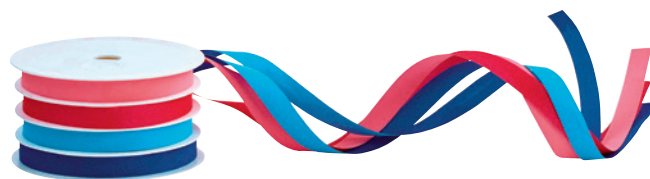


design<sub>group</sub>

IG Design Group plc  
INTERIM REPORT

2020

# We are Design Group



**Helping people celebrate life's special occasions and inspiring individuals' creativity.**

## Overview

A summary of the Group's progress and highlights for the six months ended 30 September 2020.

- 01 KPIs
- 02 At a glance
- 04 Executive review

## Financials

The Group's condensed consolidated financial statements and comprehensive notes covering the six months ended 30 September 2020.

- 16 Condensed consolidated income statement
- 17 Condensed consolidated statement of comprehensive income
- 18 Condensed consolidated statement of changes in equity
- 21 Condensed consolidated balance sheet
- 23 Condensed consolidated cash flow statement
- 24 Notes to the interim financial statements

## 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 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.

Adjusting items are items that are material and of an unusual or non-recurring nature.

In order to show when such measures have been used, the APMs are highlighted in blue throughout the executive review.

The APMs are **Adjusted EBITDA**, **Adjusted operating profit**, **Adjusted profit before tax**, **Adjusted profit after tax**, and **Adjusted earnings per share**. The definitions of the APMs used are listed below:

- **Adjusted EBITDA** – EBITDA before adjusting items
- **Adjusted operating profit** – Profit before finance charges, tax and adjusting items
- **Adjusted profit before tax** – Profit before tax and adjusting items
- **Adjusted profit after tax** – Profit after tax, before adjusting items and associated tax effect
- **Adjusted earnings per share** – Fully diluted earnings per share before adjusting items and associated tax effect

Further detail can be seen on page 15.

## KPIs

### Revenue

**\$434.6m** +41%

H1 2020: \$309.2m

### Adjusted profit before tax<sup>(a)</sup>

**\$30.2m** +16%

H1 2020: \$26.1m

### Reported profit before tax

**\$17.1m**

H1 2020: \$20.5m

### Adjusted EBITDA<sup>(a)</sup>

**\$49.7m** +34%

H1 2020: \$37.2m

### Net debt

**\$23.2m**

H1 2020: \$106.1m

### Average leverage<sup>(a)</sup>

**0.2 times**

H1 2020: 1.1 times

### Dividend

**3.0p**

H1 2020: 3.0p

**3.9¢**

H1 2020: 3.7¢

### Adjusted diluted earnings per share<sup>(a)</sup>

**22.0¢**

H1 2020: 24.2¢

### Reported diluted earnings per share

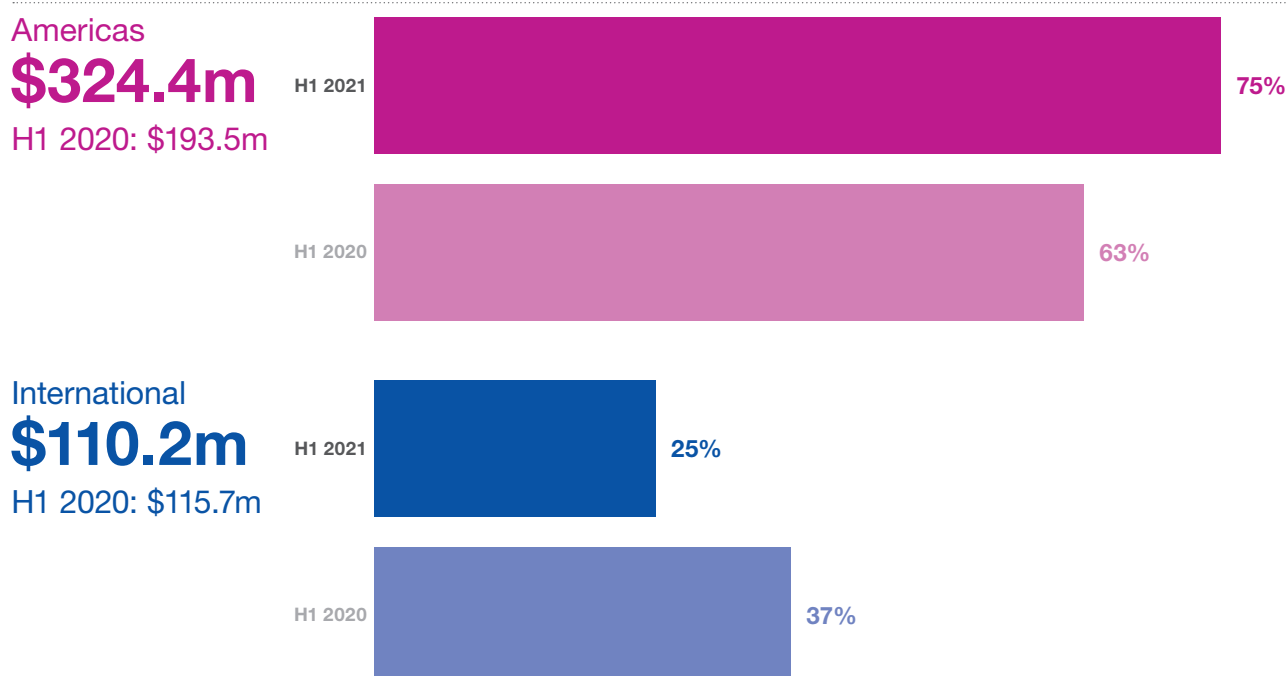
**11.4¢**

H1 2020: 19.0¢

(a) For definitions please refer to the detailed financial review on page 10.

# We're all around the world

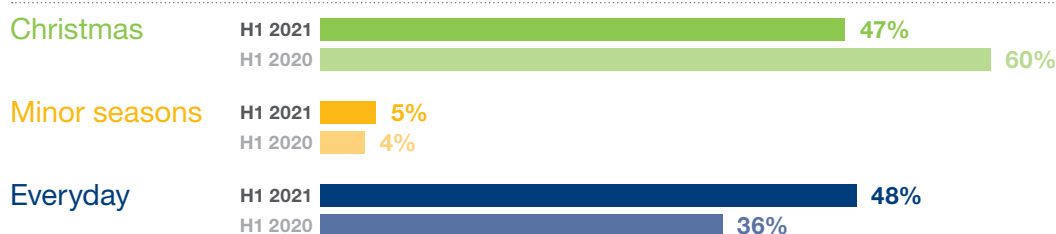
## Sales by customer destination



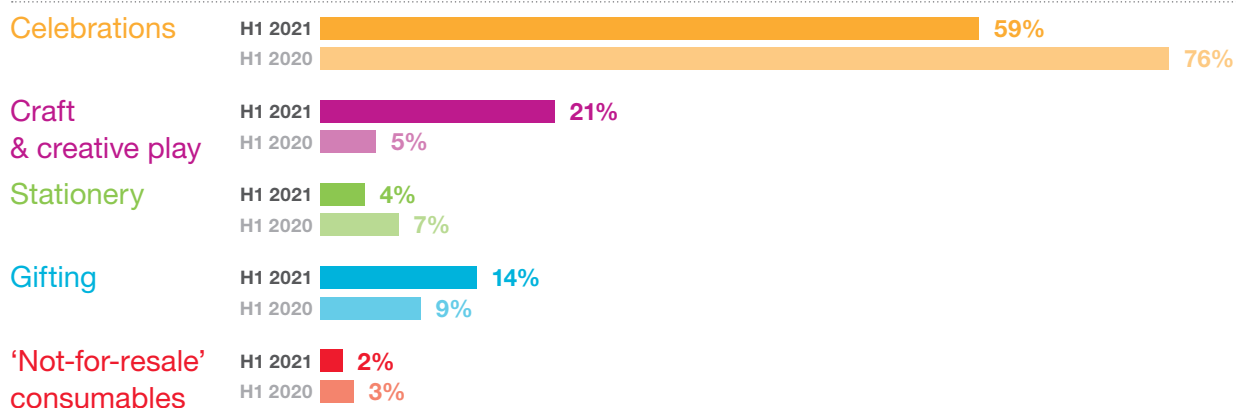
We operate globally; with **11,000** customers selling our products through over **210,000** stores across more than **80** countries, we enjoy considerable market presence around the world.

Focused on our five major product categories of **Celebrations**, **Gifting**, **Craft & creative play**, **Stationery** and **'Not-for-resale' consumables**, we leverage our Group size and expertise whilst retaining local market knowledge and relationships through our local businesses.

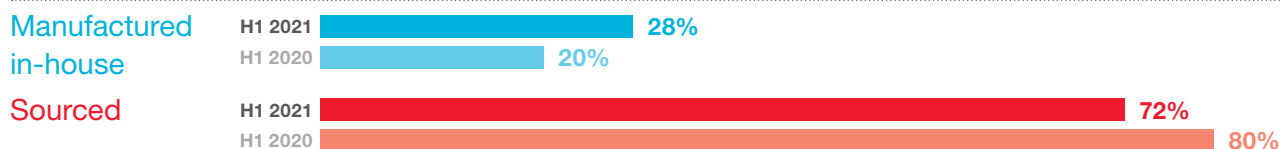
### Sales by season



### Sales by product



### Sales by source



## EXECUTIVE REVIEW



# A stronger than expected performance

### Paul Fineman

Chief Executive Officer

### Giles Willits

Chief Financial Officer

### Overview & outlook

The first half results follow the exciting year to 31 March 2020, which included significant operational and strategic progress and great momentum. The six months to 30 September 2020 has of course been impacted by the Covid-19 pandemic, and our focus has been not only on ensuring the business successfully manages the challenges presented by the pandemic, but also to continue to capitalise on the growth opportunities available to the Group while delivering the CSS integration and forecasted synergies.

It is undoubtedly times like these that demonstrate the strength of our teams, our processes and especially our ability to deliver, and our teams have done just that.

The Board continues to be grateful for the attitude and determination of every individual in the Design Group teams around the world to ensure the business remains in good shape. We continue to work closely with both our suppliers and customers to maintain our high levels of service whilst working to adapt to new requirements and ensuring an efficient supply chain.

The Board is extremely pleased to be able to report that all of our businesses are performing better than initial Covid-19 forecasts and despite the additional challenges around the world as the pandemic continues to impact trading, we remain fully operational, benefitting from the swift implementation of our response plans at the outset of the crisis.

The first half can be very much split into two. The first three months were a challenging time for our teams when they were focused on working with customers and suppliers to finalise Covid-19 impacted seasonal orders, all while maintaining operational effectiveness and customer service on Everyday products. Not surprisingly sales dropped significantly in the first quarter as many retailers were forced to close. However, certain categories such as Craft & creative play and Gifting performed strongly, catering well to the demand of consumers looking for family-friendly entertainment whilst under various restrictions.

The second quarter saw a return to more normal trends with the business focused on delivering seasonal orders while continuing to optimise revenues through Everyday channels.

### The Group will now report under two new divisions



Our enlarged Americas group following the CSS acquisition – representing nearly three-quarters of the Group's revenues



The combination of our UK, European and Australian businesses under one umbrella allows the Group to benefit from an integrated management structure



The acquisition of CSS benefitted the business throughout the period, helping the Group increase its proportion of Everyday non-seasonal revenues while also introducing the new 'Craft' category to our product portfolio. Its integration continues to proceed well and is ahead of schedule in relation to the delivery of synergies, benefitting from the early and successful unification of the management leadership team in the Americas from the date of acquisition.

Thanks to the strength of our performance in this half and our strong future pipeline, notwithstanding our caution in relation to the outlook for the balance of the year as the challenges of Covid-19 continue to impact the world, the Board is confident that the full-year performance will be ahead of expectations. Our trading as we approach Christmas continues to be strong and customers are reporting good sell-through to date on seasonal as well as Everyday product lines. Our cash management continues to deliver seasonal debt levels significantly below the prior year and as a result the Board expects average leverage to be below 0.5x for the year to 31 March 2021. The Group is well placed to deliver continued growth in 2022 and beyond.

### Covid-19

Covid-19 continues to have a significant impact on the world, our trading partners and the Group. As announced at the previous financial year end (March 2020), we took swift action to ensure the teams were safe and the business remained financially robust and ready to benefit in the future for when trading returned to more normal levels. The business responded well to this challenge and delivered a performance ahead of our revised projections. It has maintained safe operations in all territories whilst continuing to serve our customers successfully.

(a) Included in this report are certain prior year figures related to CSS Industries, Inc. taken from previously published financial statements.

Furthermore, we continue to focus on developing growth initiatives and delivering synergies following the CSS acquisition in March 2020.

The impact of Covid-19 on the business in the first half of the financial year has been significant, with trading down across the Group year-on-year as a result of the pandemic. It is difficult to calculate the exact extent of Covid-19 on the results; however, the following movements on revenue have been seen:

- in the first quarter of the current financial year revenues were down year-on-year across the Group (excluding CSS) by 27.8%. CSS quarter one sales<sup>(a)</sup> were down 11.7%. This reflected the significant reduction in orders for Everyday products as many retailers were closed and those retailers which remained open focused their activities on essential product lines; and
- in the second quarter, which is financially a much more significant trading period for the Group, the business saw revenues recover strongly with CSS up 2.4% year-on-year in the quarter and Group revenues (excluding CSS) down just 2.8% on the prior period. Our order book remains ahead of our initial Covid-19 expectations but down like-for-like in absolute (\$) terms against the prior year as our customers have taken a more cautious outlook to ensure high sell-through over the Christmas period. Everyday sales have recovered well, particularly in some key areas such as Craft & creative play.

The reduced volumes going through the business impacted on the gross margin percentage as a result of product mix and lower absorption of overheads into inventory in manufacturing. Furthermore, despite the Group taking quick action to control costs and maximise early synergies from the CSS acquisition, the fixed overhead cost base, which is required to support the higher activity of the Group post the pandemic, increased as a percentage of revenues. Overall, the Group has delivered a robust adjusted operating margin at 7.5% (H1 2020: 9.3%), ahead of expectations.

Where appropriate, the Group has separately identified direct incremental costs associated with Covid-19, which total \$2.0 million in the first half and have been included in Adjusting items. In addition, the business has incurred other costs resulting from Covid-19 and these, alongside Government assistance received totalling \$3.6 million (the majority of which was received into our business in Australia), have not been included in Adjusting items.



## EXECUTIVE REVIEW CONTINUED

### Summary 2021 interim results

The Group's results are reported in US dollars for the first time following the CSS acquisition, which increased the US dollar revenues to over 70% of the Group.

In the first half **Revenue** increased by 41% to \$434.6 million (H1 2020: \$309.2 million) including the effect of \$149.1 million sales from CSS, with **Adjusted profit before tax** up 16.0% year-on-year at \$30.2 million (H1 2020: \$26.1 million). Excluding CSS, **Revenue** is down 8%, reflecting the impact of Covid-19.

### Adjusted diluted earnings per share

was 22.0 cents (H1 2020: 24.2 cents) which reduced, despite increased profit levels, because of the higher shares in issue following the equity raise to support the CSS acquisition in the final quarter of the 2020 financial year.

The Group ended the half year delivering a significant year-on-year reduction in net debt at \$23.2 million (H1 2020: \$106.1 million) with **Average leverage** improving to 0.2 times (H1 2020: 1.1 times). This very strong performance primarily reflects effective cash management actions, including strong management of working capital and a reduction to our capital investment programme.

**Profit before tax** at the half year was \$17.1 million (H1 2020: \$20.5 million).

This reduction reflects the impact of the increase year-on-year in Adjusting items to \$13.1 million (H1 2020: \$5.6 million) which primarily result from the CSS integration costs and direct incremental Covid-19 associated expenditure. **Diluted earnings per share** therefore reduced to 11.4 cents (H1 2020: 19.0 cents).

The Board is pleased to declare an interim dividend, at the same level as last year, of 3.0 pence (3.9 cents) in respect of the period to 30 September 2020, reflecting the stronger than expected first half performance of the Group. The final dividend of 5.75 pence in relation to the year ended 31 March 2020 was paid in November 2020, later than the prior year reflecting the impact of Covid-19 and the later than usual Annual General Meeting.

### Regional highlights

Overall, the Group has seen growth in both **Revenue** and **Adjusted operating profit** which increased to \$32.4 million (H1 2020: \$28.7 million) primarily as a result of the addition of CSS to the Group. Following the CSS acquisition the reporting structure of the Group has been reviewed and Group results are now presented as two reporting segments – DG Americas (DG Americas and CSS) and DG International (comprising UK and associated Asian operations, Europe and Australia).

			Segmental revenue			Adjusted operating profit			Adjusted operating margin	
% Group revenue			30 Sep 2020	30 Sep 2019	% growth	30 Sep 2020	30 Sep 2019	% growth	30 Sep 2020	30 Sep 2019
74%	DG Americas	\$m	321.6	183.8	75%	19.5	17.7	11%	6.1%	9.6%
27%	DG International	\$m	115.5	128.4	(10%)	15.1	13.2	15%	13.1%	10.3%
(1%)	Elims/Central costs	\$m	(2.5)	(3.0)	—	(2.2)	(2.2)	—	—	—
100%	Total	\$m	434.6	309.2	41%	32.4	28.7	13%	7.5%	9.3%





## Design Group Americas

The CSS acquisition has transformed the scale of our business in the US, which now accounts for nearly three-quarters of the Group's revenue. Following the acquisition in March 2020 the US team focused on the rapid integration of the two businesses under the unified senior leadership team comprising both CSS and Design Group executives. This integration is ahead of plan and is forecast to deliver synergies, identified at the time of the acquisition, ahead of expectations. These synergies include workforce rationalisation, cost savings associated with no longer running CSS as a listed business, site closure savings, scale-based purchasing upside and the early benefit from commercial opportunities resulting from combining the two businesses.

**Revenue** has grown significantly in the first half of this year, up 75% on the prior year at \$321.6 million (H1 2020: \$183.8 million) with the additional revenues from CSS of \$149.1 million contributing to the scale of the business. Due to the nature of the CSS integration in the US it is not possible to accurately provide a like-for-like year-on-year profit performance split between the two US businesses. **Adjusted operating profit** at \$19.5 million was ahead of last year (H1 2020: \$17.7 million), with CSS contributing to profits for the first time. **Adjusted operating margin** declined to 6.1% from 9.6% as at 30 September 2020 reflecting the impact of Covid-19, which has reduced volumes.

The impact of Covid-19 on our Americas business saw some facilities closed for periods of time at the height of the pandemic from March through to July. The US government assistance provided support to the workforce focused on payments direct to the individual rather than through the employer and as such no government assistance has been received directly by the Americas business during the period. Furthermore, an unintended impact of the US government assistance direct to the individual is that additional costs have been incurred to encourage employees to return to work rather than remain at home receiving the government assistance. This, alongside incremental cleaning and PPE expenditure has added significant cost to the running of the US manufacturing facilities in the first half of the year, of which \$1.4 million has been treated as an Adjusting item.

The area where the US government's Covid-19 package provided benefit to the businesses was an extension of the time period in which operating losses could be carried back for tax purposes, generating a substantial tax refund for the Group of c.\$17 million. As at 30 September 2020 we have received the first of three payments, with a second instalment received in October. We expect to have received the entire tax refund by the end of the financial year.

Since the end of the half year our business in the US has experienced an IT incident that has impacted operations, resulting in some shipping delays. We expect that these delayed shipments will be mostly caught up, but that there could be some missed sales and additional costs of operating. As a result, there will be some costs in the second half (which will be treated as Adjusting items), against which we anticipate receiving insurance recoveries in 2022. The financial impact of the IT incident is not anticipated to be material to the overall financial performance of the Group during the period.

Despite the challenges in the period, the business continues to move forward, with the focus at half year being the execution of our Christmas product offerings and this is in full swing as we approach the Christmas season. Our new state-of-the-art printing press in Memphis which came online in March 2020 has had its first full six months of manufacturing and as a result of this capital investment, the team in Memphis are able to print higher volumes, more efficiently.

Furthermore, during the first half the Americas has seen growth through the successful development of our seasonal gifting and décor product ranges under the X&O brand. In addition, following the CSS acquisition, the business has benefitted from the increased scale of the e-tailer and online platforms of bricks-and-mortar retailers and is now focused on building on the CSS e-commerce experience to re-launch and develop a refreshed and expanded offering across the Americas Group.

In addition, areas of focus for the second half include cross-selling opportunities amongst the enlarged Americas Group including geographical expansion into Canada and Latin America, as well as between the Americas and International.

## EXECUTIVE REVIEW CONTINUED

### Regional highlights continued

#### Design Group International

The combination of our UK, European and Australian businesses under the Design Group International umbrella allows the Group to benefit from an integrated management and operational structure as well as to position us for future growth across this segment. Our International businesses account for over a quarter of the Group's revenues, and as anticipated due to the impact of Covid-19 on our business, **Revenues** for the DG International business were down 10% on the prior year at \$115.5 million (H1 2020: \$128.4 million). However, **Adjusted operating profit** was up 14.5% at \$15.1 million (H1 2020: \$13.2 million), reflecting variations in product mix alongside a focus on overhead expenditure and in part as a result of government assistance received in certain territories.

Despite the impact of Covid-19, the UK had a robust first half revenue and margin performance, with good seasonal orders delivered on schedule. It has continued to extend its focus on sustainability with the expansion of its 'eco-nature' brand and has further built its online offering through Amazon.

It also undertook a significant restructuring of the organisation, the costs of which have been treated as Adjusting items. Europe has performed well, supported by the stronger than expected performance of its major customers who have also traded robustly, after the initial lockdowns in Europe. Operationally, it has also been supported by the commissioning of the new 'Robowrap' investment which has helped drive improved productivity. Australia has performed ahead of expectations and was able to maintain good margins in the circumstances. It also took early action following the Covid-19 lockdown to reorganise some of its operations to manage costs.

The impact of Covid-19 operationally has varied across the businesses within the DG International group. Across all manufacturing sites, we have seen lower volume throughput which has reduced overhead absorption into inventory and caused efficiency levels to drop as further rigour and process is required to ensure the safety of all of our employees on the manufacturing floor.

This includes shorter shifts to allow for clean down and sanitising all equipment and areas before the subsequent shift moves in. Of this expenditure, incremental costs directly associated with Covid-19 of \$0.5 million have been included as an Adjusting item.

Our warehouse in Australia is situated in Melbourne, Victoria which had further lockdown restrictions imposed as the number of cases rose. Although this impacted productivity as the warehouse was not able to operate at full capacity, the team in Australia has managed to mitigate the impact of this, using extra shifts to ensure volume throughput was not lost.

Parts of the DG International group have received government assistance where available to mitigate as much as possible the need to reduce the workforce around the Group. In total the International division received \$3.6 million of government assistance in the period, which has helped offset the additional costs incurred across the Group.



## Our products and brands

Pivotal to the Group's 'working with the winners' strategy is the continuous refreshing of our well-diversified, yet complementary, product portfolio. This keeps us at the forefront of our customers' minds and makes us an attractive 'supplier of choice' for our retail partners. The first half split of revenue highlights how the Group has transformed its mix of revenue towards Everyday-based categories including Craft & creative play and Gifting.

Revenue by product category	30 Sep 2020		30 Sep 2019	
Celebrations	59%	\$256.8m	76%	\$235.2m
Craft & creative play	21%	\$90.0m	5%	\$14.1m
Stationery	4%	\$15.6m	7%	\$20.9m
Gifting	14%	\$64.3m	9%	\$29.1m
'Not-for-resale' consumables	2%	\$7.9m	3%	\$9.9m
<b>Total</b>		<b>\$434.6m</b>		<b>\$309.2m</b>

Our product offering was further enhanced at the end of the last financial year as a result of the acquisition of CSS, and we introduced a new Craft product category throughout the Group. The benefits and the growth to the Group in this category, which includes creative play, has meant increased sales in these areas during the last six months as many households were in lockdown and turned to creative play products to entertain children whilst schools were closed, as well as reigniting or taking up new hobbies in the crafting arena. 'Not-for-resale' consumables had a challenging first half with our retail customers in this category closed for much of the first quarter, resulting in lower year-on-year orders.

Revenues associated with seasonal products, whilst increasing, have reduced as a percentage of the total product portfolio, helping drive forward one of our key strategic performance indicators, being diversifying seasonality within the business.



## EXECUTIVE REVIEW CONTINUED

### Detailed financial review

The Group's results are reported in US dollars for the first time following the CSS acquisition and the subsequent increased concentration of the Group's revenues and earnings in US dollars. Prior year comparatives throughout this report have been presented in US dollars. Note 14 in this report contains the relevant comparatives for financial year 2020 in both US dollar and sterling denomination.

The Group has delivered ahead of our Covid-19 expectations in the first half of the year.

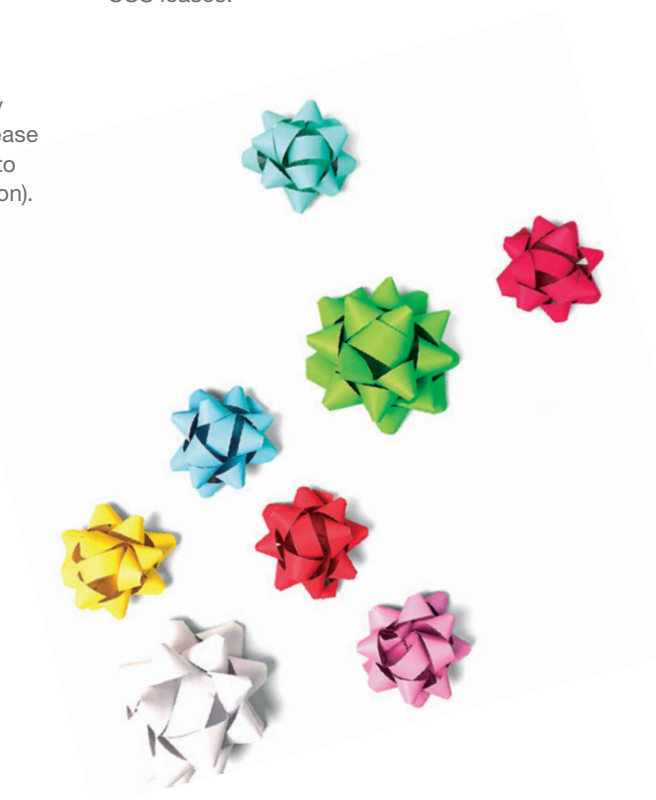
	30 Sep 2020			30 Sep 2019		
	Reported \$m	Adjusting items \$m	Adjusted \$m	Reported \$m	Adjusting items \$m	Adjusted \$m
<b>Revenue</b>	<b>434.6</b>	<b>—</b>	<b>434.6</b>	309.2	—	309.2
<b>Gross profit</b>	<b>83.7</b>	<b>0.9</b>	<b>84.6</b>	63.0	0.6	63.6
Overheads	(64.4)	12.2	(52.2)	(39.9)	5.0	(34.9)
<b>Operating profit</b>	<b>19.3</b>	<b>13.1</b>	<b>32.4</b>	23.1	5.6	28.7
Finance charge	(2.2)	—	(2.2)	(2.6)	—	(2.6)
<b>Profit before tax</b>	<b>17.1</b>	<b>13.1</b>	<b>30.2</b>	20.5	5.6	26.1
Tax	(4.8)	(2.9)	(7.7)	(4.6)	(1.3)	(5.9)
<b>Profit after tax</b>	<b>12.3</b>	<b>10.2</b>	<b>22.5</b>	15.9	4.3	20.2

Group **Revenue** for the period of \$434.6 million grew 41% year-on-year reflecting the contribution of CSS, acquired on 3 March 2020. Excluding CSS, organic **Revenue** declined by 8% as a result of the impact of Covid-19. **Adjusted operating profit** for the Group increased by 13.3% to \$32.4 million (H1 2020: \$28.7 million) with **Adjusted operating margin** down year-on-year at 7.5% (H1 2020: 9.3%). **Gross margin** fell in the half year, largely as a result of customer/product mix and lower overhead absorption into inventory, to 19.3% (H1 2020: 20.4%).

Adjusted overheads as a percentage of revenue increased to 12.0% (H1 2020: 11.3%). Overall **Adjusted profit before tax** increased 16.0% to \$30.2 million (H1 2020: \$26.1 million) largely due to increased profits from the CSS acquisition although offset by the impact of Covid-19 on the Group. Half year **Profit before tax** was \$17.1 million (H1 2020: \$20.5 million) primarily reflecting the impact of the increase year-on-year in Adjusting items to \$13.1 million (H1 2020: \$5.6 million).

### Finance expenses

Finance costs of \$2.2 million are lower compared to the prior year of \$2.6 million. This primarily reflects the lower level of debt held in the year, offset by an increased impact of IFRS 16 charges associated with CSS leases.



## Adjusting items

Adjusting items are material items of 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 has incurred Adjusting items in the period to 30 September 2020 totalling \$13.1 million (H1 2020: \$5.6 million). These items are as follows:

	30 Sep 2020	30 Sep 2019
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses	<b>\$0.9m</b>	\$0.7m
Acquisition integration and restructuring costs	<b>\$5.5m</b>	\$1.2m
Impairment of assets	<b>\$0.1m</b>	—
Incremental Covid-19 costs	<b>\$2.0m</b>	—
Amortisation of acquired intangibles	<b>\$2.2m</b>	\$1.8m
LTIP charges	<b>\$2.4m</b>	\$1.9m
<b>Total</b>	<b>\$13.1m</b>	\$5.6m

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

In the period, costs of \$0.1 million associated with the acquisition of CSS were incurred relating to adviser fees. In addition, \$0.5 million of acquisition related employee payments from the Impact Innovations Inc. transaction in 2019 which lock in and incentivise legacy talent. Finally, an additional \$0.3 million of transaction costs associated with the disposal of Zhejiang Shaoxing Royal Arts and Crafts Co. Ltd were incurred.

### Acquisition integration and restructuring costs

The main costs relate to the integration of CSS into the enlarged DG Americas as new team structures have been put in place. There have also been associated temporary staff costs and recruitment costs as roles are being filled.

The CSS business includes a large portfolio of owned and leased sites, and part of the integration project includes the consolidation of these locations resulting in the impairment of lease assets and the ongoing costs associated with the closure of sites as well as the lease liability interest costs.

The UK undertook a reorganisation in light of Covid-19, for which the costs have been treated as Adjusting items. In addition, in Australia a similar reorganisation was made in the first half of the financial year.

### Impairment of assets

In light of the impact of Covid-19 on the business, a review of inventory, trade receivables and fixed assets was undertaken at 31 March 2020. Inventories were assessed for the net realisable value and an impairment of \$7.4 million was taken. Similarly, trade receivables were assessed for their expected credit loss in line with IFRS 9 and an impairment of \$3.8 million was taken. As at 30 September 2020, this assessment continues, and for trade receivables any impairment taken at the year end that was not required has been reversed (\$3.1 million) alongside any additional debtors as at the reporting date who are now considered higher risk, for which an impairment has been taken (\$3.9 million). Inventories continue to be assessed for net realisable value, with sell-through of provided inventory of \$1.8 million being offset against further inventory risk of \$1.2 million recognised. Given the seasonality of our business and the high proportion of Christmas related sales, further assessment will be undertaken by the end of the financial year.

### Incremental Covid-19 costs

The Covid-19 outbreak has developed rapidly in 2020, with measures taken around the world to contain the virus affecting economic activity. The Group has been affected in every territory in which we operate and the impact on the general economic environment and the reduced demand for goods from our customers as well as the closures of our businesses has had a significant impact. Certain costs relating to incremental direct labour have been identified that have impacted the financial results of the business during the year to date, equal to \$2.0 million. The most significant element of these costs totalled \$1.3 million relating to additional labour costs across our manufacturing facilities in the USA, Mexico and India.

Management have taken a judgement not to include government assistance received in the period as an Adjusting item, as whilst the amounts received were incremental, the underlying employee expenditure would likely not have been incurred if the government assistance was not received.



## EXECUTIVE REVIEW CONTINUED

### Adjusting items continued

#### Amortisation of acquired intangibles

Under IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer relationships and brands which form part of the intangible value of the acquired business but are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over an appropriately judged period. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. These include trade names and brands acquired as part of the acquisition of Impact Innovations Inc. and CSS Industries Inc. in the USA and Biscay Pty Greetings Ltd in Australia. As such we include these as Adjusting items.

In addition, in accordance with IFRS 3, on acquisition, businesses need to be fair valued, which can result in an uplift to stock on hand relating to sales orders already attached to the acquired stock. This uplift will distort the margins associated with the stock, and typically unwinds quickly as stock is sold soon after acquisition. The unwind of the stock uplift (\$0.6 million) associated with the CSS acquisition is included as an Adjusting item, consistent with the treatment adopted with the Impact acquisition. This has fully unwound as at 30 September 2020.

#### LTIP charges

As part of our senior management remuneration, the Group operates a Long Term Incentive Plan (LTIP) in the form of options for ordinary shares of the Group. In accordance with accounting principles, despite this plan not being a cash cost to the business, a share-based payments charge or credit is taken to the income statement.

We consider that these charges do not form part of the underlying operational costs and therefore include these as Adjusting items.

The LTIP charge for the period was \$2.4 million which consists of a principal IFRS 2 charge of \$2.2 million and an employer's social security charge of \$0.2 million.

#### Taxation

The taxation charge for the half year was \$4.8 million (H1 2020: \$4.6 million) with the effective tax charge on **Adjusted profit before tax** at 25.4% (H1 2020: 22.5%). The rate is higher than the weighted blend of statutory rates in the countries in which we operate as a result of estimated permanent disallowable deductions for tax purposes. The effective rate on **Profit before tax** is 28.1% (H1 2020: 22.2%).

### Earnings per share

**Adjusted earnings per share** at 22.0 cents were down 9% on the prior year (H1 2020: 24.2 cents) primarily as a result of a higher diluted share number following the share raise in early 2020. **Diluted earnings per share** are 11.4 cents (H1 2020: 19.0 cents). The reconciliation between **Reported** and **Adjusted earnings per share** can be seen below:

	30 Sep 2020	30 Sep 2019
Earnings attributable to equity holders of the Company	<b>\$11.2m</b>	\$15.3m
Adjustments		
Adjusting items (net of non-controlling interest effect)	<b>\$13.2m</b>	\$5.5m
Tax charge/(relief) on adjustments (net of non-controlling interest effect)	<b>(\$2.9m)</b>	(\$1.3m)
<b>Adjusted earnings</b>	<b>\$21.5m</b>	\$19.5m
Weighted average number of shares		
Basic weighted average number of shares outstanding	<b>97.7m</b>	80.0m
Dilutive effect of employee share option plans	<b>0.3m</b>	0.4m
<b>Diluted weighted average ordinary shares</b>	<b>98.0m</b>	80.4m
Basic earnings per share	<b>11.5c</b>	19.1c
Impact of Adjusting items	<b>10.5c</b>	5.3c
<b>Basic adjusted earnings per share</b>	<b>22.0c</b>	24.4c
Diluted earnings per share	<b>11.4c</b>	19.0c
<b>Diluted adjusted earnings per share</b>	<b>22.0c</b>	24.2c

## Cash flow and net debt

As at 30 September 2020, net debt (excluding IFRS 16 lease liabilities) was \$23.2 million, significantly better than the prior year of \$106.1 million. **Average leverage** as at the half year was 0.2 times from 1.1 times for the comparative prior period, reflecting an improved **Adjusted EBITDA** alongside the year-on-year reduction in average debt.

	30 Sep 2020	30 Sep 2019
Adjusted EBITDA	<b>\$49.7m</b>	\$37.2m
Movements in working capital	<b>(\$104.9m)</b>	(\$139.8m)
<b>Adjusted cash used by operations</b>	<b>(\$55.2m)</b>	(\$102.6m)
Adjusting items	<b>(\$10.4m)</b>	(\$1.9m)
<b>Cash used by operations</b>	<b>(\$65.6m)</b>	(\$104.5m)
Capital expenditure (net of disposals of property, plant and equipment)	<b>(\$3.4m)</b>	(\$5.1m)
Tax received/(paid)	<b>\$2.9m</b>	(\$3.0m)
Interest paid	<b>(\$1.9m)</b>	(\$2.1m)
Payments of lease liabilities	<b>(\$7.2m)</b>	(\$3.9m)
Dividends paid (including those paid to non-controlling interests)	<b>—</b>	(\$5.9m)
FX and other	<b>(\$0.4m)</b>	(\$3.8m)
<b>Movement in net debt</b>	<b>(\$75.6m)</b>	(\$128.3m)
Opening net cash	<b>\$52.4m</b>	\$22.2m
<b>Closing net debt</b>	<b>(\$23.2m)</b>	(\$106.1m)

## Working capital

The Group's working capital movement this half year was impacted by the acquisition of CSS. The net working capital outflow in the half year was \$104.9 million (H1 2020: \$139.8 million). Stripping out the effect of CSS on working capital movements there was an underlying outflow of \$74.4 million in the first half of 2021. This lower working capital movement reflects the reduced year-on-year seasonal working capital build as a result of the impact of Covid-19 alongside the stronger cash management disciplines across the Group.

In the current Covid-19 environment the Group continues to actively track debtors and credit risk profiles of all of our customers to ensure we try to mitigate as far as possible any additional exposure to credit risk.

## Adjusting items

During the first half of the year there was \$10.4 million (H1 2020: \$1.9 million) net cash outflow in relation to Adjusting items, of which \$4.5 million related to cash outflow for costs accrued at the year end. The significant majority of the total outflow related to the restructuring and synergy realisation costs associated with the CSS acquisition.

## Capital expenditure

During the first half of the year the Group invested \$3.4 million (H1 2020: \$5.1 million). The majority of this spend was in DG Americas on the fit-out of the newly leased site in Mississippi, Tennessee.

## Cash tax

During the first half of the year the Group benefitted from a net cash inflow of tax as a result of US tax repayments following claims made by CSS under the CARES Act. The total cash amount received at 30 September 2020 was \$3.2 million. The Group made tax payments of \$0.3 million which compares to a tax payment of \$3.0 million in the prior year. The reduced cash tax payments are directly as a result of lower earnings driven by Covid-19.

## Dividend payments

As part of the Covid-19 cash actions taken by the Group, the timing of the final dividend payment in relation to the year ended 31 March 2020 was moved from September 2020 to November 2020. As such, no payment was made in the first half of the financial year compared to a \$5.9 million outflow in the prior year.

## EXECUTIVE REVIEW CONTINUED

### Financial position and going concern basis

The Group has a banking facility (refinanced in January 2020) which runs to May 2022 and includes a revolving credit facility (RCF) of \$95 million, a further flexible RCF of up to £130 million, flexible to meet working capital requirements during peak manufacturing, and a maximum limit of \$18 million invoice financing arrangement in Hong Kong. The Group also has access to supplier financing arrangements which we utilise at certain times of the year.

The Group has been fully compliant with all banking covenants associated with these facilities and has not required, nor requested, any covenant waivers associated with the impact of Covid-19 on the Group results.

In light of the ongoing Covid-19 pandemic, as with the financial statements for 31 March 2020, the Directors have paid particularly close attention to their assessment of going concern in the preparation of these financial statements.

The Group is currently trading ahead of forecasts used to consider the going concern assessment. These forecasts which have been reviewed in detail by the Board, and take into account the significant seasonal working capital cycle of the business, have been sensitised to reflect potential adverse downturns in the current assumptions including the second wave of the pandemic. Management has also produced a maximum stress forecast which has been deliberately engineered to challenge the Group's liquidity position and covenant performance during the forecast period. These forecasts and additional analysis demonstrated that there is sufficient excess headroom for the Group to meet its obligations as they fall due for a forecast period of more than twelve months beyond the date of these accounts.

As such, 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.

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

### Principal risks and uncertainties

Risk is an inherent part of business, especially as Design Group aim to continue to deliver growth around the world. The Group actively monitors the risk related to its business and the environment in which it operates, as our continued success is influenced by how well we manage our risks. As at 30 September 2020, the Group's principal risks and uncertainties, as detailed in the Group's financial statements for the year ended 31 March 2020, are still active risks and there have been no material movements in these risks during the first half of this financial year. These will be reviewed again at year end; however, the Group does not expect there to be any significant change in the principal risks and uncertainties by the end of the year.

### Statement of Directors' responsibilities

The Directors confirm to the best of their 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 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 (disclosures of related parties transactions and any changes therein).



## Alternative performance measures

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

Consequently, APMs are used by the Directors and management for strategic and performance analysis, planning, reporting and reward setting. 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** – Profit before finance charges, tax and Adjusting items
- **Adjusted profit before tax** – Profit before tax and Adjusting items

- **Adjusted profit after tax** – Profit after tax before Adjusting items and associated tax effect
- **Adjusted earnings per share** – Fully 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:

- **Average leverage** – Rolling twelve month average bank debt (being average debt measured before lease liabilities) divided by rolling twelve month Adjusted EBITDA reduced for lease payments
- **Adjusted operating margin** – Adjusted operating profit divided by revenue

## Adjusting items

Further details of the items categorised as Adjusting items are disclosed in note 3.

A full reconciliation between our **Adjusted** and **Reported** results is provided below:

	30 Sep 2020	30 Sep 2019
<b>Adjusted EBITDA</b>	<b>\$49.7m</b>	\$37.2m
Adjusting items	(\$10.0m)	(\$3.8m)
<b>EBITDA</b>	<b>\$39.7m</b>	\$33.4m
<b>Adjusted operating profit</b>	<b>\$32.4m</b>	\$28.7m
Adjusting items	(\$13.1m)	(\$5.6m)
<b>Reported operating profit</b>	<b>\$19.3m</b>	\$23.2m
<b>Adjusted profit before tax</b>	<b>\$30.2m</b>	\$26.1m
Adjusting items	(\$13.1m)	(\$5.6m)
<b>Reported profit before tax</b>	<b>\$17.1m</b>	\$20.5m
<b>Adjusted profit after tax</b>	<b>\$22.2m</b>	\$20.2m
Adjusting items	(\$10.2m)	(\$4.3m)
<b>Reported profit after tax</b>	<b>\$12.3m</b>	\$15.9m
<b>Adjusted earnings per share</b>	<b>22.0c</b>	24.2c
Adjusting items	(10.6c)	(5.2c)
<b>Reported diluted earnings per share</b>	<b>11.4c</b>	19.0c

By order of the Board

**Paul Fineman**

Chief Executive Officer

24 November 2020

**Giles Willits**

Chief Financial Officer

24 November 2020

## CONDENSED CONSOLIDATED INCOME STATEMENT

### SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited six months ended 30 Sep 2020 \$000	Unaudited restated <sup>(a)</sup> six months ended 30 Sep 2019 \$000	Twelve months restated <sup>(a)</sup> ended 31 Mar 2020 \$000
<b>Revenue</b>	2	<b>434,635</b>	309,220	624,340
Cost of sales		<b>(350,937)</b>	(246,186)	(530,109)
<b>Gross profit</b>		<b>83,698</b>	63,034	94,231
Selling expenses		<b>(21,584)</b>	(13,374)	(33,766)
Administration expenses		<b>(46,480)</b>	(27,089)	(58,868)
Other operating income	4	<b>3,909</b>	503	927
Profit on disposal of property, plant and equipment		<b>10</b>	—	246
(Loss)/profit on disposal of subsidiary		<b>(208)</b>	—	1,836
<b>Operating profit</b>	3	<b>19,345</b>	23,074	4,606
Finance expenses		<b>(2,265)</b>	(2,616)	(5,479)
<b>Profit/(loss) before tax</b>		<b>17,080</b>	20,458	(873)
Income tax (charge)/credit	5	<b>(4,801)</b>	(4,535)	18,276
<b>Profit for the period</b>		<b>12,279</b>	15,923	17,403
Attributable to:				
Owners of the Parent Company		<b>11,222</b>	15,297	16,461
Non-controlling interests		<b>1,057</b>	626	942

### Earnings per ordinary share

	Note	Unaudited six months ended 30 Sep 2020	Unaudited restated <sup>(a)</sup> six months ended 30 Sep 2019	Twelve months restated <sup>(a)</sup> ended 31 Mar 2020
Basic	8	<b>11.5c</b>	19.1c	19.9c
Diluted	8	<b>11.4c</b>	19.0c	19.8c

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from sterling to US dollar. See note 14 to this interim report for the comparative primary statements from the prior year as previously presented in sterling. In addition, all prior year comparative notes to the accounts have been restated throughout this report.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### SIX MONTHS ENDED 30 SEPTEMBER 2020

	Unaudited six months ended 30 Sep 2020 \$000	Unaudited restated <sup>(a)</sup> six months ended 30 Sep 2019 \$000	Twelve months restated <sup>(a)</sup> ended 31 Mar 2020 \$000
<b>Profit for the period</b>	<b>12,279</b>	15,923	17,403
Other comprehensive income:			
Exchange difference on translation of foreign operations (net of tax)	(4,144)	(4,031)	3,112
Recycling translation reserves on disposal of subsidiary	—	—	42
Transfer to profit and loss on maturing cash flow hedges (net of tax)	127	(490)	(490)
Net unrealised (loss)/gain on cash flow hedges (net of tax)	(391)	(64)	657
Other comprehensive (expense)/income for the period, net of tax items which may be reclassified to profit and loss in subsequent periods	(4,408)	(4,585)	3,321
<b>Total comprehensive income for the period, net of tax</b>	<b>7,871</b>	11,338	20,724
Attributable to:			
Owners of the Parent Company	6,143	10,860	20,372
Non-controlling interests	1,728	478	352
	<b>7,871</b>	11,338	20,724

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from sterling to US dollar. See note 14 to this interim report for the comparative primary statements from the prior year as previously presented in sterling. In addition, all prior year comparative notes to the accounts have been restated throughout this report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 SEPTEMBER 2020

	Attributable to the owners of the Parent Company						Shareholders' equity \$000	Non-controlling interests \$000	Total \$000
	Share capital \$000	Share premium and capital redemption reserve \$000	Merger reserve \$000	Hedging reserve \$000	Translation reserve \$000	Retained earnings \$000			
At 1 April 2020 (restated <sup>(a)</sup> )	5,974	215,417	40,175	320	(4,389)	113,703	371,200	4,643	375,843
Profit for the period	—	—	—	—	—	11,222	11,222	1,057	12,279
Other comprehensive (expense)/income	—	—	—	(264)	(4,815)	—	(5,079)	671	(4,408)
<b>Total comprehensive income for the period</b>	—	—	—	(264)	(4,815)	11,222	6,143	1,728	7,871
<b>Transactions with owners in their capacity as owners</b>									
Equity-settled share-based payments	—	—	—	—	—	2,309	2,309	—	2,309
Tax on equity-settled share-based payments	—	—	—	—	—	(266)	(266)	—	(266)
Recognition of non-controlling interests	—	—	—	—	—	—	—	276	276
Options exercised	14	—	—	—	—	(14)	—	—	—
Exchange differences on opening balances	268	9,647	1,799	—	—	—	11,714	—	11,714
<b>At 30 September 2020</b>	<b>6,256</b>	<b>225,064</b>	<b>41,974</b>	<b>56</b>	<b>(9,204)</b>	<b>126,954</b>	<b>391,100</b>	<b>6,647</b>	<b>397,747</b>

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from sterling to US dollar. See note 14 to this interim report for the comparative primary statements from the prior year as previously presented in sterling. In addition, all prior year comparative notes to the accounts have been restated throughout this report.

## SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to the owners of the Parent Company						Shareholders' equity \$000	Non-controlling interests \$000	Total \$000
	Share capital \$000	Share premium and capital redemption reserve \$000	Merger reserve \$000	Hedging reserve \$000	Translation reserve \$000	Retained earnings \$000			
At 31 March 2019 (restated <sup>(a)</sup> )	5,093	74,962	42,119	153	(8,133)	108,763	222,957	5,266	228,223
Impact of adopting IFRS 16	—	—	—	—	—	(2,427)	(2,427)	(572)	(2,999)
<b>Restated equity at 1 April 2019</b>	<b>5,093</b>	<b>74,962</b>	<b>42,119</b>	<b>153</b>	<b>(8,133)</b>	<b>106,336</b>	<b>220,530</b>	<b>4,694</b>	<b>225,224</b>
Profit for the period	—	—	—	—	—	15,297	15,297	626	15,923
Other comprehensive expense	—	—	—	(554)	(3,883)	—	(4,437)	(148)	(4,585)
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(554)</b>	<b>(3,883)</b>	<b>15,297</b>	<b>10,860</b>	<b>478</b>	<b>11,338</b>
<b>Transactions with owners in their capacity as owners</b>									
Equity-settled share-based payments	—	—	—	—	—	1,491	1,491	—	1,491
Tax on equity-settled share-based payments	—	—	—	—	—	314	314	—	314
Recognition of non-controlling interests	—	—	—	—	—	—	—	121	121
Options exercised	44	—	—	—	—	(44)	—	—	—
Equity dividends paid	—	—	—	—	—	(5,868)	(5,868)	—	(5,868)
Exchange differences on opening balances	(274)	(4,037)	(2,268)	—	—	—	(6,579)	—	(6,579)
<b>At 30 September 2019 (restated<sup>(a)</sup>)</b>	<b>4,863</b>	<b>70,925</b>	<b>39,851</b>	<b>(401)</b>	<b>(12,016)</b>	<b>117,526</b>	<b>220,748</b>	<b>5,293</b>	<b>226,041</b>

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from sterling to US dollar. See note 14 to this interim report for the comparative primary statements from the prior year as previously presented in sterling. In addition, all prior year comparative notes to the accounts have been restated throughout this report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

### YEAR ENDED 31 MARCH 2020

	Attributable to the owners of the Parent Company						Shareholders' equity \$000	Non-controlling interests \$000	Total \$000
	Share capital \$000	Share premium and capital redemption reserve \$000	Merger reserve \$000	Hedging reserve \$000	Translation reserve \$000	Retained earnings \$000			
At 31 March 2019 (restated <sup>(a)</sup> )	5,093	74,962	42,119	153	(8,133)	108,763	222,957	5,266	228,223
Impact of adopting IFRS 16	—	—	—	—	—	(2,427)	(2,427)	(572)	(2,999)
<b>Restated equity at 1 April 2019</b>	5,093	74,962	42,119	153	(8,133)	106,336	220,530	4,694	225,224
Profit for the year	—	—	—	—	—	16,461	16,461	942	17,403
Other comprehensive income/(expense)	—	—	—	167	3,744	—	3,911	(590)	3,321
<b>Total comprehensive income for the year</b>	—	—	—	167	3,744	16,461	20,372	352	20,724
<b>Transactions with owners in their capacity as owners</b>									
Equity-settled share-based payments	—	—	—	—	—	(287)	(287)	—	(287)
Tax on equity-settled share-based payments	—	—	—	—	—	213	213	—	213
Derecognition of non-controlling interests	—	—	—	—	—	—	—	(403)	(403)
Shares issued	1,117	150,145	—	—	—	—	151,262	—	151,262
Options exercised	45	—	—	—	—	(45)	—	—	—
Equity dividends paid	—	—	—	—	—	(8,975)	(8,975)	—	(8,975)
Exchange differences on opening balances	(281)	(9,690)	(1,944)	—	—	—	(11,915)	—	(11,915)
<b>At 31 March 2020 (restated<sup>(a)</sup>)</b>	5,974	215,417	40,175	320	(4,389)	113,703	371,200	4,643	375,843

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from sterling to US dollar. See note 14 to this interim report for the comparative primary statements from the prior year as previously presented in sterling. In addition, all prior year comparative notes to the accounts have been restated throughout this report.

## CONDENSED CONSOLIDATED BALANCE SHEET

### AS AT 30 SEPTEMBER 2020

	Note	Unaudited as at 30 Sep 2020 \$000	Unaudited restated <sup>(a)</sup> as at 30 Sep 2019 \$000	Restated <sup>(a)</sup> as at 31 Mar 2020 \$000	Restated <sup>(a)</sup> as at 31 Mar 2019 \$000
<b>Non-current assets</b>					
Property, plant and equipment		90,383	50,769	92,622	51,786
Intangible assets		140,315	106,482	140,504	110,503
Right-of-use assets		105,882	43,771	82,742	—
Long-term assets		6,308	—	6,223	—
Deferred tax assets		22,351	5,126	18,135	4,693
<b>Total non-current assets</b>		<b>365,239</b>	<b>206,148</b>	<b>340,226</b>	<b>166,982</b>
<b>Current assets</b>					
Inventory		187,717	157,703	141,911	90,442
Trade and other receivables		281,556	200,664	110,047	64,641
Income tax receivable		15,138	—	18,377	—
Derivative financial assets	9	556	511	412	168
Cash and cash equivalents	6	76,770	145,117	83,200	110,910
<b>Total current assets</b>		<b>561,737</b>	<b>503,995</b>	<b>353,947</b>	<b>266,161</b>
<b>Total assets</b>	2	<b>926,976</b>	<b>710,143</b>	<b>694,173</b>	<b>433,143</b>
<b>Equity</b>					
Share capital		6,256	4,863	5,974	5,093
Share premium		223,327	69,277	213,755	73,220
Capital redemption reserve		1,737	1,648	1,662	1,742
Merger reserve		41,974	39,851	40,175	42,119
Hedging reserve		56	(401)	320	153
Translation reserve		(9,204)	(12,016)	(4,389)	(8,133)
Retained earnings		126,954	117,526	113,703	108,763
<b>Equity attributable to owners of the Parent Company</b>		<b>391,100</b>	<b>220,748</b>	<b>371,200</b>	<b>222,957</b>
Non-controlling interests		6,647	5,293	4,643	5,266
<b>Total equity</b>		<b>397,747</b>	<b>226,041</b>	<b>375,843</b>	<b>228,223</b>

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from sterling to US dollar. See note 14 to this interim report for the comparative primary statements from the prior year as previously presented in sterling. In addition, all prior year comparative notes to the accounts have been restated throughout this report.



## CONDENSED CONSOLIDATED BALANCE SHEET CONTINUED

### AS AT 30 SEPTEMBER 2020

	Note	Unaudited as at 30 Sep 2020 \$000	Unaudited restated <sup>(a)</sup> as at 30 Sep 2019 \$000	Restated <sup>(a)</sup> as at 31 Mar 2020 \$000	Restated <sup>(a)</sup> as at 31 Mar 2019 \$000
<b>Non-current liabilities</b>					
Loans and borrowings	7	(389)	899	(219)	1,847
Lease liabilities		99,946	42,097	78,418	—
Deferred income		586	678	561	976
Provisions		5,422	3,094	5,161	3,472
Other financial liabilities		9,354	868	6,784	2,362
Deferred tax liabilities		1,572	906	1,314	900
<b>Total non-current liabilities</b>		<b>116,491</b>	<b>48,542</b>	<b>92,019</b>	<b>9,557</b>
<b>Current liabilities</b>					
Bank overdraft	6	45,180	125,522	31,003	85,614
Loans and borrowings	7	55,219	124,755	(3)	1,239
Lease liabilities		19,799	7,531	16,995	—
Deferred income		496	437	162	129
Provisions		1,150	1,149	2,717	1,417
Income tax payable		13,522	7,417	5,482	6,202
Trade and other payables		230,494	147,732	121,962	76,135
Other financial liabilities		46,878	21,017	47,993	24,627
<b>Total current liabilities</b>		<b>412,738</b>	<b>435,560</b>	<b>226,311</b>	<b>195,363</b>
<b>Total liabilities</b>	2	<b>529,229</b>	<b>484,102</b>	<b>318,330</b>	<b>204,920</b>
<b>Total equity and liabilities</b>		<b>926,976</b>	<b>710,143</b>	<b>694,173</b>	<b>433,143</b>

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from sterling to US dollar. See note 14 to this interim report for the comparative primary statements from the prior year as previously presented in sterling. In addition, all prior year comparative notes to the accounts have been restated throughout this report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

### SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited six months ended 30 Sep 2020 \$000	Unaudited restated <sup>(a)</sup> six months ended 30 Sep 2019 \$000	Twelve months restated <sup>(a)</sup> ended 31 Mar 2020 \$000
<b>Cash flows from operating activities</b>				
Profit for the period		12,279	15,923	17,403
Adjustments for:				
Depreciation and impairment of property, plant and equipment		6,678	3,845	8,880
Depreciation of right-of-use assets		9,370	4,043	8,911
Amortisation of intangible assets		4,258	2,444	4,816
Finance expenses		2,265	2,616	5,479
Income tax charge/(credit)		4,801	4,535	(18,276)
Loss/(profit) on disposal of a business		208	—	(1,836)
(Profit)/loss on sales of property, plant and equipment		(10)	9	(246)
Loss on disposal of intangible fixed assets		1	—	1
Equity-settled share-based payments		2,477	1,908	(252)
<b>Operating profit after adjustments for non-cash items</b>		<b>42,327</b>	<b>35,323</b>	<b>24,880</b>
Change in trade and other receivables		(169,524)	(143,430)	9,841
Change in inventory		(42,133)	(71,244)	1,532
Change in trade and other payables, provisions and deferred income		105,217	74,861	1,592
<b>Cash (used by)/generated from operations</b>		<b>(64,113)</b>	<b>(104,490)</b>	<b>37,845</b>
Tax received/(paid)		2,857	(2,984)	(5,993)
Interest and similar charges paid		(1,927)	(2,092)	(5,090)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(63,183)</b>	<b>(109,566)</b>	<b>26,762</b>
<b>Cash flow from investing activities</b>				
Proceeds from sale of property, plant and equipment		30	25	767
Acquisition of businesses (net of cash acquired)		—	—	(112,251)
Acquisition of intangible assets		(737)	(1,126)	(3,738)
Acquisition of property, plant and equipment		(2,729)	(4,041)	(10,463)
<b>Net cash outflow from investing activities</b>		<b>(3,436)</b>	<b>(5,142)</b>	<b>(125,685)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital		—	—	152,535
Repayment of secured borrowings		(1,025)	(627)	(1,917)
Net movement in previous credit facilities		—	48,230	48,230
Repayment of previous credit facilities		—	(48,230)	(48,230)
Net movement in new credit facilities		55,730	123,903	—
Payment of lease liabilities		(8,772)	(3,868)	(8,430)
Loan arrangement fees		—	(737)	(1,571)
Equity dividends paid		—	(5,868)	(8,975)
<b>Net cash inflow from financing activities</b>		<b>45,933</b>	<b>112,803</b>	<b>131,642</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(20,686)</b>	<b>(1,905)</b>	<b>32,719</b>
Cash and cash equivalents at beginning of the period		52,197	25,296	25,296
Effect of exchange rate fluctuations on cash held		79	(3,796)	(5,818)
<b>Cash and cash equivalents at end of the period</b>	6	<b>31,590</b>	<b>19,595</b>	<b>52,197</b>

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from sterling to US dollar. See note 14 to this interim report for the comparative primary statements from the prior year as previously presented in sterling. In addition, all prior year comparative notes to the accounts have been restated throughout this report.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 1 Accounting policies

##### Basis of preparation

The financial information contained in this interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and is unaudited.

The Group's 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 2020 is extracted from the statutory accounts of the Group for that financial year and has been restated into US dollars. See the 'presentation currency' section below for further detail. 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 2020. The audited annual accounts have been delivered to the Registrar of Companies.

The preparation of financial statements that conform with adopted 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 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 and distribution of Christmas products builds ahead of shipping. The second half of the year sees the borrowing of the Group decline and move to typically a cash positive position as we collect our debtors through January to March.

##### Presentation currency

The Company has changed the presentation currency of the Group from pound sterling to US dollar effective 1 April 2020. Following the acquisition of CSS Industries Inc., a significant majority of the Group's earnings is now denominated in US dollars. Management believes that the presentation currency change will give investors and other stakeholders a clearer understanding of the Group's financial performance over time. In addition, the change will reduce the volatility of the Group's earnings due to foreign exchange movements, in relation to the translation of foreign currency balances.

The currency translation reserve was set to zero at 1 April 2006 on transition to IFRS and has been restated as if the Group had reported in US dollars since that date. Share capital, share premium, capital redemptions reserve, merger reserve and hedging reserve are translated into US dollars at the rates of exchange at the balance sheet date and the resulting exchange differences are included in other reserves.

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

Since the change in reporting currency has been applied retrospectively all comparative numbers in these consolidated interim accounts have been restated into US dollar. Note 14 sets out the key primary statements with both sterling and US dollar comparatives for the six months ended 30 September 2019 and year ended 31 March 2020.

##### 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 on pages 10 to 15. Cash balances and borrowings are detailed in notes 6 and 7.

On 5 June 2019, to meet the funding requirements of the Group, the business refinanced with a banking group comprising HSBC, NatWest, BNP Paribas, Sun Trust 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. The facilities run to May 2022 and comprise of a revolving credit facility (RCF) of \$95.0 million, a further flexible RCF of up to £130.0 million, flexible to meet the Group's working capital requirements during peak manufacturing, and a maximum limit of \$18.0 million invoice financing arrangement in Hong Kong. We also have access to supplier financing arrangements from certain customers which we utilise at certain times of the year. These arrangements are subject to the continuing support of the customers' banking partners and therefore could be withdrawn at short notice.

The Directors have prepared detailed plans and forecasts for a period of at least twelve months from the date of signing these financial statements. The plans reflect the seasonal operating cycle of the business and assume continuity of supply chain. They also benefit from the diverse geographic spread of the Group and the high proportion of revenues generated from retailers who have remained open during the Covid-19 crisis. The base case forecasts broadly assume a recovery over the remainder of this financial year, but to a generally recessionary environment. The Group is currently trading ahead of forecasts used to consider the going concern assessment. The forecasts show the Group has more than sufficient liquidity. In light of the ongoing Covid-19 pandemic, these forecasts have been sensitised to reflect severe but plausible adverse downturns in the current assumptions including the impact of the second wave of the pandemic and associated lockdown in the UK and Europe as well as the cyber incident in the US. Management has also produced a maximum stress forecast which has been deliberately engineered to challenge the Group's liquidity and leverage covenant positions during the forecast period. Further analysis has been prepared in relation to the mitigating actions open to the Group in the event of a scenario which is worse than the sensitivities already modelled. These mitigating actions include short-term sales action, cutting discretionary spend further, headcount reductions and reduction in investment such as capex.

These forecasts and additional analysis including mitigating actions demonstrated that the Group has sufficient excess headroom for the Group to meet its obligations as they fall due for a forecast period of more than twelve months beyond the date of signing these accounts.

Based on these models, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly have adopted the going concern basis in preparing the consolidated financial statements. This disclosure has been prepared in accordance with the Financial Reporting Council's UK Corporate Governance Code.

### Significant accounting policies

The accounting policies adopted in the preparation of the interim report are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 March 2020.

## 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.

Following the acquisition of CSS, the business has been restructured with the consolidation of the UK, European and Australian businesses under one operating segment: International. As such, the Board has re-evaluated the reporting segments for the Group and for management purposes the Group is now organised into two geographic reporting segments. These are the segments as reported to, and evaluated by, the Chief Operating Decision Makers for the Group.

The acquisition of CSS Industries Inc. has seen additional entities in various locations around the world, including Asia, Australia, UK, India and Mexico. Management review the results for CSS as one consolidated unit and this forms part of the Americas segment for the purpose of segmental reporting.

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

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

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 2 Segmental information continued

	Americas <sup>(a)</sup> \$000	International \$000	Central & eliminations \$000	Group \$000
<b>Six months ended 30 September 2020</b>				
Revenue – external	321,572	113,063	—	434,635
– inter-segment	—	2,443	(2,443)	—
<b>Total segment revenue</b>	<b>321,572</b>	<b>115,506</b>	<b>(2,443)</b>	<b>434,635</b>
<b>Segment result before adjusting items and management recharges</b>	<b>19,550</b>	<b>15,140</b>	<b>(2,224)</b>	<b>32,466</b>
Adjusting items (note 3)				(13,121)
<b>Operating profit</b>				<b>19,345</b>
Finance expenses				(2,265)
Income tax				(4,801)
<b>Profit for the six months ended 30 September 2020</b>				<b>12,279</b>
<b>Balances at 30 September 2020</b>				
<b>Segment assets</b>	<b>563,866</b>	<b>282,583</b>	<b>80,527</b>	<b>926,976</b>
<b>Segment liabilities</b>	<b>(316,758)</b>	<b>(148,970)</b>	<b>(63,501)</b>	<b>(529,229)</b>
Capital expenditure additions				
– property, plant and equipment	1,519	1,210	—	2,729
– intangible assets	700	37	—	737
– right-of-use assets	29,639	679	—	30,318
Depreciation – property, plant and equipment	3,917	2,760	1	6,678
Amortisation – intangible assets	3,988	270	—	4,258
Depreciation – right-of-use assets	6,756	2,579	35	9,370
	Americas <sup>(a)</sup> \$000	International \$000	Central & eliminations \$000	Group \$000
<b>Six months ended 30 September 2019</b>				
Revenue – external	183,837	125,383	—	309,220
– inter-segment	—	2,999	(2,999)	—
<b>Total segment revenue</b>	<b>183,837</b>	<b>128,382</b>	<b>(2,999)</b>	<b>309,220</b>
<b>Segment result before adjusting items and management recharges</b>	<b>17,600</b>	<b>13,222</b>	<b>(2,167)</b>	<b>28,655</b>
Adjusting items (note 3)				(5,581)
<b>Operating profit</b>				<b>23,074</b>
Finance expenses				(2,616)
Income tax				(4,535)
<b>Profit for the six months ended 30 September 2019</b>				<b>15,923</b>
<b>Balances at 30 September 2019</b>				
<b>Segment assets</b>	<b>293,067</b>	<b>282,311</b>	<b>134,765</b>	<b>710,143</b>
<b>Segment liabilities</b>	<b>(195,082)</b>	<b>(164,295)</b>	<b>(124,725)</b>	<b>(484,102)</b>
Capital expenditure additions				
– property, plant and equipment	1,021	3,016	4	4,041
– intangible assets	894	146	86	1,126
– right-of-use assets	640	2,663	33	3,336
Depreciation – property, plant and equipment	1,243	2,599	3	3,845
Amortisation – intangible assets	2,120	324	—	2,444
Depreciation – right-of-use assets	1,787	2,223	33	4,043

	Americas <sup>(a)</sup> \$000	International \$000	Central & eliminations \$000	Group \$000
Year ended 31 March 2020				
Revenue – external	355,917	268,423	—	624,340
– inter-segment	—	7,071	(7,071)	—
Total segment revenue	355,917	275,494	(7,071)	624,340
Segment result before adjusting items and management recharge	20,064	24,877	(4,017)	40,924
Adjusting items (note 3)				(36,318)
Operating profit				4,606
Finance expenses				(5,479)
Income tax				18,276
Profit for the year ended 31 March 2020				17,403
Balances at 31 March 2020				
Segment assets	423,642	210,380	60,151	694,173
Segment liabilities	(199,584)	(95,410)	(23,336)	(318,330)
Capital expenditure additions				
– property, plant and equipment	3,372	7,087	4	10,463
– property, plant and equipment on acquisition of business	40,570	—	—	40,570
– intangible assets	3,419	236	83	3,738
– intangible assets on acquisition of business	5,960	—	—	5,960
– right-of-use assets	790	6,515	33	7,338
– right-of-use assets on acquisition of business	40,650	—	—	40,650
Depreciation – property, plant and equipment	3,034	5,411	3	8,448
Impairment	—	432	—	432
Amortisation – intangible assets	4,341	475	—	4,816
Depreciation – right-of-use assets	4,222	4,619	70	8,911

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



## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 3 Operating profit and adjusting items

	Unaudited six months ended 30 Sep 2020 \$000	Unaudited six months ended 30 Sep 2019 \$000	Twelve months ended 31 Mar 2020 \$000
Operating profit analysed as:			
Adjusted operating profit	32,466	28,655	40,924
Adjusting items	(13,121)	(5,581)	(36,318)
<b>Operating profit</b>	<b>19,345</b>	<b>23,074</b>	<b>4,606</b>

#### Adjusting items

	Cost of sales \$000	Selling expenses \$000	Admin expenses \$000	Loss on sale of subsidiary \$000	Other finance expenses \$000	Total \$000
Six months ended 30 September 2020						
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses <sup>(1)</sup>	—	—	674	208	—	882
Acquisition integration and restructuring costs <sup>(2)</sup>	33	—	5,478	—	—	5,511
Impairment of assets <sup>(3)</sup>	—	52	—	—	—	52
Incremental Covid-19 costs <sup>(4)</sup>	926	—	1,048	—	—	1,974
Amortisation of acquired intangibles <sup>(5)</sup>	—	—	2,225	—	—	2,225
LTIP charge <sup>(6)</sup>	—	—	2,477	—	—	2,477
<b>Adjusting items</b>	<b>959</b>	<b>52</b>	<b>11,902</b>	<b>208</b>	<b>—</b>	<b>13,121</b>

	Cost of sales \$000	Selling expenses \$000	Admin expenses \$000	Loss on sale of subsidiary \$000	Other finance expenses \$000	Total \$000
Six months ended 30 September 2019						
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses <sup>(1)</sup>	—	—	685	—	—	685
Acquisition integration and restructuring costs <sup>(2)</sup>	563	—	642	—	—	1,205
Amortisation of acquired intangibles <sup>(5)</sup>	—	—	1,783	—	—	1,783
LTIP charge <sup>(6)</sup>	—	—	1,908	—	—	1,908
<b>Adjusting items</b>	<b>563</b>	<b>—</b>	<b>5,018</b>	<b>—</b>	<b>—</b>	<b>5,581</b>

	Cost of sales \$000	Selling expenses \$000	Admin expenses \$000	Profit on sale of subsidiary \$000	Other finance expenses \$000	Total \$000
Year ended 31 March 2020						
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses <sup>(1)</sup>	32	—	5,918	(1,836)	—	4,114
Acquisition integration and restructuring costs <sup>(2)</sup>	7,066	—	4,960	—	—	12,026
Impairment of assets <sup>(3)</sup>	8,021	3,789	—	—	—	11,810
Incremental Covid-19 costs <sup>(4)</sup>	327	—	292	—	—	619
Amortisation of acquired intangibles <sup>(5)</sup>	—	—	3,573	—	—	3,573
LTIP credits <sup>(6)</sup>	—	—	(252)	—	—	(252)
US tariffs	4,428	—	—	—	—	4,428
<b>Adjusting items</b>	<b>19,874</b>	<b>3,789</b>	<b>14,491</b>	<b>(1,836)</b>	<b>—</b>	<b>36,318</b>

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 costs/(gains) relating to the period ended 30 September 2020 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 LTIPs) 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, costs of \$133,000 associated with the acquisition of CSS were incurred relating to adviser fees. In addition, \$542,000 of acquisition related employee payments from the Impact Innovations Inc. transaction in 2019 which lock in and incentivise legacy talent. Finally, an additional \$207,000 of transaction costs associated with the disposal of Zhejiang Shaoxing Royal Arts and Crafts Co. Ltd ('Shaoxing') were incurred.

As at 30 September 2019, the Group incurred \$685,000 of transaction costs primarily relating to acquisition related employee payments from the Impact Innovations Inc. transaction in 2019 which lock in and incentivise legacy talent, as well as other M&A related costs. As at 31 March 2020, the total net cost incurred by the Group was \$4.1 million, including costs associated with the acquisition of CSS Industries Inc. along with the profit on disposal of Shaoxing.

**(2) Acquisition integration and restructuring 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 be included as Adjusting items.

The main costs relate to the integration of CSS into the enlarged DG Americas as new team structures have been put in place. There have also been associated temporary staff costs and recruitment costs as roles are being filled. These costs amounted to \$3.4 million in the period.

The CSS business includes a large portfolio of owned and leased sites, and part of the integration project includes the consolidation of these locations resulting in the impairment of lease assets and the ongoing costs associated with the closure of sites as well as the lease liability interest costs. In the period, the site in Nashville, Tennessee was closed and the associated impairment of the lease asset and ongoing costs associated with the mothballing of the site, as well as the lease liability interest costs, have been treated as Adjusting items amounting to \$1.4 million in the period. This is consistent with the treatment adopted when other sites have been closed.

The UK undertook a reorganisation in light of Covid-19, for which the costs have been treated as Adjusting items. In addition, in Australia a similar reorganisation was made in the first half of the financial year. The total costs associated with the reorganisations in the period were \$798,000.

As at 30 September 2019, the Group had incurred \$1.2 million of acquisition integration costs, and by 31 March 2020 \$12.0 million of costs relating to the integration of manufacturing facilities in Memphis, transition and retention costs, as well as costs relating to the CSS integration.

**(3) Impairment of assets**

In light of the impact of Covid-19 on the business, a review of inventory, trade receivables and fixed assets was undertaken at the year end. Inventories were assessed at 31 March 2020 for the net realisable value and an impairment of \$7.4 million was taken in relation to aged and obsolete inventory. Similarly, trade receivables were assessed for their expected credit loss in line with IFRS 9 and an impairment of \$3.8 million was taken. In addition, an impairment of \$667,000 was taken as at 31 March 2020 in relation to inventory related assets and certain fixed assets.

As at 30 September 2020, this assessment continues, and for trade receivables any impairment taken at the year end that was not required has been reversed (\$3.1 million) alongside any additional debtors as at the reporting date who are now considered higher risk for which an impairment has been taken (\$3.9 million). Inventories continue to be assessed for net realisable value, with sell-through of provided inventory of \$1.8 million being netted against further inventory risk of \$1.2 million recognised. Given the seasonality of our business and the high proportion of Christmas related sales, further assessment will be undertaken by the end of the financial year.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 3 Operating profit and adjusting items continued

##### Adjusting items continued

###### (4) Incremental Covid-19 costs

The Covid-19 outbreak has developed rapidly in 2020, with measures taken around the world to contain the virus affecting economic activity. The Group has been affected in every territory in which we operate and the impact on the general economic environment and the reduced demand for goods from our customers as well as the closures of our businesses has had a significant impact. Certain costs relating to incremental direct labour have been identified that have impacted the financial results of the business during the year to date, equal to \$2.0 million. The most significant element of these costs totalled \$1.3 million, relating to additional labour costs across our manufacturing facilities in the USA, Mexico and India. The US government assistance provided support to the workforce focused on payments direct to the individual rather than through the employer and as such no government assistance has been received directly by the Americas business during the period. Furthermore, an unintended impact of the US government assistance direct to the individual is that additional costs have been incurred to encourage employees to return to work rather than remain at home receiving the government assistance. Similarly in Mexico and India, government mandates have meant that no workforce reductions have been allowed by law and labour costs, that otherwise would not have been, have been incurred as a result. Other incremental costs include \$432,000 associated with direct labour inefficiencies and shorter shifts in our manufacturing sites to allow for clean down and sanitising all equipment and areas before the subsequent shift move in, as well as \$228,000 of additional cleaning and PPE costs.

Management have taken a judgement not to include government assistance received in the period as an Adjusting item, as whilst the amounts received were incremental, the underlying employee expenditure would likely not have been incurred if the government assistance was not received.

In the year ended 31 March 2020, \$619,000 of direct incremental costs associated with Covid-19 had been incurred by the Group.

###### (5) Amortisation of acquired intangibles

Under IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer relationships and brands which form part of the intangible value of the acquired business but are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over an appropriately judged period. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. These include trade names and brands acquired as part of the acquisition of Impact Innovations Inc. and CSS Industries Inc. in the USA and Biscay Pty Greetings Ltd in Australia. As such, we include these as Adjusting items. Note that the trade names acquired as part of the acquisition of The Lang Companies Inc. were fully amortised in the prior year.

In addition, in accordance with IFRS 3, on acquisition, businesses need to be fair valued, which can result in an uplift to stock on hand relating to sales orders already attached to the acquired stock. This uplift will distort the margins associated with the stock, and typically unwinds quickly as stock is sold soon after acquisition. The unwind of the stock uplift (\$0.6 million) associated with the CSS acquisition is included as an Adjusting item, consistent with the treatment adopted with the Impact acquisition. This has fully unwound as at 30 September 2020.

###### (6) LTIP charges

As part of our senior management remuneration, the Group operates a Long Term Incentive Plan (LTIP) in the form of options for ordinary shares of the Group. In accordance with accounting principles, despite this plan not being a cash cost to the business, a share-based payments charge or credit is taken to the income statement. We consider that these charges and the associated social security charges do not form part of the underlying operational costs and therefore include these as Adjusting items.

The LTIP charge for the period to 30 September 2020 is \$2.4 million which consists of a principal IFRS 2 charge of \$2.2 million and an employer's social security charge of \$0.2 million.

As at 30 September 2019, \$1.9 million of LTIP charges had been incurred and by 31 March 2020, these charges had been reversed and instead a credit of (\$0.3) million had been taken.

#### The cash flow effect on adjusting items

There was \$10.4 million net outflow on the current period's cash flow (H1 2020: \$1.9 million) which included \$4.5 million (H1 2020: \$591,000) of outflow deferred from last year.

#### 4 Other operating income

	Unaudited six months ended 30 Sep 2020 \$000	Unaudited six months ended 30 Sep 2019 \$000	Twelve months ended 31 Mar 2020 \$000
Grant income received	64	317	380
Sub-lease rentals credited to the income statement	178	177	358
Government assistance	3,578	—	—
Other	89	9	189
<b>Total other operating income</b>	<b>3,909</b>	<b>503</b>	<b>927</b>

## 5 Taxation

### Recognised in the income statement

	Unaudited six months ended 30 Sep 2020 \$000	Unaudited six months ended 30 Sep 2019 \$000	Twelve months ended 31 Mar 2020 \$000
<b>Current tax (charge)/credit</b>			
Current income tax (charge)/credit	(8,625)	(4,533)	14,458
<b>Deferred tax credit/(charge)</b>			
Relating to origination and reversal of temporary differences	3,824	(2)	3,818
<b>Total tax in the income statement</b>	<b>(4,801)</b>	<b>(4,535)</b>	<b>18,276</b>
<b>Total tax (charge)/credit on adjusting items</b>			
Total tax on profit before adjusting items	(7,677)	(5,860)	(7,113)
Total tax on adjusting items	2,876	1,325	8,053
Adjusting item – tax credit (US tax loss carryback)	—	—	17,336
<b>Total tax in income statement</b>	<b>(4,801)</b>	<b>(4,535)</b>	<b>18,276</b>

## 6 Cash and cash equivalents/bank overdrafts

	Unaudited six months ended 30 Sep 2020 \$000	Unaudited six months ended 30 Sep 2019 \$000	Twelve months ended 31 Mar 2020 \$000
Cash and cash equivalents	76,770	145,117	83,200
Bank overdrafts	(45,180)	(125,522)	(31,003)
<b>Cash and cash equivalents per cash flow statement</b>	<b>31,590</b>	<b>19,595</b>	<b>52,197</b>

### Net cash

	Unaudited six months ended 30 Sep 2020 \$000	Unaudited six months ended 30 Sep 2019 \$000	Twelve months ended 31 Mar 2020 \$000
Cash and cash equivalents	31,590	19,595	52,197
Bank loans and overdrafts	(55,802)	(126,268)	(987)
Loan arrangement fees	972	614	1,209
<b>Net (debt)/cash as used in the financial review</b>	<b>(23,240)</b>	<b>(106,059)</b>	<b>52,419</b>

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 7 for further details of the Group's loans and borrowings.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 7 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 2020 \$000	Unaudited six months ended 30 Sep 2019 \$000	Twelve months ended 31 Mar 2020 \$000
<b>Non-current liabilities</b>			
Secured bank loans	—	1,149	432
Loan arrangement fees	(389)	(250)	(651)
	(389)	899	(219)
<b>Current liabilities</b>			
Asset backed loan	10,451	11,248	—
Revolving credit facilities	45,279	112,655	—
Current portion of secured bank loans	72	1,216	555
Bank loans and borrowings	55,802	125,119	555
Loan arrangement fees	(583)	(364)	(558)
	55,219	124,755	(3)

#### Secured bank loans

On 5 June 2019, the Group entered into a new three year Group facility with a club of five banks chosen to reflect and support the geographical spread of the Group. The banks within the club are HSBC, NatWest, BNP Paribas, Sun Trust and PNC.

On 17 January 2020, a facility increase was agreed to support the acquisition of CSS Industries Inc. on 3 March 2020 and to accommodate the enlarged Group.

The facilities, which run to May 2022, comprise of:

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

In total, the accessible facilities are approximately \$276.7 million (maximum \$281.4 million) and are more than sufficient to cover our peak requirements. Being partially denominated in US dollar they also provide a hedge against currency movements. The facilities, which do not amortise with time, include an additional uncommitted amount to finance potential acquisitions.

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

There are financial covenants, tested quarterly, attached to the existing facilities as follows:

- interest cover, being the ratio of adjusted earnings before interest, depreciation and amortisation (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.

Covenants are measured on pre IFRS 16 accounting definitions.

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.

In January 2018, the Group's Australia business obtained a secured loan from Westpac of \$6.5 million (AU\$9.0 million). This is repayable monthly over a five year period. It is subject to a variable interest rate linked to the Australian base rate. \$1.0 million was repaid during the period which, along with \$110,000 exchange movement, results in a balance at 30 September 2020 of \$72,000 (AU\$100,000). The Australia business also borrows from Westpac for financing working capital and the current facility level is AU\$5.0 million from January to June and AU\$10.0 million from July to December.

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.

## 8 Earnings per share

	Unaudited six months ended 30 Sep 2020 \$000	Unaudited six months ended 30 Sep 2019 \$000	Twelve months ended 31 Mar 2020 \$000
<b>Earnings</b>			
Earnings attributable to equity holders of the Company	11,222	15,297	16,461
<b>Adjustments</b>			
Adjusting items (net of non-controlling interest effect)	13,199	5,485	35,964
Tax relief on adjustments (net of non-controlling interest effect)	(2,899)	(1,296)	(7,946)
Adjusting item – tax credit (US tax loss carryback)	—	—	(17,336)
Adjusted earnings	21,522	19,486	27,143
<b>Weighted average number of shares</b>			
Basic weighted average number of shares outstanding	97,700	79,960	82,605
Dilutive effect of employee share option plans	327	441	476
Diluted weighted average ordinary shares	98,027	80,401	83,081
<b>Earnings per share (cents)</b>			
Basic earnings per share	11.5	19.1	19.9
Adjustment	10.5	5.3	12.9
<b>Basic adjusted earnings per share</b>	22.0	24.4	32.8
Diluted earnings per share	11.4	19.0	19.8
<b>Diluted adjusted earnings per share</b>	22.0	24.2	32.7

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

	Unaudited six months ended 30 Sep 2020	Unaudited six months ended 30 Sep 2019	Twelve months ended 31 Mar 2020
In thousands of shares			
Issued ordinary shares at 1 April	96,367	78,366	78,366
Shares held by Employee Benefit Trust	—	—	—
Shares relating to share options	1,333	1,594	1,594
Shares issued in respect of share placing	—	—	2,645
Weighted average number of shares at the end of the period	97,700	79,960	82,605

## Diluted earnings per share

The diluted earnings per share is calculated taking into account LTIP awards whose specified conditions were satisfied at the end of the reporting period of 327,000 (H1 2020: 441,000) share options. At 30 September 2020, the diluted number of shares was 98.0 million (H1 2020: 80.4 million).



## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 9 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 fair value at 30 September 2020:

	Unaudited six months ended 30 Sep 2020 \$000	Unaudited six months ended 30 Sep 2019 \$000	Twelve months ended 31 Mar 2020 \$000
Forward exchange contracts carrying amount			
Derivative financial assets	556	511	412
Derivative financial liabilities	(538)	(814)	(9)

#### 10 Capital commitments

At 30 September 2020, the Group had outstanding authorised capital commitments to purchase plant and equipment for \$1.1 million (H1 2020: \$4.6 million).

#### 11 Related parties

As at 30 September 2020, there are no changes to the related parties or types of transactions as disclosed at 31 March 2020.

## 12 Acquisitions and disposals of subsidiaries

### Acquisitions in the prior year

On 3 March 2020, the Group acquired 100% of the equity of CSS Industries, Inc. ('CSS'), a creative consumer products company, focused on the craft, gift and seasonal categories predominately within the US.

As disclosed in the financial statements as at 31 March 2020, the provisional effect of the acquisition of CSS is as follows:

	Provisional fair values recognised on acquisition \$'000
Property, plant and equipment	40,570
Right-of-use assets	40,650
Intangible assets	5,960
Inventories	56,630
Trade and other receivables	65,296
Doubtful debt provision	(2,231)
Cash	10,538
Trade and payables	(75,186)
Provisions	(5,167)
Income taxes	(3,828)
Deferred tax	8,797
Lease liabilities	(47,344)
Net identifiable assets and liabilities	94,685
Consideration paid in shares	—
Consideration paid in cash	122,789
Total consideration	122,789
Goodwill	28,104

Contingent liabilities of \$4.0 million were recognised as part of the business combination relating to reinstatement costs of leased buildings, potential change of control penalties, potential environmental claims and potential litigation. The liabilities have the potential to unwind over one to five years and contain estimates. There has been no material movement in these liabilities as at 30 September 2020.

In addition, as at 30 September 2020, no measurement period adjustment has been made. A review of the provisional acquisition accounting as stated in the financial statements to 31 March 2020 is ongoing, with particular focus on inventory as the business sells through any acquired inventory. As this assessment needs to be ongoing throughout the year, if appropriate, any measurement period adjustments will be made in the second half of the year.

### 13 Non-adjusting post balance sheet events

After the end of the reporting period, and prior to the authorisation of this interim report on 24 November 2020, the Group has declared an interim dividend of 3.0 pence (3.9 cents) per share (H1 2020: 3.0 pence (3.7 cents)).

### 14 Presentation currency

The Company has changed the presentation currency of the Group from pound sterling to US dollars effective 1 April 2020. Following the acquisition of CSS Industries Inc., a significant majority of the Group's earnings are now denominated in US dollars. Management believes that the presentation currency change will give investors and other stakeholders a clearer understanding of the Group's financial performance over time. In addition, the change will reduce the volatility of the Group's earnings due to foreign exchange movements, in relation to the translation of foreign currency balances.

The following pages contain details of the key primary statements with both pound sterling and US dollar comparatives for both six months ended 30 September 2019 and the year ended 31 March 2020.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 14 Presentation currency continued

##### Consolidated income statement

	Unaudited six months ended 30 Sep 2019 \$000	Unaudited six months ended 30 Sep 2019 £000	Twelve months ended 31 Mar 2020 \$000	Twelve months ended 31 Mar 2020 £000
<b>Revenue</b>	309,220	248,371	624,340	494,234
Cost of sales	(246,186)	(197,597)	(530,109)	(419,131)
<b>Gross profit</b>	63,034	50,774	94,231	75,103
Selling expenses	(13,374)	(10,658)	(33,766)	(26,523)
Administration expenses	(27,089)	(21,336)	(58,868)	(46,409)
Other operating income	503	398	927	735
Profit on disposal of property, plant and equipment	—	—	246	188
Profit on disposal of subsidiary	—	—	1,836	1,486
<b>Operating profit</b>	23,074	19,178	4,606	4,580
Finance expenses	(2,616)	(2,083)	(5,479)	(4,317)
<b>Profit/(loss) before tax</b>	20,458	17,095	(873)	263
Income tax (charge)/credit	(4,535)	(3,792)	18,276	14,547
<b>Profit for the period</b>	15,923	13,303	17,403	14,810
Attributable to:				
Owners of the Parent Company	15,297	12,799	16,461	14,060
Non-controlling interests	626	504	942	750

##### Earnings per ordinary share

	Unaudited six months ended 30 Sep 2019	Unaudited six months ended 30 Sep 2019	Twelve months ended 31 Mar 2020	Twelve months ended 31 Mar 2020
Basic	19.1c	16.0p	19.9c	17.0p
Diluted	19.0c	16.0p	19.8c	16.9p

##### Adjusted earnings per ordinary share

	Unaudited six months ended 30 Sep 2019	Unaudited six months ended 30 Sep 2019	Twelve months ended 31 Mar 2020	Twelve months ended 31 Mar 2020
Basic	24.4c	20.2p	32.8c	27.0p
Diluted	24.2c	20.1p	32.7c	26.9p

## Executive review income statement

	Unaudited six months ended 30 Sep 2019 \$m	Unaudited six months ended 30 Sep 2019 £m	Twelve months ended 31 Mar 2020 \$m	Twelve months ended 31 Mar 2020 £m
<b>Revenue</b>	309.2	248.4	624.3	494.2
<b>Gross profit</b>	63.6	51.3	114.1	90.9
Overheads	(34.9)	(27.7)	(73.2)	(57.5)
<b>Adjusted operating profit</b>	28.7	23.6	40.9	33.4
Finance expenses	(2.6)	(2.1)	(5.5)	(4.3)
<b>Adjusted profit before tax</b>	26.1	21.5	35.4	29.1
Adjusting items	(5.6)	(4.4)	(36.3)	(28.8)
<b>Profit/(loss) before tax</b>	20.5	17.1	(0.9)	0.3
Income tax (charge)/credit	(4.6)	(3.8)	18.3	14.5
<b>Profit for the period</b>	15.9	13.3	17.4	14.8

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 14 Presentation currency continued

##### Consolidated balance sheet

	Unaudited six months ended 30 Sep 2019 \$000	Unaudited six months ended 30 Sep 2019 £000	Twelve months ended 31 Mar 2020 \$000	Twelve months ended 31 Mar 2020 £000
<b>Non-current assets</b>				
Property, plant and equipment	50,769	41,276	92,622	74,695
Intangible assets	106,482	86,570	140,504	113,309
Right-of-use assets	43,771	35,586	82,742	66,728
Long-term assets	—	—	6,223	5,019
Deferred tax assets	5,126	4,167	18,135	14,624
<b>Total non-current assets</b>	<b>206,148</b>	<b>167,599</b>	<b>340,226</b>	<b>274,375</b>
<b>Current assets</b>				
Inventory	157,703	128,213	141,911	114,445
Trade and other receivables	200,664	163,143	110,047	88,748
Income tax receivable	—	—	18,377	14,820
Derivative financial assets	511	415	412	332
Cash and cash equivalents	145,117	117,982	83,200	67,098
<b>Total current assets</b>	<b>503,995</b>	<b>409,753</b>	<b>353,947</b>	<b>285,443</b>
<b>Total assets</b>	<b>710,143</b>	<b>577,352</b>	<b>694,173</b>	<b>559,818</b>
<b>Equity</b>				
Share capital	4,863	3,954	5,974	4,818
Share premium	69,277	56,323	213,755	172,383
Capital redemption reserve	1,648	1,340	1,662	1,340
Merger reserve	39,851	32,399	40,175	32,399
Hedging reserve	(401)	(326)	320	258
Translation reserve	(12,016)	2,375	(4,389)	7,383
Retained earnings	117,526	83,400	113,703	80,794
<b>Equity attributable to owners of the Parent Company</b>	<b>220,748</b>	<b>179,465</b>	<b>371,200</b>	<b>299,375</b>
Non-controlling interests	5,293	4,305	4,643	3,744
<b>Total equity</b>	<b>226,041</b>	<b>183,770</b>	<b>375,843</b>	<b>303,119</b>

	Unaudited six months ended 30 Sep 2019 \$000	Unaudited six months ended 30 Sep 2019 £000	Twelve months ended 31 Mar 2020 \$000	Twelve months ended 31 Mar 2020 £000
<b>Non-current liabilities</b>				
Loans and borrowings	899	731	(219)	(177)
Lease liabilities	42,097	34,225	78,418	63,241
Deferred income	678	552	561	452
Provisions	3,094	2,516	5,161	4,163
Other financial liabilities	868	706	6,784	5,471
Deferred tax liabilities	906	736	1,314	1,059
<b>Total non-current liabilities</b>	<b>48,542</b>	<b>39,466</b>	<b>92,019</b>	<b>74,209</b>
<b>Current liabilities</b>				
Bank overdraft	125,522	102,051	31,003	25,004
Loans and borrowings	124,755	101,427	(3)	(2)
Lease liabilities	7,531	6,123	16,995	13,705
Deferred income	437	355	162	131
Provisions	1,149	934	2,717	2,191
Income tax payable	7,417	6,030	5,482	4,399
Trade and other payables	147,732	120,109	121,962	98,357
Other financial liabilities	21,017	17,087	47,993	38,705
<b>Total current liabilities</b>	<b>435,560</b>	<b>354,116</b>	<b>226,311</b>	<b>182,490</b>
<b>Total liabilities</b>	<b>484,102</b>	<b>393,582</b>	<b>318,330</b>	<b>256,699</b>
<b>Total equity and liabilities</b>	<b>710,143</b>	<b>577,352</b>	<b>694,173</b>	<b>559,818</b>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 14 Presentation currency continued

##### Consolidated cash flow statement

	Unaudited six months ended 30 Sep 2019 \$000	Unaudited six months ended 30 Sep 2019 £000	Twelve months ended 31 Mar 2020 \$000	Twelve months ended 31 Mar 2020 £000
<b>Cash flows from operating activities</b>				
Profit for the year	15,923	13,303	17,403	14,810
Adjustments for:				
Depreciation and impairment	3,845	3,041	8,880	6,994
Depreciation of right-of-use assets	4,043	3,208	8,911	7,014
Amortisation of intangible assets	2,444	1,944	4,816	3,796
Finance expenses	2,616	2,083	5,479	4,317
Income tax charge/(credit)	4,535	3,792	(18,276)	(14,547)
Profit on disposal of subsidiary	—	—	(1,836)	(1,486)
Loss/(profit) on disposal of property, plant and equipment	9	7	(246)	(188)
Loss on disposal of intangible fixed assets	—	—	1	1
Equity-settled share-based payments	1,908	1,513	(252)	(202)
<b>Operating profit after adjustments for non-cash items</b>	<b>35,323</b>	<b>28,891</b>	<b>24,880</b>	<b>20,509</b>
Change in trade and other receivables	(143,430)	(116,210)	9,841	629
Change in inventory	(71,244)	(56,065)	1,532	705
Change in trade and other payables, provisions and deferred income	74,861	61,502	1,592	5,913
<b>Cash (used by)/generated from operations</b>	<b>(104,490)</b>	<b>(81,882)</b>	<b>37,845</b>	<b>27,756</b>
Tax paid	(2,984)	(2,297)	(5,993)	(4,749)
Interest and similar charges paid	(2,092)	(1,672)	(5,090)	(3,996)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(109,566)</b>	<b>(85,851)</b>	<b>26,762</b>	<b>19,011</b>
<b>Cash flow from investing activities</b>				
Proceeds from sale of property, plant and equipment	25	21	767	595
Acquisition of businesses (net of cash acquired)	—	—	(112,251)	(87,696)
Acquisition of intangible assets	(1,126)	(908)	(3,738)	(2,997)
Acquisition of property, plant and equipment	(4,041)	(3,171)	(10,463)	(8,133)
<b>Net cash outflow from investing activities</b>	<b>(5,142)</b>	<b>(4,058)</b>	<b>(125,685)</b>	<b>(98,231)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital	—	—	152,535	116,924
Repayment of secured borrowings	(627)	(497)	(1,917)	(1,505)
Net movement in previous credit facilities	48,230	37,976	48,230	37,976
Repayment of previous credit facilities	(48,230)	(37,976)	(48,230)	(37,976)
Net movement in new credit facilities	123,903	100,734	—	—
Payment of lease liabilities	(3,868)	(3,055)	(8,430)	(6,622)
Loan arrangement fees	(737)	(598)	(1,571)	(1,234)
Equity dividends paid	(5,868)	(4,732)	(8,975)	(7,104)
<b>Net cash inflow from financing activities</b>	<b>112,803</b>	<b>91,852</b>	<b>131,642</b>	<b>100,459</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,905)</b>	<b>1,943</b>	<b>32,719</b>	<b>21,239</b>
Cash and cash equivalents at beginning of the period	25,296	19,458	25,296	19,458
Effect of exchange rate fluctuations on cash held	(3,796)	(5,470)	(5,818)	1,397
<b>Cash and cash equivalents at end of the period</b>	<b>19,595</b>	<b>15,931</b>	<b>52,197</b>	<b>42,094</b>

## Adjusted consolidated cash flow statement

	Unaudited six months ended 30 Sep 2019 \$m	Unaudited six months ended 30 Sep 2019 £m	Twelve months ended 31 Mar 2020 \$m	Twelve months ended 31 Mar 2020 £m
<b>Adjusted EBITDA</b>	37.2	30.4	59.5	48.1
Movements in working capital	(139.8)	(110.7)	(5.3)	(7.5)
<b>Adjusted cash (used by)/generated from operations</b>	(102.6)	(80.3)	54.2	40.6
Adjusting items	(1.9)	(1.6)	(16.6)	(13.1)
<b>Cash (used by)/generated from operations</b>	(104.5)	(81.9)	37.6	27.5
Capital expenditure (net of disposals of property, plant and equipment)	(5.1)	(4.1)	(13.7)	(10.7)
Business acquired (including cash on acquisition)	—	—	(112.3)	(87.7)
Tax paid	(3.0)	(2.3)	(6.0)	(4.7)
Interest paid	(2.1)	(1.7)	(5.1)	(4.0)
Payments of lease liabilities	(3.9)	(3.1)	(8.4)	(6.6)
Dividends paid (including those paid to non-controlling interests)	(5.9)	(4.7)	(9.0)	(7.1)
Proceeds from issue of share capital	—	—	152.5	116.9
FX and other	(3.8)	(5.5)	(5.4)	1.6
<b>Movement in net (debt)/cash</b>	(128.3)	(103.3)	30.2	25.2
Opening net cash	22.2	17.1	22.2	17.1
<b>Closing net (debt)/cash</b>	(106.1)	(86.2)	52.4	42.3

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 14 Presentation currency continued

##### Consolidated statement of comprehensive income

	Unaudited six months ended 30 Sep 2019 \$000	Unaudited six months ended 30 Sep 2019 £000	Twelve months ended 31 Mar 2020 \$000	Twelve months ended 31 Mar 2020 £000
<b>Profit for the period</b>	15,923	13,303	17,403	14,810
Other comprehensive income:				
Exchange difference on translation of foreign operations (net of tax)	(4,031)	860	3,112	5,450
Recycling translation reserves on disposal of subsidiary	—	—	42	34
Transfer to profit and loss on maturing cash flow hedges (net of tax)	(490)	(377)	(490)	(377)
Net unrealised (loss)/gain on cash flow hedges (net of tax)	(64)	(67)	657	517
Other comprehensive income for the period, net of tax items which may be reclassified to profit and loss in subsequent periods	(4,585)	416	3,321	5,624
<b>Total comprehensive income for the year, net of tax</b>	11,338	13,719	20,724	20,434
Attributable to:				
Owners of the Parent Company	10,860	13,123	20,372	19,976
Non-controlling interests	478	596	352	458
	11,338	13,719	20,724	20,434

**Consolidated statement of changes in equity**  
**Six months ended 30 September 2019 – US dollar**

	Attributable to the owners of the Parent Company						Shareholders' equity \$000	Non-controlling interests \$000	Total \$000
	Share capital \$000	Share premium and capital redemption reserve \$000	Merger reserve \$000	Hedging reserve \$000	Translation reserve \$000	Retained earnings \$000			
At 31 March 2019	5,093	74,962	42,119	153	(8,133)	108,763	222,957	5,266	228,223
Impact of adopting IFRS 16	—	—	—	—	—	(2,427)	(2,427)	(572)	(2,999)
<b>Restated equity at 31 March 2019</b>	<b>5,093</b>	<b>74,962</b>	<b>42,119</b>	<b>153</b>	<b>(8,133)</b>	<b>106,336</b>	<b>220,530</b>	<b>4,694</b>	<b>225,224</b>
Profit for the year	—	—	—	—	—	15,297	15,297	626	15,923
Other comprehensive income	—	—	—	(554)	(3,883)	—	(4,437)	(148)	(4,585)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(554)</b>	<b>(3,883)</b>	<b>15,297</b>	<b>10,860</b>	<b>478</b>	<b>11,338</b>
<b>Transactions with owners in their capacity as owners</b>									
Equity-settled share-based payments	—	—	—	—	—	1,491	1,491	—	1,491
Tax on equity-settled share-based payments	—	—	—	—	—	314	314	—	314
Recognition of non-controlling interests	—	—	—	—	—	—	—	121	121
Options exercised	44	—	—	—	—	(44)	—	—	—
Equity dividends paid	—	—	—	—	—	(5,868)	(5,868)	—	(5,868)
Exchange differences on opening balances	(274)	(4,037)	(2,268)	—	—	—	(6,579)	—	(6,579)
<b>At 30 September 2019</b>	<b>4,863</b>	<b>70,925</b>	<b>39,851</b>	<b>(401)</b>	<b>(12,016)</b>	<b>117,526</b>	<b>220,748</b>	<b>5,293</b>	<b>226,041</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 14 Presentation currency continued

#### Consolidated statement of changes in equity continued

Six months ended 30 September 2019 – sterling

	Attributable to the owners of the Parent Company						Shareholders' equity £000	Non-controlling interests £000	Total £000
	Share capital £000	Share premium and capital redemption reserve £000	Merger reserve £000	Hedging reserve £000	Translation reserve £000	Retained earnings £000			
At 31 March 2019	3,918	57,663	32,399	118	1,607	75,801	171,506	4,051	175,557
Impact of adopting IFRS 16	—	—	—	—	—	(1,867)	(1,867)	(440)	(2,307)
<b>Restated equity at 31 March 2019</b>	<b>3,918</b>	<b>57,663</b>	<b>32,399</b>	<b>118</b>	<b>1,607</b>	<b>73,934</b>	<b>169,639</b>	<b>3,611</b>	<b>173,250</b>
Profit for the year	—	—	—	—	—	12,799	12,799	504	13,303
Other comprehensive income	—	—	—	(444)	768	—	324	92	416
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(444)</b>	<b>768</b>	<b>12,799</b>	<b>13,123</b>	<b>596</b>	<b>13,719</b>
<b>Transactions with owners in their capacity as owners</b>									
Equity-settled share-based payments	—	—	—	—	—	1,180	1,180	—	1,180
Tax on equity-settled share-based payments	—	—	—	—	—	255	255	—	255
Recognition of non-controlling interests	—	—	—	—	—	—	—	98	98
Options exercised	36	—	—	—	—	(36)	—	—	—
Equity dividends paid	—	—	—	—	—	(4,732)	(4,732)	—	(4,732)
<b>At 30 September 2019</b>	<b>3,954</b>	<b>57,663</b>	<b>32,399</b>	<b>(326)</b>	<b>2,375</b>	<b>83,400</b>	<b>179,465</b>	<b>4,305</b>	<b>183,770</b>

## Year ended 31 March 2020 – US dollar

	Attributable to the owners of the Parent Company						Shareholders' equity \$000	Non-controlling interests \$000	Total \$000
	Share capital \$000	Share premium and capital redemption reserve \$000	Merger reserve \$000	Hedging reserve \$000	Translation reserve \$000	Retained earnings \$000			
At 31 March 2019	5,093	74,962	42,119	153	(8,133)	108,763	222,957	5,266	228,223
Impact of adopting IFRS 16	—	—	—	—	—	(2,427)	(2,427)	(572)	(2,999)
<b>Restated equity at 1 April 2019</b>	5,093	74,962	42,119	153	(8,133)	106,336	220,530	4,694	225,224
Profit for the year	—	—	—	—	—	16,461	16,461	942	17,403
Other comprehensive income	—	—	—	167	3,744	—	3,911	(590)	3,321
<b>Total comprehensive income for the year</b>	—	—	—	167	3,744	16,461	20,372	352	20,724
<b>Transactions with owners in their capacity as owners</b>									
Equity-settled share-based payments	—	—	—	—	—	(287)	(287)	—	(287)
Tax on equity-settled share-based payments	—	—	—	—	—	213	213	—	213
Derecognition of non-controlling interests	—	—	—	—	—	—	—	(403)	(403)
Shares issued	1,117	150,145	—	—	—	—	151,262	—	151,262
Options exercised	45	—	—	—	—	(45)	—	—	—
Equity dividends paid	—	—	—	—	—	(8,975)	(8,975)	—	(8,975)
Exchange differences on opening balances	(281)	(9,690)	(1,944)	—	—	—	(11,915)	—	(11,915)
<b>At 31 March 2020</b>	5,974	215,417	40,175	320	(4,389)	113,703	371,200	4,643	375,843



## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### SIX MONTHS ENDED 30 SEPTEMBER 2020

#### 14 Presentation currency continued

#### Consolidated statement of changes in equity continued

Year ended 31 March 2020 – sterling

	Attributable to the owners of the Parent Company							Non-controlling interests £000	Total £000
	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		
At 31 March 2019	3,918	57,663	32,399	118	1,607	75,801	171,506	4,051	175,557
Impact of adopting IFRS 16	—	—	—	—	—	(1,867)	(1,867)	(440)	(2,307)
<b>Restated equity at 1 April 2019</b>	3,918	57,663	32,399	118	1,607	73,934	169,639	3,611	173,250
Profit for the year	—	—	—	—	—	14,060	14,060	750	14,810
Other comprehensive income	—	—	—	140	5,776	—	5,916	(292)	5,624
<b>Total comprehensive income for the year</b>	—	—	—	140	5,776	14,060	19,976	458	20,434
<b>Transactions with owners in their capacity as owners</b>									
Equity-settled share-based payments	—	—	—	—	—	(231)	(231)	—	(231)
Tax on equity-settled share-based payments	—	—	—	—	—	171	171	—	171
Derecognition of non-controlling interests	—	—	—	—	—	—	—	(325)	(325)
Shares issued	864	116,060	—	—	—	—	116,924	—	116,924
Options exercised	36	—	—	—	—	(36)	—	—	—
Equity dividends paid	—	—	—	—	—	(7,104)	(7,104)	—	(7,104)
<b>At 31 March 2020</b>	4,818	173,723	32,399	258	7,383	80,794	299,375	3,744	303,119

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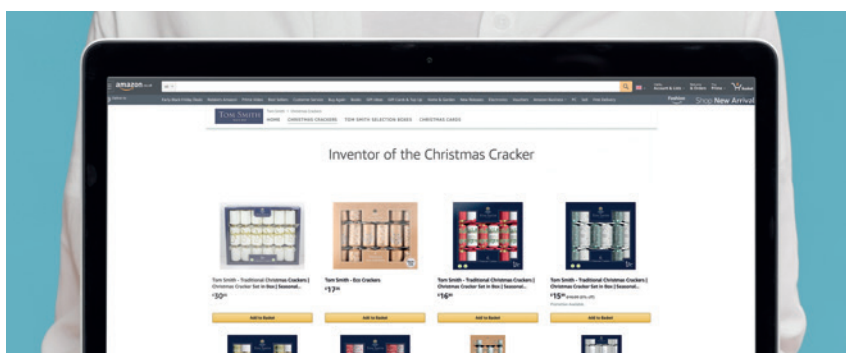
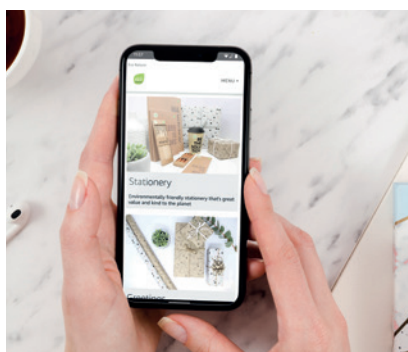
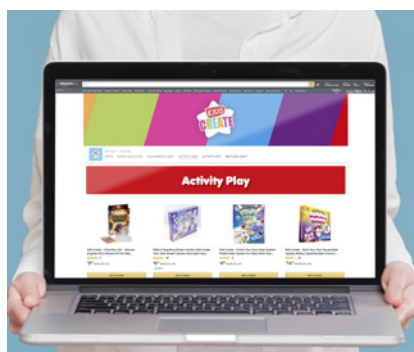
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