Australia, Asia and the Americas. Its products are found in over 200,000 retail outlets, including several of the world's biggest retailers, for example Walmart, Tesco, Amazon, Carrefour, Lidl and Aldi. Its brand, Tom Smith, also holds the Royal Warrant for the supply of Christmas crackers and Christmas wrapping paper to the Royal family.

Design Group is a diverse business operating across multiple regions, categories, seasons and brands. Its four core categories are: Celebrations, Stationery and Creative Play, Gifting, and Not-for-resale paper bags. It offers customers a full end-to-end service from design through to distribution, offering both branded and bespoke products from the value-focused through to the higher-margin ends of the market. The recently completed acquisition of Impact Innovations Inc. has significantly increased the scale of the Group and added to the Celebrations category with seasonal home décor product range providing a further opportunity for growth.

The Company was admitted to the Alternative Investment Market of the London Stock Exchange in 1995 under the name 'International Greetings plc' and rebranded to IG Design Group plc in 2016. For further information please visit www.thedesigngroup.com

EXECUTIVE REVIEW

Overview

The Group has delivered excellent results for the first half of the year, with continued sales and profit growth across all regions driving a significant increase in earnings per share. We are particularly delighted with the performance of the Group's recent acquisition, Impact Innovations Inc. ("Impact"), and the contribution it has already made to the Group. The integration of Impact with our existing US business is well underway and we are on track to deliver the expected synergies on time or sooner.

During the first six months of the year, revenue increased by 23% to £205.2 million with underlying profit before tax increasing by 76% to £18.5 million (H1 2018: £10.5 million). The most significant factor driving the year-on-year profit improvement was the increase in the Group's underlying operating margin to 9.3% (H1 2018: 6.7%). This was driven in part by the timing of the Impact acquisition during its peak trading period and the strength of the Group's business model, including the broad and diverse nature of our customer base, product categories and brands supported by our focus on efficiency, product mix and innovation. Excluding the effect of foreign exchange and Impact since acquisition, Group sales increased by 4% and underlying profit before tax increased by 38%. The business remains focused on the ongoing improvement in annual operating margins.

Average leverage[a] improved to 1.3 times for the twelve month period to 30 September 2018 from 1.9 times for the comparative period in 2017. Net debt increased in the first half of the year in line with expectations to £100.0 million (H1 2018: £70.2 million) primarily reflecting the acquisitions of Impact and Biscay and the anticipated seasonal cash outflow in the business. The seasonal cash outflow reflects the timing of the half year which coincides with the Group's peak working capital requirement. This increase in inventory and accounts receivable is in line with the Group's annual working capital cycle and will convert to cash in the second half.

Underlying fully diluted earnings per share were up by 79% to 19.5p (H1 2018: 10.9p). Fully diluted earnings per share were up by 41% to 14.0p (H1 2018: 9.9p).

A final dividend of 4.0p was paid in September 2018 in respect of the year ended 31 March 2018, making a total dividend of 6.0p for 2017/18 with dividend cover at 3.6 times compared to 4.0 times in the prior year. The Board is pleased to declare an interim dividend of 2.5p in respect of the half year ended 30 September 2018 (H1 2018: 2.0p).

(a) Calculated as the twelve month average net debt divided by the last twelve months EBITDA before exceptional items and LTIP charges.

Our strategy

Our business has been built through developing our core capabilities, including design and innovation, having a broad product offering, maintaining geographic and channel diversity in key markets, leveraging our global scale and focusing on developing value and award-winning services for our customers.

Our future growth focuses on taking advantage of key market and industry trends, which include the opportunities from technological developments in our product categories, retailer consolidation, consumer focus on design and innovation and the potential from industry consolidation.

Together our core strengths and the market dynamics offer the Group significant opportunities to grow the business – as such our strategy focuses on the following:

- Working with the winners:
  - increasing revenue through organic growth with both existing and new customers, suppliers and product areas benefiting from the shifting retail marketplace.

- Design and innovation:
  - developing new opportunities in new channels and adjacent product categories; and
  - expanding our presence in the growing market for celebration events throughout the year.

- Efficiency and scale:
  - driving margins through investment in process and people; and
  - pursuing accretive M&A opportunities focused on unlocking synergies through economies of scale and strengthening our 'one-stop-shop' position with customers.

Our strategy focuses on delivering the following key commitments to shareholders:

- sustained double-digit growth in earnings attributable to shareholders;
- maintaining average leverage between 1.0 and 2.0 times; and
- a progressive dividend policy and our commitment of moving dividend cover over time towards at least 2.5 times earnings per share.

During the first half of this year, the Group continued to deliver on its strategy, specifically growing revenue organically across the UK, Europe and Australia alongside the successful acquisitions of Biscay and Impact, both made over the last twelve months and delivering strongly so far.

Investment in our new state-of-the-art printing press in the Netherlands, which was installed in March 2018, is already supporting record levels of production volumes and increased efficiencies. Innovation in product design, and the introduction of new licenses continues across the Group, highlighted by the recent launch of the new Ferrero Rocher cracker range and augmented reality creative play products.

Outlook

The order book for the Group is ahead of last year and in line with management expectations. As such, the business has excellent visibility in relation to the balance of the year's revenues. Our focus during the remaining peak period is on operational execution while developing further opportunities for the balance of the year and beyond.

The Group expects all regions to achieve year-on-year growth in revenue and profits. Underpinned by organic growth and stronger performance from Impact, the Board is pleased to announce the Group's full year forecasted earnings are anticipated to be ahead of market expectations and will show significant growth over the prior year. We anticipate that the Group will deliver another year of strong cash conversion, with average leverage expected to be no more than 1.3 times underlying EBITDA at the year end.

Operational regional summary

Looking across the regions, we are pleased to report growth in both revenue and margin for each region. Overall, the Group saw a significant improvement in the operating margin across all territories, which increased to 9.3% of revenue compared to 6.7% in the prior year period.

			Segmental sales			Profit[a]			Margin	
% Group revenue			**H1 2019**	H1 2018	% growth	**H1 2019**	H1 2018	% growth	**H1 2019 %**	H1 2018 %
30%	UK and Asia	£m	**60.6**	59.3	2.3	**4.9**	4.7	5.7	**8.1**	7.9
49%	Americas	$m	**131.6**	91.3	44.1	**13.5**	7.5	80.0	**10.3**	8.2
	Organic	*$m*	***88.9***	*91.3*	*(2.6)*	***7.5***	*7.5*	*(0.6)*	***8.4***	*8.2*
	Impact	*$m*	***42.7***	—	—	***6.1***	—	—	***14.2***	—
13%	Europe	€m	**30.7**	24.5	25.4	**3.8**	2.2	75.9	**12.3**	8.8
10%	Australia	AU$m	**36.7**	30.9	18.8	**3.8**	2.0	85.1	**10.3**	6.6
(2%)	Elims/central costs	£m	**(3.8)**	(2.5)	—	**(2.0)**	(2.3)	—	**—**	—
100%	Total	£m	**205.2**	166.5	23.2	**19.0**	11.1	70.9	**9.3**	6.7

(a) Segmental profit is calculated as operating profit before exceptional items, LTIP charges and management recharge.

UK and Asia

Our UK and Asia business continued to drive up sales volumes and accounted for 30% (H1 2018: 36%) of Group revenue for the half year. Sales in the UK and Asia increased 2.3% to £60.6 million (H1 2018: £59.3 million) delivering a profit up 5.7% at £4.9 million (H1 2018: £4.7 million), a particularly pleasing performance given the volatility of the UK retail market over the period. Margin increases in the region have started to flow through following the unification of the previously separately managed businesses, as expected.

The 'not-for-resale' bags initiative has performed strongly, with brands such as Superdry and Joules using our facilities for production, leading the business to invest in a second bag line to go live in calendar quarter four 2019. Continued focus on growth opportunities in our existing product offering as well as initiatives to enter into related product categories remain the key priorities for this region as we enter the second half of the year and beyond.

As a group, the effects of Brexit are currently expected to be very much limited to its impact on movements in sterling on the foreign currency markets and the potential operational effects it might have on our UK business. The UK business now accounts for less than 30% of Group revenue and does not have any significant trading flows with European customers or suppliers. Despite this, the UK business has already developed a number of contingency strategies which include moving to UK based suppliers, re-routing imports to western ports and limited stock build in relation to raw material paper supplies. The Group continues to watch developments and prepare accordingly.

Europe

Our business in Europe continues to go from strength to strength, delivering strong sales growth of 25.4% and excellent profit growth of 75.9%, despite continued raw material price pressures.

Margins of 12.3% (H1 2018: 8.8%) are representative of the excellent trading relationships that the team in Europe has cultivated over many years and the benefit of sales mix moving into higher margin product categories. Margins have been further enhanced by the new printing press in the Netherlands which has been operational since the start of the financial year and is already supporting record production volume and delivering the planned improved efficiencies. The investment made in the press has been a key factor in providing the operational capacity to support the growth in sales and help deliver the region's uplift in margin, and the Board is very pleased with the financial payback being achieved on this capital expenditure. Furthermore, our bespoke gift product offering in Europe continues to achieve record sales levels and strong year-on-year growth.

Americas

Overall growth in our Americas business is 44.1% year-on-year at $131.6 million (H1 2018: $91.3 million) driven by the acquisition of Impact. The US now represent 49% (H1 2018: 42%) of Group revenue. Organic sales (excluding Impact) of $88.9 million were 2.6% behind last year (H1 2018: $91.3 million) due to the timing of shipments of customers' orders, which are later in the peak season this year compared to the previous year with profits broadly consistent at $7.5 million. As customer orders are now due to be fulfilled in the second half, the US business is set to achieve strong year-on-year growth in both sales and profit in the full year.

The Group acquired 100% of the equity interest in Impact in August 2018. Impact is a leading supplier of gift packaging and seasonal décor products in the US. The acquisition has created the world's largest consumer gift packaging business allowing the Group to:

- deliver significant earnings accretion in each of the next three financial years supported by annual synergies expected to be in excess of $5.0 million by year three;
- enable expansion into the growing and adjacent seasonal décor product category both in North America and in established Design Group markets around the world;
- add a complementary yet distinct customer base, and long-term relationships with major blue-chip US retailers;
- establish further scale within the US to create a world-class gift packaging manufacturing capability, leveraging established Group know-how; and
- deliver enhanced 'one-stop-shop' product and service solutions for customers.

The purchase price was £56.5 million plus a working capital adjustment, on a debt-free, cash-free basis. Full details of the assets acquired, which included stock, customer lists and the Impact brand and associated trade names, can be found in note 7 to the interim report. The acquisition was funded via a mix of share placing with institutional investors and local debt facilities.

We are delighted to see the strong performance and contribution Impact has made in just one month since completion with sales of $42.7 million (H1 2018: $nil) and profit of $6.1 million (H1 2018: $nil). This strong performance reflects the success of the business during its peak sales period. Following the acquisition, the Group is now fully focused on a rapid and successful integration into the existing business and pushing forward to achieve expected synergies. In October 2018 there was the first significant step in the integration process with the announcement of the consolidation of our combined manufacturing facilities in the US into our Memphis facilities and the closure of the operations in Midway, Georgia. This paves the way for sale of the freehold property in Midway, which is now under offer ahead of our expectations both in terms of timing and potential sale proceeds. The closure of the manufacturing facility in Midway also unlocks a number of operational savings in line with the expected synergies highlighted at the time of the acquisition. Alongside this, the Group has committed to investing in new printing capabilities in Memphis.

In addition, the US business successfully launched a new enterprise IT system over the period, which will enable the US business to deliver improved processes and provide the capacity for further growth.

In October 2018, the US Government introduced a tariff on certain product imports from China. However, the impact of the tariffs in relation to our 2018/19 buying cycle is minimal and will have no material effect on our financial forecasts. There are a number of product categories supplied by DG Americas that are affected by these tariffs and as such our team in the US is developing plans to mitigate the impact of the tariffs on the business. As we enter the new buying season for 2019/20 we are confident that our mitigating actions will ensure the Group is able to continue to deliver its plans in line with its financial expectations.

Australia

Our business in Australia accounts for 10% of overall Group sales (H1 2018: 11%) and has now successfully completed the integration of the Biscay business, acquired in January 2018, and is capitalising on the synergies arising. Although it is on a smaller scale than the Impact acquisition, the successful purchase, integration and management of Biscay is a demonstration of the Group's ability to execute on successful M&A deals which deliver real value. The acquisition, together with the strong market position the business has secured in the higher margin product category of greetings cards, has led the Australian business' margin to increase from 6.6% to 10.3%.

Sales for the period at AU$36.7 million were up 18.8% year-on-year with profits up 85.1% at AU$3.8 million reflecting the significantly improved margins and operational synergies following the acquisition.

Our products and brands

We pride ourselves on being a diversified, multi-category, multi-channel and multi-product manufacturer and supplier with our activities and sales generated across four core categories:

- 'Celebrations', including gift packaging, seasonal décor, greetings and partyware products;
- 'Stationery and Creative Play', including home, school and office products;
- 'Gifting', our design-led giftware products category; and
- 'Bags not-for-resale', focused on branded store bags.

The acquisition of Impact further diversifies our product portfolio and enhances our 'one-stop-shop' product offering to our broad customer base by adding seasonal décor products to our Celebrations category.

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	30 Sep 2018		30 Sep 2017	
Sales by product category	**%**	**£m**	%	£m
Celebrations	**77**	**157.3**	73	121.8
Stationery and Creative Play	**9**	**19.4**	12	20.6
Giftware	**10**	**21.3**	12	19.7
Bags 'not-for-resale'	**4**	**7.2**	3	4.4
Total		**205.2**		166.5

The acquisition of Impact drives up the revenue generated on Christmas specific products, but also adds further strength to our product base outside of the Christmas category business, with 'everyday' and 'minor seasons' accounting for 41% of our overall product offering.

Detailed financial review

The Group has delivered a strong financial performance for the period to 30 September 2018 underpinning our ambitions for future growth.

	30 Sep 2018 £m	30 Sep 2017 £m	% change
Revenue	**205.2**	166.5	23
Gross profit	**44.2**	35.4	25
Gross margin	***21.5%***	*21.2%*	
Overheads	**(25.2)**	(24.3)	4
Underlying operating profit	**19.0**	11.1	71
Underlying finance charge	**(0.5)**	(0.6)	(17)
Underlying profit before tax	**18.5**	10.5	76
Exceptional items	**(3.0)**	(0.1)	
LTIP charges	**(1.5)**	(0.9)	
Profit before tax	**14.0**	9.5	48
Tax	**(3.7)**	(2.7)	
Profit after tax	**10.3**	6.8	52

Reported revenues for the six months of £205.2 million have grown 23% over the previous year (H1 2018: £166.5 million) of which 4% was underlying organic growth at like-for-like foreign exchange rates. The main drivers of the underlying growth were our European and Australian territories, with Impact contributing £32.8 million to the first half's revenues.

Underlying operating profit of £19.0 million increased by 71%, of which 35% was organic growth at constant exchange rates (H1 2018: £11.1 million). Impact, since the completion of the acquisition, generated £4.7 million of operating profit in the period. Underlying operating profit margins at the half year grew to 9.3% (H1 2018: 6.7%). We continue to focus on overhead management and have kept overhead costs largely in line year-on-year despite the overall growth in the business.

Underlying profit before tax at £18.5 million (H1 2018: £10.5 million) is up 76% year-on-year. Profit before tax increased 48% year-on-year to £14.0 million (H1 2018: £9.5 million). Profit after tax for the six months to 30 September 2018 increased by 52% to £10.3 million (H1 2018: £6.8 million).

Finance charge

The Group continues to benefit from having the whole Group (except for our Australia business) under a single banking deal with competitive interest rates. Underlying finance costs (excluding finance related exceptional items) were 17% lower than the prior half year at £0.5 million (H1 2018: £0.6 million), reflecting lower average debt levels year-on-year despite the continued growth in the Group and increases during the period in the base rates in our core markets.

Exceptional items

The exceptional costs incurred to 30 September of £3.0 million (including exceptional finance costs but excluding the effect of tax) largely relate to the restructure of the US business linked to the acquisition of Impact. Exceptional costs of £0.3 million relate to the finance costs and include legal fees associated with the financing of the acquisition of Impact.

As the Group focuses on delivering the synergies targeted as part of the acquisition, it is anticipated that between £7-8 million of exceptional costs will be incurred by the end of the integration of which the significant majority will be incurred in the current financial year.

LTIP charges

A charge of £1.5 million has been incurred in the year to date (H1 2018: £0.9 million), the increase primarily reflecting the growth in the share price year-on-year and increased vesting assumptions driven by improved performance.

Taxation

The tax charge for the half year is £3.7 million (H1 2018: £2.7 million) with the effective tax charge on underlying profit before tax at 24% (H1 2018: 28%). This is in line with the weighted blend of statutory rates in the countries in which we operate. The reduction year-on-year primarily reflects the increased trading in the US where the federal tax rate reduced on 1 January 2018. The Group continues to anticipate a full-year effective tax rate of c.24%.

Earnings per share

Underlying fully diluted earnings per share grew 79% to 19.5p (H1 2018: 10.9p) reflecting the strong financial performance in the first half of the year. This increase is significantly affected by the acquisition of Impact during the period. The timing of the acquisition of Impact during its peak trading delivered a higher proportion of its annual profit in the period from acquisition to the close of the half year, with the effect of the equity raise only impacting from the time of the placing. Excluding the effect of the acquisition from the calculation, the underlying earnings per share calculation would deliver a 35% increase year-on-year. Basic earnings per share were 14.4p (H1 2018:10.2p).

	30 Sep 2018 pence	30 Sep 2017 pence
Underlying fully diluted earnings per share	**19.5**	10.9
Cost per share on LTIP charge	**(1.9)**	(1.0)
Cost per share on exceptional items	**(3.6)**	-
Fully diluted earnings per share	**14.0**	9.9

Dividends

On the back of the strong financial performance, the Board is pleased to announce an interim dividend of 2.5p (H1 2018: 2.0p) up 25% year-on-year.

Return on capital employed

The Group remains focused on improving the return on capital employed ("ROCE") in the business, and each region has its own target to improve its return on the average net capital employed. Overall, the Group saw the twelve month return on average net capital employed (excluding Impact) increase to 24.1% from 18.7% in the prior year period. The calculation of ROCE is based on the Group's underlying profit before interest and tax divided into the average net capital employed (excluding cash, provisions and intangible assets).

Cash flow and net cash

Due to the seasonal nature of our business, the Group's net debt position at the half year is higher than the year end. Net debt at 30 September 2018 was £100.0 million (H1 2018: £70.2 million) of which £75.3 million represents the underlying element excluding foreign exchange and the funding of the acquisitions of Impact and Biscay. This £5.1 million increase over the prior year represents timing and growth in the underlying business. Average leverage, being the twelve month average net debt divided by the last twelve months EBITDA as at the half year to 30 September 2018 was 1.3 times, down from 1.9 times for the comparative prior year period, demonstrating the continued focus on our balance sheet and working capital management throughout the year.

As at 30 September 2018, cash used by our operations was £76.5 million (H1 2018: £64.5 million).

	30 Sep 2018 £m	30 Sep 2017 £m
EBITDA[(a)]	**22.1**	13.7
Change in trade and other receivables	**(108.5)**	(90.3)
Change in inventory	**(32.3)**	(21.4)
Change in creditors, provisions and accruals	**43.9**	33.8
Exceptional items from operations	**(1.1)**	(0.1)
LTIP	**(0.6)**	(0.2)
Cash used by operations	**(76.5)**	(64.5)
Proceeds from sale of property, plant and equipment	**0.5**	-
Net capital expenditure	**(3.6)**	(3.8)
Business acquired	**(67.1)**	-
Tax paid	**(2.2)**	(1.5)
Interest paid	**(0.6)**	(0.7)
Dividends paid to non-controlling interests	**-**	(0.6)
Equity dividends paid	**(2.6)**	(1.7)
Proceeds from issue of share capital	**48.3**	-
Other	**(0.6)**	(0.1)
Movement in net debt	**(104.4)**	(72.9)
Opening net cash	**4.4**	2.7
Closing net debt	**(100.0)**	(70.2)

(a) Before exceptional items and LTIP charges.

Working capital

The management of working capital across the Group remains a priority. The main driver of the working capital outflow in the year was the increase in trade debtors and inventory, partially offset by increased trade creditors, which reflects the overall growth of the business year-on-year and the phasing of sales around the half year period end.

Capital expenditure

Over the course of the past six months we have continued to invest in the growth of the business. In the first half we have spent £3.6 million (H1 2018: £3.8 million), with significant capital projects during the period including:

- a new gift wrap converting line in Europe; and
- the new ERP system implementation programme in the US.

Full-year guidance remains between £10 million and £12 million.

Reconciliation of underlying and reported statutory (IFRS) results

A reconciliation between underlying and reported statutory results is provided below:

	30 Sep 2018 £m	30 Sep 2017 £m
Underlying profit before tax	**18.5**	10.5
Exceptional items	**(3.0)**	(0.1)
LTIP charges	**(1.5)**	(0.9)
Profit before tax	**14.0**	9.5

Statement of Directors’ responsibilities

We confirm to the best of our knowledge that:

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

By order of the Board

Paul Fineman
Chief Executive Officer

26 November 2018

Giles Willits
Chief Financial Officer

26 November 2018

CONSOLIDATED INCOME STATEMENT
Six months ended 30 September 2018

	Note	**Unaudited six months ended 30 Sep 2018 £000**	Unaudited six months ended 30 Sep 2017 £000	Twelve months ended 31 Mar 2018 £000
Revenue		**205,238**	166,530	327,516
Cost of sales		**(161,754)**	(131,168)	(257,532)
Gross profit		**43,484**	35,362	69,984
		21.2%	21.2%	21.4%
Selling expenses		**(10,557)**	(9,383)	(20,005)
Administration expenses		**(18,363)**	(15,998)	(30,346)
Other operating income		**284**	179	1,477
Operating profit		**14,848**	10,160	21,110
Finance expenses		**(827)**	(660)	(1,392)
Profit before tax		**14,021**	9,500	19,718
Income tax charge	5	**(3,757)**	(2,733)	(5,384)
Profit for the period		**10,264**	6,767	14,334
Attributable to:				
Owners of the Parent Company		**9,553**	6,432	13,545
Non-controlling interests		**711**	335	789

Operating profit analysed as:				
Underlying operating profit		**19,011**	11,122	22,828
Exceptional items	3	**(2,661)**	(88)	539
LTIP charges		**(1,502)**	(874)	(2,257)
Operating profit		**14,848**	10,160	21,110

Finance expenses analysed as:				
Underlying finance expenses		**(547)**	(660)	(1,392)
Exceptional items	3	**(280)**	—	—
Finance expenses		**(827)**	(660)	(1,392)

Earnings per ordinary share

		Unaudited six months ended 30 Sep 2018		Unaudited six months ended 30 Sep 2017		Twelve months ended 31 Mar 2018	
	Note	**Diluted pence**	**Basic pence**	Diluted pence	Basic pence	Diluted pence	Basic pence
Underlying earnings per share excluding exceptional items and LTIP charges		**19.5**	**20.1**	10.9	11.3	21.8	22.9
Cost per share on LTIP charge		**(1.9)**	**(2.0)**	(1.0)	(1.1)	(2.7)	(2.9)
Underlying earnings per share excluding exceptional items		**17.6**	**18.1**	9.9	10.2	19.1	20.0
Cost per share on exceptional items		**(3.6)**	**(3.7)**	—	—	1.4	1.4
Earnings per share	6	**14.0**	**14.4**	9.9	10.2	20.5	21.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 September 2018

	Unaudited six months ended 30 Sep 2018 £000	Unaudited six months ended 30 Sep 2017 £000	Twelve months ended 31 Mar 2018 £000
Profit for the period	**10,264**	6,767	14,334
Other comprehensive income:			
Exchange difference on translation of foreign operations (net of tax)	**611**	(573)	(1,632)

Transfer to profit and loss on maturing cash flow hedges (net of tax)	**27**	(271)	(271)
Net loss on cash flow hedges (net of tax)	**(630)**	(110)	(27)
Other comprehensive income for period, net of tax, items which may be reclassified to profit and loss in subsequent periods	**8**	(954)	(1,930)
Total comprehensive income for the period, net of tax	**10,272**	5,813	12,404
Attributable to:			
Owners of the Parent Company	**9,476**	5,676	12,001
Non-controlling interests	**796**	137	403
	10,272	5,813	12,404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2018

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 31 March 2018	**3,194**	**9,815**	**17,164**	**(27)**	**1,305**	**65,404**	**96,855**	**3,661**	**100,516**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**9,553**	**9,553**	**711**	**10,264**
Other comprehensive income	**—**	**—**	**—**	**(603)**	**526**	**—**	**(77)**	**85**	**8**
Total comprehensive income for the year	**—**	**—**	**—**	**(603)**	**526**	**9,553**	**9,476**	**796**	**10,272**
Equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**1,014**	**1,014**	**—**	**1,014**
Tax on equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**(286)**	**(286)**	**—**	**(286)**
Shares issued	**641**	**63,065**	**—**	**—**	**—**	**—**	**63,706**	**—**	**63,706**
Disposal of minority interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(110)**	**(110)**
Options exercised	**79**	**18**	**—**	**—**	**—**	**(68)**	**29**	**—**	**29**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**(2,597)**	**(2,597)**	**—**	**(2,597)**
At 30 September 2018	**3,914**	**72,898**	**17,164**	**(630)**	**1,831**	**73,020**	**168,197**	**4,347**	**172,544**

Six months ended 30 September 2017

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 31 March 2017	3,132	9,769	17,164	271	2,551	53,330	86,217	3,833	90,050
Profit for the period	—	—	—	—	—	6,432	6,432	335	6,767
Other comprehensive income	—	—	—	(381)	(375)	—	(756)	(198)	(954)
Total comprehensive income for the period	—	—	—	(381)	(375)	6,432	5,676	137	5,813
Equity-settled share-based payments	—	—	—	—	—	594	594	—	594
Tax on equity-settled share-based payments	—	—	—	—	—	424	424	—	424
Options exercised	31	—	—	—	—	(31)	—	—	—
Equity dividends paid	—	—	—	—	—	(1,734)	(1,734)	(575)	(2,309)
At 30 September 2017	3,163	9,769	17,164	(110)	2,176	59,015	91,177	3,395	94,572

Year ended 31 March 2018

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 1 April 2017	3,132	9,769	17,164	271	2,551	53,330	86,217	3,833	90,050
Profit for the year	—	—	—	—	—	13,545	13,545	789	14,334
Other comprehensive income	—	—	—	(298)	(1,246)	—	(1,544)	(386)	(1,930)
Total comprehensive income for the year	—	—	—	(298)	(1,246)	13,545	12,001	403	12,404

Equity-settled share-based payments	—	—	—	—	—	1,677	1,677	—	1,677
Tax on equity-settled share-based payments	—	—	—	—	—	(111)	(111)	—	(111)
Options exercised	62	46	—	—	—	(37)	71	—	71
Equity dividends paid	—	—	—	—	—	(3,000)	(3,000)	(575)	(3,575)
At 31 March 2018	3,194	9,815	17,164	(27)	1,305	65,404	96,855	3,661	100,516

CONSOLIDATED BALANCE SHEET

As at 30 September 2018

	Note	**Unaudited as at 30 Sep 2018 £000**	Unaudited as at 30 Sep 2017 £000	As at 31 Mar 2018 £000
Non-current assets				
Property, plant and equipment		**45,221**	33,270	35,499
Intangible assets		**79,190**	33,879	36,547
Deferred tax assets		**2,909**	4,640	2,663
Total non-current assets		**127,320**	71,789	74,709
Current assets				
Inventory		**110,233**	70,197	49,311
Trade and other receivables		**183,571**	120,422	37,369
Derivative financial assets		**341**	188	113
Cash and cash equivalents	4	**1,591**	2,282	9,031
Total current assets		**295,736**	193,089	95,824
Total assets		**423,056**	264,878	170,533
Equity				
Share capital		**3,914**	3,163	3,194
Share premium		**71,558**	8,429	8,475
Capital redemption reserve		**1,340**	1,340	1,340
Reserves		**18,365**	19,230	18,442
Retained earnings		**73,020**	59,015	65,404
Equity attributable to owners of the Parent Company		**168,197**	91,177	96,855
Non-controlling interests		**4,347**	3,395	3,661
Total equity		**172,544**	94,572	100,516
Non-current liabilities				
Loans and borrowings	4	**3,315**	(39)	3,781
Deferred income		**—**	1,048	998
Provisions		**1,113**	883	894
Other financial liabilities		**1,762**	1,960	1,440
Deferred tax liability		**2,110**	584	373
Total non-current liabilities		**8,300**	4,436	7,486
Current liabilities				
Bank overdraft	4	**2,498**	6,409	—
Loans and borrowings	4	**95,824**	66,055	894
Deferred income		**1,047**	152	99
Provisions		**1,009**	455	429
Income tax payable		**3,676**	3,337	3,364
Trade and other payables		**118,421**	72,763	38,757
Other financial liabilities		**19,737**	16,699	18,988
Total current liabilities		**242,212**	165,870	62,531
Total liabilities		**250,512**	170,306	70,017
Total equity and liabilities		**423,056**	264,878	170,533

CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2018

	Unaudited six months ended 30 Sep 2018 £000	Unaudited six months ended 30 Sep 2017 £000	Twelve months ended 31 Mar 2018 £000
Cash flows from operating activities			
Profit for the year	**10,264**	6,767	14,334
Adjustments for:			
Depreciation	**2,316**	2,198	4,345

Amortisation of intangible assets	**737**	347	818
Impairment of goodwill	**—**	—	36
Finance expenses	**827**	660	1,392
Income tax charge	**3,757**	2,733	5,384
Profit on sales of property, plant and equipment	**(4)**	(2)	(1,953)
Loss on external sale of intangible fixed assets	**311**	—	1
Equity-settled share-based payment	**1,502**	874	2,257
Operating profit after adjustments for non-cash items	**19,710**	13,577	26,614
Change in trade and other receivables	**(108,524)**	(90,306)	(9,133)
Change in inventory	**(32,335)**	(21,358)	819
Change in trade and other payables	**44,700**	33,601	3,612
Change in provisions and deferred income	**(80)**	(45)	(199)
Cash (used by)/generated from operations	**(76,529)**	(64,531)	21,713
Tax paid	**(2,236)**	(1,501)	(3,099)
Interest and similar charges paid	**(605)**	(734)	(1,483)
Net cash (outflow)/inflow from operating activities	**(79,370)**	(66,766)	17,131
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	**515**	27	2,596
Acquisition of businesses	**(67,055)**	—	(5,145)
Acquisition of intangible assets	**(1,044)**	(462)	(1,377)
Acquisition of property, plant and equipment	**(2,507)**	(3,372)	(7,992)
Receipt of government grants	**—**	15	15
Net cash outflow from investing activities	**(70,091)**	(3,792)	(11,903)
Cash flows from financing activities			
Proceeds from issue of share capital	**48,348**	—	71
Repayment of secured borrowings	**(500)**	—	(165)
Net movement in credit facilities	**94,868**	66,265	—
Payment of finance lease liabilities	**—**	(17)	(46)
New bank loans raised	**—**	—	5,108
Loan arrangement fees	**(30)**	(67)	(111)
Equity dividends paid	**(2,597)**	(1,734)	(3,000)
Dividends paid to non-controlling interests	**—**	(575)	(575)
Net cash inflow from financing activities	**140,089**	63,872	1,282
Net (decrease)/increase in cash and cash equivalents	**(9,372)**	(6,686)	6,510
Cash and cash equivalents at beginning of period	**9,031**	2,743	2,743
Effect of exchange rate fluctuations on cash held	**(566)**	(184)	(222)
Cash and cash equivalents at end of the period	**(907)**	(4,127)	9,031

NOTES TO THE INTERIM FINANCIAL STATEMENTS
Six months ended 30 September 2018

1 Accounting policies
Basis of preparation
The financial information contained in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and is unaudited.

The Group interim report has been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). The financial information for the year ended 31 March 2018 is extracted from the statutory accounts of the Group for that financial year and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The auditor's report was (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under Section 498 (2) of the Companies Act 2006.

The interim report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

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

As with any company placing reliance on external entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of this interim report, they have no reason to believe that it will not do so.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Significant accounting policies

The accounting policies adopted in the preparation of the interim report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

2 Segmental information

The Group has one material business activity being the design, manufacture and distribution of gift packaging and greetings, stationery and creative play products, and design-led giftware.

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

The results below are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure. The decision was made during 2011 to focus Asia as a service provider of manufacturing and procurement operations, whose main customers are our UK businesses.

Both the China factory and the majority of the Hong Kong procurement operations are now overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise an operating segment.

Intra-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Financial performance of each segment is measured on operating profit. Interest income or expense and tax are managed on a Group basis and not split between reportable segments.

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

	UK and Asia £000	**Europe £000**	**USA £000**	**Australia £000**	**Central and eliminations £000**	**Group £000**
Six months ended 30 September 2018						
Revenue – external	**58,092**	**25,934**	**100,730**	**20,482**	**—**	**205,238**
– inter segment	**2,516**	**1,274**	**—**	**—**	**(3,790)**	**—**
Total segment revenue	**60,608**	**27,208**	**100,730**	**20,482**	**(3,790)**	**205,238**
Segment result before exceptional items, LTIP charges and management recharge	**4,936**	**3,369**	**10,639**	**2,116**	**(2,049)**	**19,011**
Exceptional items						**(2,661)**
LTIP charges						**(1,502)**
Operating profit						**14,848**
Finance expenses						**(547)**
Finance expense treated as exceptional						**(280)**
Income tax						**(3,757)**
Profit for the six months ended 30 September 2018						**10,264**
Balances at 30 September 2018						
Segment assets	**162,740**	**41,712**	**144,908**	**70,001**	**2,909**	**422,270**
Segment liabilities	**(7,524)**	**(34,995)**	**(146,425)**	**(54,996)**	**(5,786)**	**(249,726)**
Capital expenditure additions						
– property, plant and equipment	**1,911**	**338**	**9,479**	**212**	**—**	**11,940**
– intangible assets	**117**	**10**	**917**	**—**	**—**	**1,044**
Depreciation	**1,095**	**428**	**473**	**320**	**—**	**2,316**
Amortisation	**94**	**15**	**466**	**162**	**—**	**737**

	UK and Asia £000	Europe £000	USA £000	Australia £000	Central and eliminations £000	Group £000
Six months ended 30 September 2017						
Revenue – external	57,516	20,817	69,713	18,484	—	166,530
– inter segment	1,737	786	—	—	(2,523)	—
Total segment revenue	59,253	21,603	69,713	18,484	(2,523)	166,530
Segment result before exceptional items, LTIP charges and management recharge	4,670	1,918	5,592	1,227	(2,285)	11,122
Exceptional items						(88)
LTIP charges						(874)
Operating profit						10,160
Net finance expenses						(660)
Income tax						(2,733)
Profit for the six months ended 30 September 2017						6,767
Balances at 30 September 2017						

Segment assets	147,275	32,870	63,985	16,108	4,640	264,878
Segment liabilities	(62,018)	(28,276)	(65,247)	(10,844)	(3,921)	(170,306)
Capital expenditure						
– property, plant and equipment	2,263	789	124	196	—	3,372
– intangible assets	32	10	420	—	—	462
Depreciation	1,192	341	425	240	—	2,198
Amortisation	92	25	219	11	—	347

	UK and Asia £000	Europe £000	USA £000	Australia £000	Central and eliminations £000	Group £000
Year ended 31 March 2018						
Revenue – external	119,283	50,977	120,284	36,972	—	327,516
– inter segment	4,031	786	—	—	(4,817)	—
Total segment revenue	123,314	51,763	120,284	36,972	(4,817)	327,516
Segment result before exceptional items, LTIP charges and management recharge	7,899	6,689	9,322	2,921	(4,003)	22,828
Exceptional items						539
LTIP charges						(2,257)
Operating profit						21,110
Net finance expenses						(1,392)
Income tax						(5,384)
Profit for the year ended 31 March 2018						14,334
Balances at 31 March 2018						
Segment assets	123,310	15,146	14,064	15,350	2,663	170,533
Segment liabilities	(31,916)	(8,695)	(15,983)	(9,686)	(3,737)	(70,017)
Capital expenditure additions						
– property, plant and equipment	4,078	2,786	333	1,593	—	8,790
– intangible assets	109	50	1,218	2,624	—	4,001
Depreciation	2,229	722	871	523	—	4,345
Amortisation	219	27	474	98	—	818

3 Exceptional items

	Six months ended 30 Sep 2018					Six months	Twelve months
	Cost of sales £000	**Selling expenses £000**	**Admin expenses £000**	**Finance expenses £000**	**Total £000**	ended 30 Sep 2017 £000[d]	ended 31 Mar 2018 £000[e]
Transaction costs[a]	**—**	**—**	**(1,701)**	**(280)**	**(1,981)**	(88)	(553)
US restructure[b]	**(698)**	**(148)**	**(114)**	**—**	**(960)**	—	—
Sale of Hirwaun property[c]	**—**	**—**	**—**	**—**	**—**	—	1,092
Total before tax	**(698)**	**(148)**	**(1,815)**	**(280)**	**(2,941)**	(88)	539
Income tax credit					**479**	4	238
					(2,462)	(84)	777

Transaction costs relating predominantly to the acquisition of Impact Innovations Inc. in the current year (including the charge relating to the unwind of the inventory fair value adjustment see note 7) and the acquisition of the trade and certain assets of Biscay Greetings Pty Ltd and the remaining costs from the acquisition of the Lang Companies Inc. in the prior year.

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

The exceptional gain on the sale of the Hirwaun property in Wales comprises the sale proceeds net of any related costs including restructuring for the rationalisation of operations to suit the revised footprint.

Transaction costs for the six months to 30 September 2017 were included within admin expenses.

Prior year transaction costs were included in admin expenses, gain on sale of Hirwaun property was included within other operating income.

4 Cash, loans and borrowings

Net debt

	Six months ended 30 Sep 2018 £000	Six months ended 30 Sep 2017 £000	Twelve months ended 31 Mar 2018 £000
Cash and cash equivalents	**1,591**	2,282	9,031
Bank overdrafts	**(2,498)**	(6,409)	—
Cash and cash equivalents per cash flow statement	**(907)**	(4,127)	9,031
Bank loans and borrowings	**(99,201)**	(66,265)	(4,780)
Loan arrangement fees	**62**	249	105
Finance leases	**—**	(30)	—

Net debt as used in the executive summary	**(100,046)**	(70,173)	4,356

Split between current and non-current

	Six months ended 30 Sep 2018 £000	Six months ended 30 Sep 2017 £000	Twelve months ended 31 Mar 2018 £000
Non-current liabilities			
Secured bank loans	**(3,333)**	—	(3,791)
Loan arrangement fees	**18**	39	10
	(3,315)	39	(3,781)
Current liabilities			
Asset backed loan	**(33,920)**	(36,374)	—
Revolving credit facilities	**(60,948)**	(29,891)	—
Current portion of secured bank loans	**(1,000)**	—	(989)
Bank loans and borrowings	**(95,868)**	(66,265)	(989)
Loan arrangement fees	**44**	210	95
	(95,824)	(66,055)	(894)

Finance leases of £nil (H1 2018: £30,000) are included within other financial liabilities and are split £nil (H1 2018: £1,000) non-current and £nil (H1 2018: £29,000) current.

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

5 Taxation

	Six months ended 30 Sep 2018 £000	Six months ended 30 Sep 2017 £000	Twelve months ended 31 Mar 2018 £000
Current tax expenses			
Current income tax charge	**2,522**	2,082	3,483
Deferred tax expenses			
Relating to original and reversal of temporary differences	**1,235**	651	1,901
Total tax in income statement	**3,757**	2,733	5,384

Taxation for the six months to 30 September 2018 is based on the effective rate of taxation, which is estimated to apply in each country for the year ended 31 March 2019.

6 Earnings per share

	Six months ended 30 Sep 2018		Six months ended 30 Sep 2017		Twelve months ended 31 Mar 2018	
	Diluted pence	**Basic pence**	Diluted pence	Basic pence	Diluted pence	Basic pence
Underlying earnings per share excluding exceptional items and LTIP charges	**19.5**	**20.1**	10.9	11.3	21.8	22.9
Cost per share on LTIP charge	**(1.9)**	**(2.0)**	(1.0)	(1.1)	(2.7)	(2.9)
Underlying earnings per share excluding exceptional items	**17.6**	**18.1**	9.9	10.2	19.1	20.0
Earnings per share on exceptional items	**(3.6)**	**(3.7)**	—	—	1.4	1.4
Earnings per share	**14.0**	**14.4**	9.9	10.2	20.5	21.4

The basic earnings per share is based on the profit attributable to equity holders of the Parent Company of £9,553,000 (H1 2018: £6,432,000) and the weighted average number of ordinary shares in issue of 66,361,000 (H1 2018: 62,868,000) calculated as follows:

In thousands of shares	**As at 30 Sep 2018**	As at 30 Sep 2017	As at 31 Mar 2018
Issued ordinary shares at 1 April	**63,890**	62,642	62,642
Shares issued in respect of exercising of share options	**668**	226	556
Shares issued as part of the consideration for Impact	**495**	—	—
Shares issued in respect of share placing	**1,308**	—	—
Weighted average number of shares at end of the period	**66,361**	62,868	63,198

Total number of executive share options, over 5p ordinary shares, in issue at 30 September 2018 was nil (H1 2018: 710,000).

Total number of Long Term Incentive Plan ("LTIP") options, over 5p ordinary shares, in issue at 30 September 2018 was 944,045 (H1 2018: 1,213,013).

Underlying basic earnings per share excludes exceptional items and LTIP charges of £4,443,000 (H1 2018: £924,000) and tax relief attributable to those items of £674,000 (H1 2018: £196,000) to give underlying profits of £13,322,000 (H1 2018: £7,160,000).

7 Acquisitions of businesses

Impact Innovations Inc.

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

The acquisition, made through a wholly owned subsidiary of IG Design Group plc, IG Design Group Americas Inc., was satisfied by total consideration of £82.4 million ($107.2 million), £67.0 million paid in cash and the remaining £15.4 million settled in shares in IG Design Group plc. The consideration represents 4.9 times underlying EBITDA multiple.

Founded in 1968 and employing more than 250 staff globally, Impact is a designer, manufacturer and distributor of seasonal and special occasions products specialising in paper, fabric and décor. The Company is headquartered in Clara City, Minnesota, where its fabric and décor business is located, and its gift wrap manufacturing, warehousing and distribution facilities are located in Memphis, Tennessee. Impact has additional manufacturing operations in Shaoxing, China and offices in Hong Kong. Impact has long-term relationships with major US retailers, including Walmart, Shopko, Target, Kroger, and Meijer, all of which have been in place for in excess of 20 years. Walmart is expected to account for over 15% of total Group turnover following the acquisition.

The Directors believe that the acquisition will:

- create the world's largest consumer gift packaging business;
- deliver significant earnings accretion in each of the next three financial years;
- deliver annual synergies in excess of $5.0 million by year three; and
- enable expansion into the growing and adjacent seasonal décor product category both in North America and in established Design Group markets around the world.

In the period from acquisition to 30 September 2018, Impact contributed sales of £32,841,000 and net profits of £3,152,000 to the consolidated Group results for the period ended 30 September 2018. If the acquisition had occurred on 1 April 2018, Group revenue would have been £246,632,000 and net profit would have been £11,589,000. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2018.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Provisional fair values recognised on acquisition £000
Property, plant and equipment	**9,433**
Intangible assets	**20,231**
Inventories	**27,626**
Trade and other receivables	**35,439**
Trade and other payables	**(32,420)**
Net identifiable assets and liabilities	**60,309**
Consideration paid in shares	**15,385**
Consideration paid in cash	**67,055**
Total consideration	**82,440**
Goodwill	**22,131**

The fair value adjustments relate to trade names, customer relationships and inventory.