A world of celebration

IG Design Group plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

We transform paper and a whole lot more into products that help the world celebrate life's special occasions.

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

We are
Design Group

Find out more online at
www.thedesigngroup.com

WHAT'S INSIDE

OVERVIEW

A summary of the Group's progress and highlights of our performance for 2017/18.

STRATEGIC REPORT

A review of the Group's strategy with a more detailed look at activity during the financial year together with its risk management.

GOVERNANCE

Information on how the Group is governed and activities of the Board.

FINANCIALS – GROUP

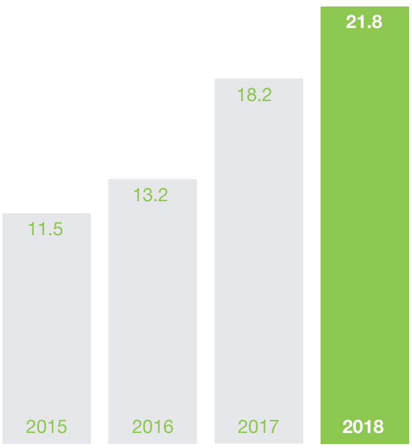
The Group's consolidated financial statements and comprehensive notes covering the year ended 31 March 2018.

FINANCIALS – COMPANY

The Company financial statements and comprehensive notes covering the year ended 31 March 2018.

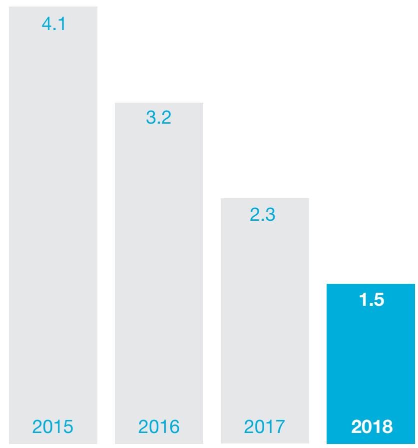
FINANCIAL HIGHLIGHTS

Underlying fully diluted earnings per share
(pence)[a]



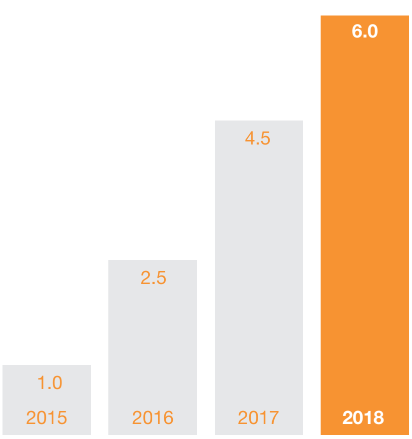
+20%
on 2017

Average leverage[b]



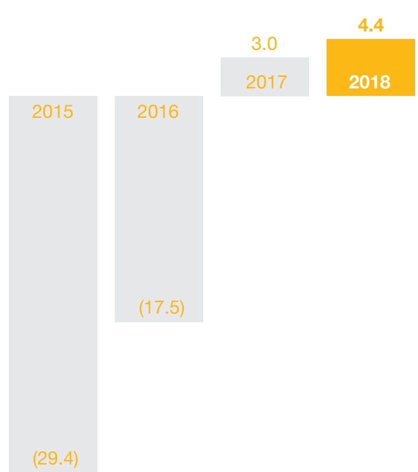
35%
improvement
on 2017

Dividends
(pence)



+33%
on 2017

Net cash/(debt)
(£million)



£1.4
million
improvement
on 2017

(a) Underlying fully diluted earning per share before exceptional items and LTIP charges. Fully diluted earnings per share stated after exceptional gains of 1.4p (2017: 0.4p cost) and LTIP charges of 2.7p (2017: 2.8p) is 20.5p (2017: 15.0p).

(b) Average leverage is calculated as average monthly net debt divided by EBITDA before exceptional items and LTIP charges.

OPERATIONAL HIGHLIGHTS

UK

In the UK, our re-organised business **delivered 5% sales** and **6% profits[b] growth**. In September 2017 we commenced the manufacturing of 'not-for-resale' paper bags in our facilities in Wales.

USA

In the USA, **revenue grew[a] by 5%** and **profits[b] by 35%** through discerning revenue growth. Our project to upgrade IT systems will further enhance our capacity and capability for ongoing growth.

China

Record levels of gift bag and greetings cards production in China.

Europe

In Continental Europe **revenue grew[a] by 10%** and **profits[b] by 29%** through sales of broader product categories to key customers. In March 2018 our new 'state-of-the-art' high speed printing press commenced production.

Australia

In Australia, we delivered **10% revenue growth[a]** and **68% profits[b] growth** reflecting continued focus on value-added services and products. In January 2018 we completed the acquisition of Biscay.

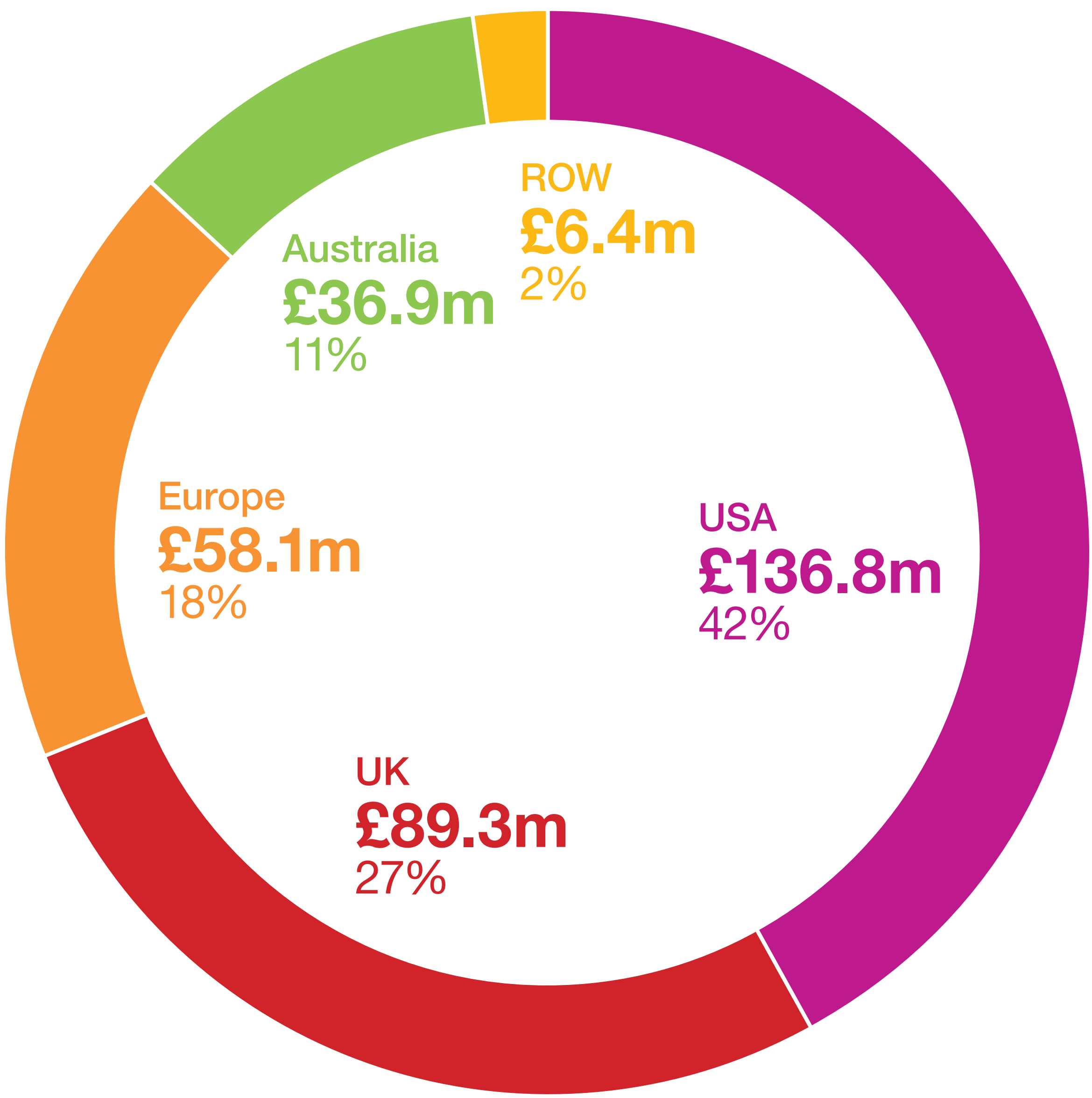
All regions have delivered both sales and profits growth.

(a) Sales growth in local currencies.

(b) Underlying profit growth is stated in local currencies, being profits before interest, tax, exceptional items, LTIP charges and management recharges.

AT A GLANCE

We're truly international, with 10,000 customers selling our products through over 200,000 stores across more than 80 countries, we enjoy considerable market presence around the world. Focused on our four major product categories of Celebrations, Stationery and Creative Play, Gifting and Bags 'not-for-resale', we leverage our Group size and expertise whilst retaining local market knowledge and relationships through our local businesses.



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

Revenue by product

38% Manufactured

62% Sourced

Revenue by season

51% Christmas

45% Everyday

4% Minor Seasons

Revenue by brand

51% Designed for you/Customer bespoke

49% Design Group/Licensed brands

EXECUTIVE REVIEW

A record year of financial progress.

Paul Fineman
Chief Executive Officer

Giles Willits
Chief Financial Officer

Financial overview

We are delighted to report that the year has seen our diversified business deliver very healthy profit and earnings per share growth driven by strong performance across all segments. The Group's focus on cash generation has resulted in the business being cash positive at the year end, as well as another year of improvement in average leverage, despite a record level of capital investment and the acquisition of Biscay.

It is particularly pleasing to report that the Group has successfully mitigated the widely reported cost headwinds within the marketplace, with both gross and net margins increasing in the year. This success reflects the broad and diverse nature of our customer base, product categories and brands supported by our focus on efficiency, product mix and innovation.

During the year, Group sales increased by 5% to £327.5 million with profit before tax, exceptional items and LTIP charges increasing by 32% to £21.4 million. Average leverage improved from 2.3 times to 1.5 times, whilst the year-end positive net cash balance increased from £3.0 million in 2017 to £4.4 million in 2018, reflecting the effectiveness of our focus on converting profit into cash and the highly cash generative dynamics within our business.

The combination of reduced leverage and significant cash generation has underpinned a 33% increase in dividends from a level of 4.5p for 2016/17 to a total of 6.0p for 2017/18 with dividend cover at 3.6 times compared to 4.0 times in the prior year.

Fully diluted earnings per share (pre-exceptional items and LTIP charges) are up by 20% on the prior year, to 21.8p (2017: 18.2p). After allowing for exceptional items and LTIP charges, diluted earnings per share was up by 37% to 20.5p (2017: 15.0p).

Our investment in fast payback initiatives and the very latest manufacturing technology suitable for high speed production of several product categories reflects our determination to remain at the forefront of efficient and responsible manufacturing and to continue to add value for our customers in all areas of our activities. This investment will underpin our ability to profitably drive further growth opportunities.

Our strategy

The success of the Group has been driven by our relentless focus on growing the business, delivering efficiency improvements and taking advantage of the increased scale of the Group. Our strategy is based on leveraging the strengths of our business and the many opportunities to grow in the market.

Our business has been built through developing the following core capabilities:

- design and innovation in our chosen product categories;
- manufacture and sourcing of a broad portfolio of products;
- geographic and channel diversity in key markets;
- leveraging our global scale to deliver low cost solutions; and
- a focus on developing value, with award winning services for our customers.

Our future growth focuses on taking advantage of the key trends which include:

- the market – consumers increasingly expect innovation and value in our core and adjacent categories and the number of occasions to celebrate during the year continues to expand;
- our customers – mass, discount and specialist ‘experiential’ retailers are outpacing their competition with many customers consolidating their supplier relationships;
- technology – technological development is changing consumer habits, providing consumers with new channels to purchase their celebration products, while also giving access to consumer insight to drive improved retail execution; and
- industry – the pressures of raw material inflation and increased environmental compliance have driven increasing demands from customers, creating consolidation opportunities within the fragmented supply base and giving an advantage to those with economies of scale.

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

- Working with the winners:
  - increasing revenue through organic growth with both existing and new customers, suppliers and product areas benefiting from the shifting retail marketplace.
- Design and innovation:
  - developing new opportunities in new channels and adjacent product categories; and
  - expanding our presence in the growing market for celebration events throughout the year.
- Efficiency and scale:
  - driving margins through investment in process and people; and
  - pursuing accretive M&A opportunities focused on unlocking synergies through economies of scale and strengthening our ‘one-stop-shop’ position with customers.

During the year the Group made significant progress delivering its strategy. We grew revenue across all the regions by working with many of the world’s most successful retailers. In particular during 2017/18 sales to our top ten customers grew on average 13% while our business with two of the world’s largest discount grocers grew on average 95%. Our focus on design and innovation helped us increase the number of products sold by over 100 million units and included the introduction of a new category, bags ‘not-for-resale’, as well as significantly more greetings cards and photo frames. Investment in efficiency was reflected through our increased capital expenditure, which helped drive improved margins, while the acquisition of Biscay underpinned the potential that further M&A can bring to the Group.

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

- sustained double digit growth in earnings attributable to shareholders;
- maintaining average leverage between 1.5 times and 2.5 times; and
- a progressive dividend policy and our commitment of moving dividend cover over time towards at least 2.5 times earnings per share.

Outlook

Following the transformation of the Group over recent years, there is considerable scope for further growth across all aspects of the business. We remain focused on the profitable development of our business and confident that we have the team and agility to deliver further successes. We will continue to create value for all stakeholders through our strategy of developing diversified income streams across broad categories and markets, both organically and through well considered acquisitions. With a strong orderbook in place and a positive start to the new financial year, we are excited about the opportunities to deliver further growth in 2018/19.

CREATING MEMORIES

In 2017/18 we sold over

115 million

gift bags
and bags
'not-for-resale'


KURT

EXECUTIVE REVIEW
CONTINUED

Operational regional highlights

Our Group increasingly leverages our global scale as a diversified, design-led, multi-product category and multi-channel business supported by world class manufacturing and sourcing operations. With an effective mix of creativity and reliability, our teams strive to deliver commercially successful design, product development and innovation across our global customer base. The success of this can be seen by the resulting growth in all of our regions in 2017/18, despite the cost headwinds we experienced in the year in respect of paper price inflation.

			Segmental sales			Profit[(a)]			Margin	
% Group revenue			2018	2017	% growth	2018	2017	% growth	2018 %	2017 %
38%	UK and Asia	£m	123.3	117.0	5.4	7.9	7.5	5.6	6.4	6.4
37%	Americas	$m	158.8	151.6	4.8	12.3	9.1	34.6	7.8	6.0
16%	Europe	€m	58.5	53.1	10.1	7.5	5.8	29.0	12.9	11.0
11%	Australia	AU$m	63.1	57.4	10.0	4.9	2.9	68.4	7.8	5.1
(2%)	Elims/central costs	£m	(4.8)	(3.1)	—	(4.0)	(4.1)	—	—	—
100%	Total		327.5	311.0	5.3	22.8	17.5	30.4	7.0	5.6

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

UK and Asia

With sales volumes and value at record levels, our UK and Asia business accounted for 38% (2017: 38%) of our Group's revenue for the year. Sales in the UK and Asia increased 5.4% to £123.3 million (2017: £117.0 million) delivering a profit up 5.6% at £7.9 million (2017: £7.5 million).

In order to present a unified set of product and supply solutions to our total customer base, leverage our scale across all areas of our activities and utilise the strengths and deep knowledge that our respective teams possess, we decided in 2016/17 to re-organise our three UK businesses under one overall leadership team.

In 2017/18 we have begun to see the tangible benefits of increased cohesiveness, with a return to profit growth in the region and encouraging momentum across many areas of our UK based business.

Whilst our share of the UK market for gift packaging remains substantial there is still scope for profitable growth across this and all other categories, both online and through 'brick and mortar' retailers. This growth opportunity is underpinned by the excellent performance of our gift wrap and paper bag manufacturing operation in Wales and card, bag and cracker production facility in Huizhou, China.

A new initiative to develop new income streams in adjacent categories and channels resulted in the UK manufacturing paper bags for the fast growing 'not-for-resale' market, with a focus on the supply of higher end fashion and beauty brands. With production commencing in September 2017, we are confident that there are many excellent opportunities for growth within this new channel and we are already providing retail brands with a significant volume of bags, with orders in place which will grow the business further still in 2018/19.

2017/18 has been a year of excellent progress as illustrated by some of the highlights below:

Europe

Our business in Europe delivered a strong performance in 2017/18 accounting for 16% (2017: 15%) of the Group's revenue. Sales increased 10.1% to €58.5 million (2017: €53.1 million) with margins up to 12.9% (2017: 11.0%) delivering a €1.7 million improvement in profit year on year.

Having established strong trading relationships over a number of years with each of Europe's top ten retail groups, we have enjoyed excellent growth in the year. This is supported by well executed capital investment programmes and by our dedicated team. Their focus on design-led and constantly refreshed, innovative products provides our customers with an exciting and value-added offering through strong programmes of innovative product development.

Sales of bespoke gift products have been especially strong, with on-trend photo frames and photo-based gift accessories achieving record volumes.

Our efficiency has been further enhanced through our latest investment in a new 'state-of-the-art' printing press which commenced production in the Netherlands in March 2018, underpinning our competitive market position for the future.

Americas

Our Americas business provided a 37% share of overall Group sales (2017: 38%). Sales increased 4.8% to \$158.8 million (2017: \$151.6 million) reflecting growth across all channels. This drove a 34.6% increase in profit to \$12.3 million (2017: \$9.1 million) supported by profit margins which increased to 7.8% in the year.

The year featured strong growth in our Creative Play product sales under the recently launched Anker Play Products brand, spearheaded by a specialist and dedicated team developing innovative products, such as play themed educational, art and craft and construction ranges for Mass and Value Retailers. We plan to further develop sales of Anker Play Products, both within the Americas, and throughout our global customer base.

Sales of dated products, such as calendars, grew and alongside the challenges of integrating a new business, the synergy opportunities that were identified during the acquisition of Lang Companies Inc. ("Lang") have continued to be delivered, with further areas of improvement in progress.

New initiatives include the investment in a new IT platform to enable our future growth trajectory to be efficiently delivered and supported by user friendly systems and enhanced commercial and operational capability.

Australia

Our business in Australia accounted for 11% of overall Group sales (2017: 11%). Sales at AU\$63.1 million were up 10% year on year with profits up 68.4% as a result of significant margin gains which increased to 7.8% (2017: 5.1%) in the year.

Having won a three-year contract for the supply of greetings cards to Australia's largest discount retailer in 2016/17, we saw the benefits of this flow through during the year combined with the economies of scale that put us in an excellent position to further grow our market share in this higher margin product category. This has been further enhanced with the acquisition in January 2018 of Biscay, with operational and commercial integration firmly on track to complete during the first half of 2018/19.

CREATING MEMORIES

In 2017/18 we sold over

1 billion

metres of gift wrap

EXECUTIVE REVIEW
CONTINUED

Our products and brands

Our business provides our broad customer base with a 'one-stop-shop' product offering which is a compelling blend of great design and value for money products across the Celebrations and greetings based categories.

More than ever before, it is the combination of our ability to create commercially impactful designs and innovative product formats across our full product portfolio, together with a long track record of delivering first class customer service, that underpins our growth.

Our culture is one of ongoing improvement, with a determination to perpetually 'raise the bar' in all aspects of our business in order to remain our customers' preferred 'partner of choice'. Whilst an increasingly global business, we are mindful that local knowledge and understanding is vital in ensuring commercial success.

We have evolved into a diversified, multi-category, multi-channel and multi-product manufacturer and supplier with our activities and sales generated across four core categories:

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

All our core product categories grew in the year, with strong growth specifically in Stationery and Creative Play and Giftware driven by our focus on new higher margin sales initiatives in these areas.

	31 March 2018		31 March 2017	
Sales by product category	%	£m	%	£m
Celebrations	74	243.5	77	240.4
Stationery and Creative Play	10	31.2	9	26.9
Giftware	13	42.6	11	35.2
Bags 'not-for-resale'	3	10.2	3	8.5
Total		327.5		311.0

We estimate that over 650 million items, representing over 40,000 SKUs have been manufactured, sourced and delivered to our customers during the year, of which 49%, £160 million sales, carry our Group's generic and licensed brands. Key areas of growth year on year include Celebrations and Creative Play products.

The business has also successfully broadened the revenue generated throughout the year outside of specific Christmas based products by increasing the percentage of sales generated in our 'Everyday' and 'Minor' seasons, which together now account for 49% of the total revenues of the Group, up from 45% in the previous year.

The increasing retail focus on celebrating Valentines, Easter, and other non-Christmas occasions provides an exciting growth opportunity for all the business units across the Group.

The multi-faceted activities across our Group's businesses are underpinned by our team of experts within our sourcing and manufacturing operations based in Hong Kong and China, together with a broadening base throughout Asia. They have further continued to maintain their track record of delivering an excellent standard of service that encourages the ongoing loyalty of our large customer base.

Our team

As always, it is the dedication and passion of our talented team across all disciplines and throughout our Group that fuels our success. It was therefore especially pleasing to have been highly commended as 'Company of the Year' during the 2017 Employee Engagement Awards, representing a further acknowledgement of our evolution as one global group of businesses.

It is, once again, our privilege and pleasure to thank all of our colleagues for their contribution during what has been a year of great achievement and overall improvement in performance in highly competitive markets.

Profit before tax, exceptional items and LTIP charges up 32% to £21.4 million

Average leverage[(a)] reduced by 35% from 2.3 times in 2017 to 1.5 times in 2018

Our Group has delivered a 1.3 percentage point gross margin increase whilst sustaining a highly competitive offering

Non-UK revenues by customer destination are 73% of Group revenues

At £9.4 million, investment in fast payback capital expenditure was at record levels

Biscay acquired for £5.1 million in cash, January 2018

Commenced manufacturing of bags 'not-for-resale' in Wales, September 2017

Upgrading of IT systems in USA, providing enhanced future efficiencies, proceeding on time and on budget

Highly commended in the category of 'Company of the Year 2017' at the Employee Engagement Awards

(a) Average leverage is calculated on average monthly net debt divided by EBITDA before exceptional items and LTIP charges.

CREATING MEMORIES

In 2017/18 we sold almost

13 million

creative play products


CRAYONS

EXECUTIVE REVIEW
CONTINUED

Detailed financial review

The Group has delivered a strong financial performance for the year to 31 March 2018 underpinning our ambitions for future growth.

	31 March 2018 £m	31 March 2017 £m	% change
Revenue	327.5	311.0	5%
Gross profit	70.0	63.9	9%
Gross margin	21.4%	20.6%	
Overheads	(47.2)	(46.4)	2%
Operating profit before exceptional items and LTIP charges	22.8	17.5	30%
Finance charge	(1.4)	(1.2)	13%
Profit before tax, exceptional items and LTIP charges	21.4	16.3	32%
Exceptional items	0.5	(1.1)	
LTIP charges	(2.2)	(2.2)	
Profit before tax	19.7	13.0	51%
Tax	(5.4)	(2.7)	
Profit after tax	14.3	10.3	39%

Revenues for the year of £327.5 million have grown 5% over the previous year (2017: £311 million). Using like-for-like foreign exchange rates this translates into an increase of 6%. The main drivers of the growth were our European and Australian territories, although all areas delivered year on year improvement.

Overall underlying operating profit before exceptional items and LTIP charges increased by 30% to £22.8 million (2017: £17.5 million) and 33% at like-for-like exchange rates. Operating profit margins pre-tax, exceptional and LTIP charges continue to rise, at 7.0% for the year (2017: 5.6%) driven by a move in product mix toward higher-margin product categories, improved efficiencies, and a continued focus on cost management. Our focus on operating efficiencies and optimised procurement shows in the gross margin, which has increased to 21.4% (2017: 20.6%).

The Group remains focused on further improving margins in future years, by continuing to drive operational efficiencies through sourcing and manufacturing as well as balancing the mix of products toward higher margin categories and channels such as increased sales of Design Group branded products.

The tight management of cost continues at an overhead level, where we have successfully kept selling and administration overheads growth to a low level. Overheads (before exceptional items and LTIP charges) have increased by just under 2% in the year, representing our focus on managing these costs as the business grows which reflects in the fall in overheads as a percentage of sales. We anticipate that this trend will continue, with overheads rising at a lower rate than our sales growth around the Group.

Overall our underlying profit before tax, exceptional items and LTIP charges increased 32% in the year to £21.4 million (2017: £16.3 million). Whilst we focus on profits before exceptional items and LTIP charges as our core measure of profitability, it is encouraging to note that the growth story continues after these items are included with total profit before tax 51% ahead of last year. This result includes an overall exceptional gain of £0.5 million (2017: loss £1.1 million) and an LTIP charge of £2.2 million (2017: £2.2 million).

Profit after tax for the year increased by 39% to £14.3 million (2017: £10.3 million); after removing the effect of exceptional items and LTIP charges, underlying profitability after tax increased by 24% to £15.4 million (2017: £12.4 million).

Finance charge

The Group continues to benefit from having the whole Group (except for our Australia business) under a single banking deal with competitive interest rates. Despite the continued growth in activity, underlying finance costs, excluding hedge accounting adjustments of £nil (2017: £0.7 million), have reduced to £1.4 million (2017: £1.9 million) reflecting improvement in average debt year on year. Interest cover increased to 16.4 times in 2018, up from 14.2 times in 2017. With interest rates now forecast to rise over coming periods careful management of our cash and working capital balances is as critical as ever.

Exceptional items

The exceptional credit in the year of £0.5 million before tax (2017: loss of £1.1 million) related to three items; firstly the sale of our site in Hirwaun, Wales, which we sold for £2.5 million generating a profit on disposal of £1.1 million after accounting for its book value, sale and related re-organisation costs. Secondly, the transaction costs for the acquisition of Biscay which totalled £0.3 million; and thirdly the balance of restructuring costs in respect of Lang and the US print platform, which totalled £0.2 million.

LTIP charges

LTIP charges were consistent year on year, with a charge of £2.2 million taken to the income statement in the year (2017: £2.2 million). This year saw LTIP vesting under the 2014-2017 LTIP scheme and the resultant exercises of these awards that occurred in the year, together with some exercises of historical LTIP and share option schemes, gave rise to significant cash tax savings. In total, £1.2 million of tax credits arose as a result of share option exercises.

Taxation

The Group continues to manage its tax affairs in an open and transparent manner, observing full compliance with all applicable rules and regulations in countries in which it operates and not entering into any tax avoidance or otherwise aggressive tax planning schemes. The headline taxation charge has increased to £5.4 million (2017: £2.7 million) as a result of both the increase in profitability around the Group and the deferred tax credit netted in last year's charge that arose on changes in historical loss recognition. The effective underlying tax charge on profits before exceptional items and LTIP charges is also up on the prior year at 28.3% (2017: 24.2%).This is close to the underlying blend of statutory rates in the countries in which we operate and represents the impact of increased trading in Australia and the USA where the rates have been 30% and until recently 35%, respectively. The reduction in the US federal rate of corporation tax will mean a fall in this blend of statutory rates in future years and result in a fall in our effective rate accordingly. However, in this year the effect has been mixed with the benefit to current tax of the fall in the rate in the last quarter more than offset by the impact of revaluing down our deferred tax assets in the USA. Based on our current mix of profits forecast across the Group we anticipate the effective tax rate in 2018/19 dropping to 23.9%.

Other than in the UK and Asia segment, where we continue to have unrecognised tax losses that are harder to access, all historical losses are now recognised as deferred tax assets or have been taken as relief against current tax charges. Actual taxation paid in cash during the year was higher than the prior year at £3.1 million (2017: £2.0 million) as our businesses in Australia and the Netherlands do not have losses to offset their profits and we have used up our historical losses in the USA during the period. With improving and sustained profitability, we also expect to pay cash tax in the UK from next year.

Earnings per share

Our key measure for monitoring growth in earnings per share is underlying, fully diluted earnings per share as this marks the performance of the business after accounting for the dilutive effect of share options and one-off effect of exceptional items. Underlying, fully diluted earnings per share before exceptional items and LTIP charges grew 20% to 21.8p (2017: 18.2p) reflecting the strong financial performance in the year. Basic earnings per share were 21.4p (2017: 15.7p).

	31 March 2018 pence	31 March 2017 pence
Underlying fully diluted EPS	21.8	18.2
Cost per share on LTIP charge	(2.7)	(2.8)
Gain/(cost) per share on exceptional items	1.4	(0.4)
Fully diluted EPS	20.5	15.0

Dividends

On the back of the strong financial performance the Board is pleased to announce a final dividend of 4.00p (2017: 2.75p) bringing our total dividend in respect of the year to 6.00p per share, up 33% (2017: 4.50p). This is covered by more than three and a half times earnings compared to four times in 2016/17. This improvement in pay-out is in line with our progressive dividend policy and our commitment of moving our dividend cover over time towards at least two and a half times earnings per share.

Return on capital employed

The Group remains focused on improving the return on capital employed in the business, and each region has its own target to improve its return on the average net capital employed. Overall, the Group saw the return on average net capital employed (excluding cash) increase to 22.2% in 2017/18 from 16.9% in 2016/17.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STELLAFLEX


DIAMOND VHP 81

Capital investment

A year of record levels of capital investment.

With a long established track record of well executed, on time and on budget capital investments, we were delighted to have identified further projects throughout the Group.

These included the installation, in March 2018, of a new 'state-of-the-art' high speed printing press in the Netherlands. Capable of printing at unprecedented speeds, combined with accuracy and efficiency, we are well placed to remain at the forefront of competitiveness and capability.

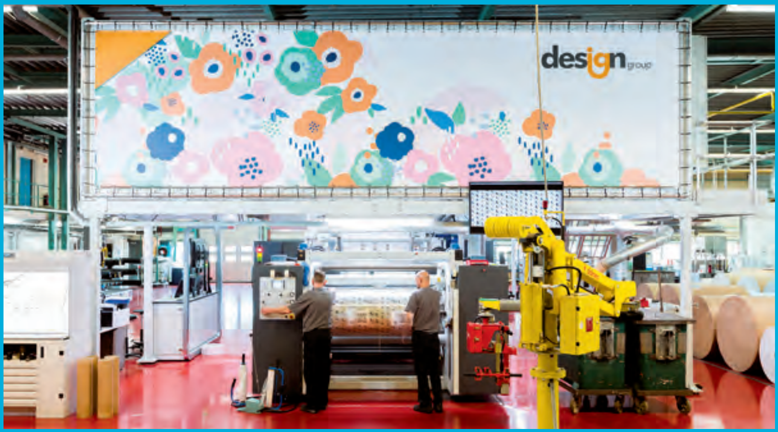
In the UK, in September 2017 we commenced manufacturing 'not-for-resale' paper bags with a particular focus on the higher end fashion and beauty brands.

Our ability to provide significant volumes of high quality metalised paper, together with specialist and value adding finishes, was also enhanced by our investment in the latest metalising technology, installed within in our operation in Wales in the summer of 2017.

In the USA, such is our confidence in future growth prospects, that we have invested in a new IT platform to help facilitate growth and provide "user friendly" and intuitive information across all disciplines of our business.

We encourage our teams to identify further compelling capital investment projects, that give us the opportunity to improve the efficiency of the business or offer our customers new innovative products solutions.

£9.4 million invested in fast pay back capital projects.



'State-of-the-art' high speed printing press

EXECUTIVE REVIEW
CONTINUED

Cash flow and net cash

At 31 March 2018, the net cash position has improved on the prior year, up at £4.4 million (2017: £3.0 million). Due to the seasonal nature of our business, the Group spends a lot of the year in a net debt position and therefore average leverage, being average monthly net debt divided by EBITDA, is the key measure the Group adopts to manage debt. We seek to maintain our average leverage position in the range between 1.5 times and 2.5 times over the long term. Average leverage for the year to 31 March 2018 was 1.5 times, down from 2.3 times in the prior year, demonstrating the continued focus on our balance sheet and working capital management throughout the year. This puts the Group in a solid position to fund future growth as and when the right opportunities come along.

The strong profit performance in the year was supported by excellent cash conversion with our cash generation from operations at £21.7 million (2017: £31.5 million) delivering an EBITDA to cash conversion of 77.5%. EBITDA increased to £28.0 million, which is up 25% compared to £22.4 million in 2016/17.

	31 March 2018 £m	31 March 2017 £m
EBITDA[(a)]	28.0	22.4
Change in trade and other receivables	(9.1)	(0.8)
Change in inventory	0.4	2.7
Change in creditors, provisions and accruals	3.3	8.2
Exceptional items from operations	(0.5)	(0.7)
LTIP	(0.4)	(0.3)
Cash generated from operations	21.7	31.5
Proceeds from sale of property, plant and equipment	2.6	0.1
Net capital expenditure	(9.4)	(5.1)
Business acquired	(5.1)	(2.7)
Tax paid	(3.1)	(2.0)
Interest paid	(1.5)	(1.9)
Dividends paid to non-controlling interests	(0.6)	(0.9)
Equity dividends paid	(3.0)	(2.1)
Proceeds from issue of share capital	0.1	5.1
Other	(0.3)	(1.5)
Movement in net cash	1.4	20.5
Opening net cash	3.0	(17.5)
Closing net cash (see note 16)	4.4	3.0

(a) Before exceptional items and LTIP charges.

Working capital

As always, the management of working capital across the Group remains a priority. The main driver of the working capital outflow in the year was the increase in trade debtors, partially offset by increased trade creditors, which reflects the overall growth of the business year on year, the phasing of sales in the final quarter and the acquisition of Biscay during the year.

We actively track both debtor days and credit rating profiles to ensure that our credit risk on debtors remains as low as possible, and have had only a very low experience of bad debt write-offs in the year, which at £0.2 million, is under 0.1% of turnover (2017: 0.2%).

Stock levels within the business are largely flat, despite an increase in inventory in Australia following the acquisition of Biscay, reflecting tighter management of stock levels elsewhere in the Group.

Capital expenditure

Over the course of the year we have invested significantly in our business. In total we have spent £9.4 million, of which only approximately £3-4 million represents maintenance spend, replacing or maintaining existing capital items. The balance has been spent on increasing capacity, improving our production and operating efficiency and developing new product offerings. Significant capital projects completed and ongoing in the year include:

- the acquisition of a second, state-of-the-art printing press in the Netherlands. Our new market-leading press is our fastest, most efficient yet. It came online at year end, meaning the production efficiencies we will gain over the older press it replaces will benefit the new financial year;

- the introduction of a new bag machine in our UK factory to provide 'not-for-resale' branded bags for retailers. This is now fully operational and delivering incremental profit in this new revenue stream for the Group; and
- an ERP system implementation programme in the USA. Our business in the US has grown rapidly over the last two years and the new ERP will support the delivery of operational efficiencies as well as future growth.

Beyond these significant programmes, we have had a large number of smaller capital spend projects in areas where we have identified opportunities to gain fast returns from investing in our operations. In all cases we seek rapid payback from our investment and monitor projects closely both during implementation and then through the payback period to ensure this is achieved.

Biscay acquisition

The Group acquired the trade and certain assets of Biscay Greetings Pty Limited ("Biscay") in January 2018. Biscay is a leading greetings card and paper products business based in Australia. The acquisition brings significant further strength to our greetings cards business in Australia, growing our share of the market with both an enlarged product range, mix and customer base. The acquisition includes natural synergies in procurement, warehouse operations and logistics with the financial impact of this expected to start delivering in the year ending 31 March 2019. The purchase price was AUD 8.9 million with a further AUD 3.0 million required for working capital on acquisition. Full details of the assets acquired, which included stock, customer lists and the Biscay brand, can be found in note 31 to the consolidated financial statements. The acquisition was funded entirely using local debt facilities.

Treasury

We are now in our second year of our global financing deal, with all wholly owned parts of the Group funded through a single global deal with HSBC.

The HSBC agreement includes a suite of central and locally provided facilities structured to provide a flexible cost effective solution allowing the Group to make the most efficient use of our cash and facilities across our areas of operation. Westpac continues to support our Australian business including the provision of additional funding this year to finance the acquisition of Biscay.

The HSBC facilities comprise:

- a revolving credit facility ("RCF") of £18.0 million, which after recent extension, runs to May 2021;
- invoice financing arrangements for an initial term of three years in the UK, European, US and Asian markets; and
- a further flexible RCF with availability varying from month to month. This is reviewed annually but capable of extension to match the maturity of the core RCF. This working capital RCF is designed to meet our requirements during those months when stock is being built but will be undrawn for that part of the year where the invoice financing facilities are sufficient to meet our needs.

In total, the available facilities at over £127.9 million are more than sufficient to cover our peak requirements. The facilities have flexible elements within them that mean they can also grow with us. The facilities, which do not amortise with time, include an additional uncommitted amount to finance potential acquisitions.

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

- interest cover, being the ratio of earnings before interest, depreciation and amortisation to interest on a rolling twelve-month basis; and
- leverage, being the ratio of debt to pre-exceptional EBITDA on a rolling twelve-month basis.

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

The Group now has no interest rate hedges in place and elects to accept floating interest rates across a range of currencies. While we will keep this under review, our debt is at its lowest point in many years and may fall further relative to profitability. While global rates are rising, they remain low and interest margins have further capacity to fall as leverage performance improves and we are therefore comfortable with this position.

Foreign exchange

The effect on foreign exchange on the Group's results has been less significant this year compared to the impact of the large swings seen in 2016/17. The overall impact on sales and profits from currency movements is not significant. However, we adopt an active hedging policy where required. In particular, cash flow hedging ensures further foreign exchange movements remain mitigated as far as possible. A reasonable proportion of this hedging is achieved through natural hedges whereby our purchases and sales in US dollars are offset. The balance of our hedging is achieved through forward exchange contracts and similar derivatives.

Financial position and going concern basis

The Group's net assets increased by £10.5 million to £100.5 million at 31 March 2018 (31 March 2017: £90.1 million).

The Directors acknowledge guidance issued by the Financial Reporting Council relating to going concern. The Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis, as set out in note 1 to the consolidated financial statements.

Paul Fineman
Chief Executive Officer (CEO)

Giles Willits
Chief Financial Officer (CFO)

8 June 2018

OUR PEOPLE, OUR PRODUCTS, OUR CULTURE

Diversity

DESIGN

Design is at the heart of everything we do. With multiple design studios across the globe, Design Group prides itself on always being at the very cutting edge of design trends and product development.

PRODUCTION

Our state-of-the-art facilities, streamlined procedures and a dedicated workforce is what enables Design Group to produce high-quality products, on a global scale, all year round.

We work with more than 10,000 customers throughout the world, with operations in the UK, Europe, Australia, Asia and the Americas.





DISTRIBUTION

Making use of our extensive network of local and international contacts, Design Group's distribution operation allows for our products to reach consumers in all four corners of the world.




CUSTOMERS

We are proud to serve the best retailers around the world with a complete end-to-end service from design to distribution. It is our aim to be a partner of choice to our customers.




BUSINESS MODEL

IG Design Group plc is a global manufacturer and distributor of design-led Celebration, Creative Play, Giftware, Bags 'not-for-resale' and related products.

What we do

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

Our products are found within four core categories:

1. Celebrations: gift packaging, greetings and partyware
2. Stationery and Creative Play: including home, school and office
3. Giftware: design-led gifts
4. 'Not-for-resale': packaging such as branded store bags

We supply our products to everyone from small local independent retailers to large international 'multiples', online e-tailers and more.

We deliver all this through our local teams in each business unit, who combine their strong market knowledge, design and product expertise, to provide an end-to-end solution offering for our customers.

Our business model

What makes Design Group unique and able to do what we do

Quality, innovative design

- Design is at the heart of everything we do
- Each business unit has a dedicated design team, continuously innovating fresh designs, including generic, customer bespoke and licensed branded offerings
- Our businesses can all access these great designs through our global design hub

Manufacturing and sourcing expertise

- We manufacture a number of our core products in-house, including gift wrap, crackers, bags and cards
- Our manufacturing bases are in the UK, China, the USA, Netherlands and Poland
- We continuously invest in our manufacturing process and have some of the most efficient production facilities in the industry
- For the rest of our products, we create suitable designs and then work with carefully selected partners to produce them

International operations and capability

- We have operations in six countries and four continents, selling to over 80 countries
- This allows us to know and understand different customer and supplier markets well
- We are one of a very few in our industry with this scale, which is increasingly important as global retailers consolidate
- Our multi-currency cost and sales base also acts as a natural hedge to currency fluctuations

Fully empowered business units

- Each business has local teams with expert knowledge of their markets
- Business units have control over their operating decisions, working together across the Group where it is efficient and effective to do so
- This helps ensure our products are relevant and on-trend, whilst leveraging our global scale when it counts

Trusted partner to our customers

- Customers rely on our ability to deliver everything from small catalogue orders to large international programmes
- We have a track record of delivering on time and to high-quality standards
- We offer everything from 'free on board', where the customer handles shipping, to merchandising solutions, where we put items into stores, depending on customer needs

Our strategy

How we use our business model to create value

Our key focus is to continue to drive the Group forward and keep us reaching for the high standards and targets we set ourselves.

We do this by leveraging our strengths and the many opportunities to grow in the market.

Our strategy focuses on:

- Working with the winners
- Design and innovation
- Efficiency and scale

Our results

The results of using our business model and delivering our strategy

It has been another very successful year for us. We have had further growth in the stationery and creative play market, and developed new customer relationships particularly in the USA where we continue to grow rapidly and Australia through our acquisition of Biscay. The introduction of a bag machine in our UK factory to focus on 'not-for-resale' bags is leveraging existing expertise to develop new opportunities for the Group and further balance our business.

To find out more on each of these areas, see the following sections:

- Executive review pages 06 to 23
- Corporate, social and environmental responsibility pages 34 to 35

Managing risks

The potential obstacles to achieving our objectives

Delivering on our strategy to achieve a great result for our shareholders and wider stakeholder community is not without challenge. To find out more on the risks that we face and how we manage them, see pages 30 to 33.

OUR STRATEGY

Our strategy leverages our core strengths and the many opportunities to grow in our market.

Strategy	How	Link to business model
Working with the winners	• Increasing revenue through organic growth with both existing and new customers, suppliers and product areas	Fully empowered operating units Trusted partner to our customers Manufacturing and sourcing expertise International operations and capability
Design and innovation	• Developing new opportunities in new channels and adjacent product categories while expanding our presence in the growing market for celebrating events throughout the year	Quality, innovative design Trusted partner to our customers
Efficiency and scale	• Driving margins through investments in process and people • Pursuing accretive M&A opportunities focused on unlocking synergies through economies of scale and strengthening our 'one-stop-shop' position with customers	International operations and capability Manufacturing and sourcing expertise Fully empowered operating units

Achievements for the year

- Continued success with large and growing customers, including 95% average growth in business with two of the world's largest discounters
- Introduction of new product category with 'not-for-resale' bag production starting in Wales, leveraging existing capability into new areas

- Stationery and Creative Play sales up 15% on prior year with USA up 25% as Anker Play Products brand continues to grow and innovate, as well as share concepts around the Group
- Continued development and use of the Group-wide Digital Asset Management platform, to share concepts, designs and ideas around the business

- Addition of second 'best-in class' high-speed printing press in the Netherlands, significantly increasing capacity and efficiency
- Acquisition of Biscay growing and strengthening customer base, product offering and operating scale in Australia
- Successful re-organisation of UK business under one leadership team to leverage scale and improve delivery with a cohesive, unified solution to customers and suppliers

RISK MANAGEMENT

The Group actively monitors the risks related to its business and the environment in which it operates. The following is a summary of the principal risks faced by the Group and the mitigating actions taken in respect of these risks.

Risk	Description of risk	Mitigation	Link to business model
Strategic risks			
Failure to integrate an acquisition	The Group is acquisitive with the purchase and integration of carefully selected target businesses an important generator of growth. A failure to appropriately evaluate an acquisition target's business before it is bought, or to successfully integrate its operations into the Group and deliver any required synergies post-integration, could have a significantly adverse impact on Group results.	We operate strict evaluation criteria for any potential acquisition and review targets against this throughout the M&A process, which includes the use of third-party due diligence professionals for technical areas such as tax, legal and, where complex, financial diligence. Deal evaluation includes sensitivity analysis and risk evaluation. Any acquisition that completes will be overseen by one or more senior management team members who will be responsible for closely monitoring and reporting to the Board on the businesses performance against acquisition deal targets and expectations. Synergy target performance is monitored specifically, as is payback together with other KPIs specific to the individual acquisition.	
Key management risk	The Group operates subsidiaries in a number of geographical locations across four continents with tight margins requiring close attention to detail both in supply and sale. A number of our businesses benefit from close local entrepreneurial management from skilled management teams particularly in this challenging economic climate. Loss of key management personnel could adversely impact the results of one or more of those businesses.	The Group considers succession planning and seeks to develop strong teams around key individuals to reduce the impact of potential loss. The Group's activities in Asia are particularly integral to the supply chain for our UK operations. The China factory benefits from carefully selected local management but is also monitored by the UK management team by way of on-site reviews and regular monitoring of key performance indicators.	
Competitor action	Much of the Group's business is in categories with high price sensitivity. This can give rise to margin pressure which is compounded where there is oversupply. There is a risk that competitors from within territory or from the Far East are able to offer prices that are not commercially viable for the Group to compete with, resulting in a loss of market share.	The following active strategies are employed to manage the risk of margin erosion and loss of business: • the Group focuses on design, product quality and service delivery to differentiate in order to maximise customer retention; • the Group maintains a blended and diversified portfolio of products and clients, both by market segment and geography, to avoid over-dependence on a single market; and • the Group closely manages the costs and margin on a product-by-product basis to ensure prices are as competitive as possible whilst still being profitable for the business.	

Risk	Description of risk	Mitigation	Link to business model
Economic uncertainty	The Group remains reasonably insulated from demand-side risk arising from local economic conditions due to the relatively low value of our products, with an average retail price of less than £2, and their everyday nature. However, international economic uncertainty such as that driven by Brexit can have a more significant impact on our supply-side risks. In particular, as an international group we can be impacted by international trade agreements between our core territories of operation and significant movements in our main cost areas of raw materials, freight and people.	The Group regularly monitors the economic conditions in which it operates. The underlying cost base is closely monitored and reported regularly to management and the Board. Changes to international trade agreements are monitored by management with the input of external specialists. Where the impact is expected to be significant, impact analysis and response plans are presented to the Executive Committee for review and implementation. The Group and UK business are monitoring the developments in Brexit negotiations for potential impacts on the business and planning possible mitigating actions accordingly. The annual renewal of our sales contracts also provides significant mitigation in this regard.	International operations and capability; Fully empowered business units
Commercial and operational risks			
Margin erosion	The Group's core products are low ticket items and price competition is significant. Cost inflation is a particular pressure, and combined with customer pressure on pricing and the relatively high risk of inventory obsolescence due to high seasonality and fashions in some products, this can lead to significant margin pressure and risk of margin erosion.	The Group seeks to maximise operating efficiencies, investing in its production facilities to ensure they are as efficient as possible and monitoring the production processes to make sure that they are optimised. Product costings are carefully reviewed and managed, with any very low margin products requiring additional review and approval. KPIs including inventory turn and ageing are monitored by the Board. The Group maintains a blend of business between customer brands and its own brands and inventory levels are closely monitored with slow moving or obsolete stock provided for where necessary.	Manufacturing and sourcing expertise; Quality, innovative design
Supply chain	The Group uses a large number of external suppliers, with bought-in goods for resale purchased mainly from Asia. Issues with the quality or integrity of supply chain, particularly at peak season, could result in contractual penalties or adversely impact the Group's ability to maintain supply to its customers. The Group, along with the market as a whole, is experiencing an increase in raw material prices in Asia. Continued cost headwinds also increase the risk of margin erosion and put a focus onto competitor action.	The Group manufactures, where expedient and efficient to do so, its own goods in China and other locations throughout the world. Suppliers are carefully selected and their performance monitored closely through means such as clear contractual terms of business, robust quality control and on-site visits. Alternative routes of supply are maintained wherever possible to ensure keen pricing and continuity of supply. The Group also insures against supplier failure in so far as it is possible and cost-effective to do so. The Group endeavours to mitigate raw material price inflation where possible via supplier negotiation, sales mix management, cost engineering and sales price negotiations with customers to reflect the cost increases.	Manufacturing and sourcing expertise; Trusted partner to our customers

Key to business model links

- Quality, innovative design
- Manufacturing and sourcing expertise
- International operations and capability
- Fully empowered business units
- Trusted partner to our customers

RISK MANAGEMENT
CONTINUED

Risk	Description of risk	Mitigation	Link to business model
Commercial and operational risks continued			
Operational disruption	The Group operates four major factories plus several trading sites across the world including China, the UK, the USA, Australia and mainland Europe. The Group's business is dependent on the ongoing operation of these facilities, particularly at peak season. A significant operational disruption could adversely affect its ability to make and supply products to customers on a timely basis.	The Group has implemented policies and procedures to efficiently and safely manage its operations and to maintain continuity of supply. The factories operate to quality standards and are subject to regular customer, internal, health, safety and environmental audits. The Group insures against a range of known operational risks and maintains an actively managed programme with its insurers and advisers to manage both operational risks and insurance premiums.	
Customer default	While few customers went into administration relative to the credit crunch period of 2008 to 2011, there remains a risk of retail customer failure. These manifest through loss of sales, bad debt and potentially inventory obsolescence if a customer stops trading or we elect not to do business with them.	The Group maintains tight credit control procedures, regularly reviews credit limits and avoids concentrating on any one geographic location or placing over-reliance on any one customer. The largest single customer accounts for approximately 7.8% of overall sales. We closely monitor our debts and bespoke inventory levels, taking specific provisions against both as required together with other specific measures to mitigate for any risk of non-recovery.	
Financial and regulatory risks			
Availability of liquidity	The Group's operations are highly seasonal and significant flexible working capital funding is required during the course of the annual trading cycle. The Group is dependent on the continuing support of its principal bank for these working capital facilities. A reduction in the availability of these facilities would materially impact the Group's ability to fulfil its obligations as they fall due.	The Group budgets carefully and cautiously and operates regular forecasting and cash monitoring processes against facilities available. Based on budgeted requirements, the Group maintains borrowing lines with HSBC and Westpac to a range of maturities, estimated to be sufficient to cover funding requirements. These borrowing lines range from one year to three years with the capacity to extend easily. Facilities have just been refreshed and are entirely appropriate to the Group's current needs. The Group works closely and transparently with its lending banks, ensuring that the cash flow cycle is understood by and closely monitored by all parties, demonstrating the careful cash management practices embedded in the operation.	

Risk	Description of risk	Mitigation	Link to business model
Currency exposure	The Group is exposed to currency risk, which impacts in three principal ways: • translation of the results of our overseas businesses, which account for almost two thirds of sales and a greater proportion of profit before tax: much of the Group's business is seasonal meaning that short-term currency fluctuations can have a disproportionate effect on results depending on when they occur; • purchases and sales are often not made in the same currency, or in our local operating currencies, giving a risk of foreign exchange differences affecting profit: in particular approximately half of the Group's sales are of items which are bought or manufactured in Asia and are paid for using US dollar or Chinese renminbi; and • the Group is funded in a mixture of currencies, tailored where possible to match the needs of each business and to reduce the effect of currency fluctuations on the Group's financial results. However, the main banking facility is denominated mostly in sterling with some balances drawn in US dollar: hence should exchange rates move adversely this has implications on the available headroom.	These risks are managed through a mixture of natural hedges and, where appropriate, spot purchases, forward contracts and occasionally other similar instruments. This is achieved by a central treasury team working on behalf of the business units to maximise the natural hedge opportunities and scale of the Group, working together with local finance teams where appropriate. Translation risks are only hedged selectively, where the Board judges it to be appropriate. The revised financing facilities have plenty of headroom to accommodate such fluctuations and are in part denominated in local currency. Longer-term movements in rates are managed through our pricing, product design and/or sourcing decisions.	
Legal and regulatory environment	Due to its international nature the Group is subject to multiple regulatory, tax and legal jurisdictions. This gives rise to a significant compliance requirement, which is further complicated by the high level of international trading. Local and international regulations are regularly changing and growing in volume, particularly as a result of increased global regulations. A failure to comply with local rules and regulations could result in significant fines or other sanctions.	The Group's ability to operate internationally is of critical importance and as a result understanding and complying with local and international regulations is an area of permanent focus. To ensure it remains compliant as the business and regulations change, the Group employs specialist advisers in each of its main territories and at head office. Active dialogue is also maintained with relevant parties, such as tax authorities, to ensure transparency and a proactive approach to compliance. The Group also operates an internal audit function, outsourced to a specialist firm with a local presence in each of our countries of operation, who perform reviews of the business units including local compliance processes.	

Key to business model links

- Quality, innovative design
- Manufacturing and sourcing expertise
- International operations and capability
- Fully empowered business units
- Trusted partner to our customers

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

We are committed to improving our environment and helping the communities where we work.

Our employees, shareholders, communities, partners and customers are all vital to the success of our business, which is why we take our corporate social responsibility seriously.

Throughout all of our operations, we work hard to comply with the highest possible standards, in line with our unwavering commitment to our employees, our customers and our planet. In upholding the highest standards of ethical behaviour, it is our aim to foster the relationships we have with all of our stakeholders, continuing to build a more considerate and sustainable business.

Stakeholders

All of our stakeholders – our customers, employees, suppliers and investors – are vital to the success of the Group. But it's our people who make the Group the reliable and agile business it is.

Through recognising that each of our customers is unique and so requires a different service to satisfy their needs and expectations, we work hard to build deep and lasting relationships with our customers. Our product offering, unique design capabilities and our fundamental aim of becoming a partner of choice to our customers allows the Group to make the most out of every commercial opportunity that presents itself.

By leveraging recent and ongoing investments in equipment and technology, as well as a broad portfolio of expertise, the Group continues to offer our customers a portfolio of products and service that enables us to compete and grow.

Employee engagement

We invest in our people; from training and education offered throughout the Group, through to opportunities for career progression. The Group offers an environment in which our employees are encouraged to grow and deliver their very best. It's these same opportunities which allow Design Group to attract and retain the brightest talent.

We were delighted that our commitment to our team was recognised with a 'Highly Commended' award in the Employee Engagement Awards 2017, in the Company of the Year category.

Health, safety and human rights

The Group is committed to providing a safe workplace for all employees in every area of our business. A strong and visible commitment to health and safety is present throughout the Group.

It is our aim to exceed the requirements of health and safety legislation and we deploy experts to ensure continuous improvement of health and safety across all our businesses.

We take human rights seriously and continuously strive to strengthen and protect the systems and management in this area. We have taken steps to promote and improve our commitment to removing abuse and exploitation in the workplace.

Receiving highly commended award at the Employee Engagement Awards 2017

Equal opportunities

The Group is committed to treating all employees equally. In particular as an equal opportunities employer, we believe all our employees, regardless of gender, should receive equivalent rates of pay for equivalent roles. In the UK we recently published our Pay Gender Report which highlighted that there was a pay gap in the amounts paid on average to men and women in the UK.

This gap was principally explained by higher numbers of male senior managers in the UK team. We remain focused on increasing the female proportions of the UK management team and narrowing the gap in the future.

Sustainability and environment

In every area of our business, we have a deep-rooted belief in doing our part to protect the environment and preserve our planet.

From using vetted suppliers who share our environmentally aware views and commitments, through to our ongoing efforts to cut waste and recycle materials wherever possible, sustainability is a part of everything we do.

As well as operational commitments, we encourage an ethos of energy-saving and environmental protection, encouraging our suppliers and our employees to consider the impact their actions have on the wider world. This culture of preservation is backed by operational efficiency in all aspects of our business, with measures in place to make the most out of the resources and supplies we have.

Continuous reviews take place within the Group, with the aim of enhancing our overall environmental performance, reducing waste and holding ourselves to account.

Accreditations include:

ISO International Organization for Standardization

WORKPLACE WCA CONDITIONS ASSESSMENT

GLOBAL SECURITY VERIFICATION GSV

FSC www.fsc.org

BRC CERTIFICATION BODY

Sedex Enabling responsible supply chains

Disney

Supply chain

With a supply chain monitored and measured by independent audits we aim to ensure that raw materials are sustainably sourced, whilst detailed evaluations allow us to certify that new suppliers work in an environmentally considerate way.

With quality assurance and control teams across the world, we have the people and procedures in place to ensure that our products are sustainably tested and adhere to recognised standards and directives.

Through regular audits – ethical, quality and technical – we work to ensure the factories with which we produce goods meet relevant requirements, which comply with standards set by Business Social Compliance Initiative ("BSCI"), Ethical Trading Initiative ("ETI"), Workplace Conditions Assessment ("WCA"), and Consumer-Trade Partnership Against Terrorism ("CTPAT").

We are SEDEX members and we work with 'Stronger Together' in our commitment to respecting human rights throughout our supply base.

These processes give us a 360 view into our supply chain, meaning we are confident that our products meet our high expectations.

Social and community

Through a number of projects and initiatives, we engage with our communities – both internally and externally – to have a positive impact wherever we can.

BOARD OF DIRECTORS

John Charlton

Non-Executive Chairman

John joined the Board in April 2010 and was appointed Chairman of the Board on 7 September 2011. John is a member of the Audit and Remuneration Committees and chairs the Nomination Committee. John is also Chairman of SA Greeting (Pty) Ltd and was Chairman of Amscan International Ltd. In his executive career, he was previously Senior Vice President International of American Greetings Corporation and Chief Executive of UK Greetings Ltd.

Committees

N* A R

Paul Fineman

Chief Executive Officer

Paul joined the Board in May 2005 as Chief Executive Officer of Anker International PLC. He was appointed Group Managing Director in January 2008 and then appointed Group CEO in January 2009. Paul was awarded Chief Executive Officer of the Year by the Quoted Company Awards 2017.

Lance Burn

Executive Director

Lance joined the Board in October 2012 and has been Managing Director of IG Design Group UK Limited since 2009 and the Group's subsidiary operation in China since 2011. Lance's previous roles included directing businesses for Rank Hovis McDougal plc, Saint Gobain Solaglas UK and also international overseas-based roles for Pepsico International in Africa and India.

Giles Willits

Chief Financial Officer

Giles has more than 20 years' experience in senior leadership and financial roles in multiple household name businesses. He was most recently the Chief Financial Officer of Entertainment One Ltd (LSE: ETO), having joined prior to its IPO on AIM in 2007.

Giles was also formerly Director of Group Finance at J Sainsbury plc and Woolworths Group plc and qualified as a chartered accountant at PriceWaterhouseCoopers.

Giles sits on the board of Shearwater Group plc as a non-executive director.

Elaine Bond

Non-Executive Director

Elaine joined the Board as a Non-Executive Director on 1 February 2012. Elaine chairs the Remuneration Committee and is a member of the Audit and Nomination Committees. She was previously Group Operations Director of UK Greetings Ltd, the UK subsidiary of American Greetings.

Committees

R* A N

Mark Tentori

Non-Executive Director

Mark joined the Board as a Non-Executive Director and Chair of the Audit Committee on 1 January 2016. He is a member of the Remuneration and Nomination Committees. Mark is currently Portfolio Partner at Charterhouse Capital Partners LLP. Prior to this, Mark held a number of CFO and COO roles in public and private companies operating in a wide range of sectors and geographic locations. These included CFO of Deb Group Ltd, United Coffee and LINPAC Group Ltd. Mark also spent ten years with Price Waterhouse where he qualified as a Chartered Accountant.

Committees

A* R N

Anders Hedlund

Founder and Non-Executive Deputy Chairman

Anders founded the Group in 1979 and was joint Chief Executive Officer of the Group until December 2007, when he was appointed as Nominee Non-Executive Director.

A Audit Committee

R Remuneration Committee

N Nomination Committee

* Chair

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW

A year of excellent progress and strong financial performance.

John Charlton
Chairman

Dear shareholder

We are delighted to be able to report a further year of excellent progress and a strong financial performance of our Group during the year ended 31 March 2018. I am delighted that once again we have exceeded the goals that we set ourselves in terms of profit and earnings per share. Furthermore, we are particularly pleased with the excellent levels of cash generation that we have achieved, which have supported our increased level of capital expenditure to improve our efficiency, the acquisition of Biscay in Australia and an increased dividend. We once again end the year being cash positive, with a further reduction in average leverage.

We shall continue to put considerable effort into strengthening our position as one of the world's leading designers, manufacturers, importers and distributors of each of the core product categories on which we focus.

The Board continues to operate under a governance structure, which is designed to be flexible and efficient in creating sustainable long-term growth in shareholder value. As advised in previous reports, as Chairman, my role is to lead the Board and help promote a culture of respect, integrity, openness, honesty and fulfilment within each of the businesses in our Group. We believe strongly in these objectives and we endeavour to practise these in the way that we communicate with our customers, suppliers, shareholders, advisers and of course all our teams employed in our Group.

Corporate governance

As previously reported, the UK Corporate Governance Code (formerly the Combined Code) sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability, audit, risk management and relations with shareholders.

Whilst there is not yet an obligation in effect for AIM-listed companies to comply fully with a code of governance, your Board endorses the principles of effective corporate governance and we are committed to maintaining the highest standards of ethics and professional competence. That said, the Directors do not consider that full compliance with every aspect of the Corporate Governance Code is appropriate for our Group at this stage in its development. In light of the recent changes to AIM rules regarding corporate governance, we are undertaking a review of those areas of the Corporate Governance Code that we do not currently comply with. We will publish the results of this before 28 September 2018.

Board of Directors

The principal duty of the Board is to represent and protect the interests of the Company's shareholders. To this end the Board plays an important role in working with the executive management to ensure that our businesses are well governed, financially strong, and that we mitigate any risks that the executive team identifies. Your Board continues to work hard to strike that essential balance between achieving our short-term objectives and longer-term growth and development. As a Board, we work closely with the executive team in developing proposals on strategy for each of our businesses and for our Group as a whole.

Division of responsibilities

There is a distinct and defined division of responsibilities between the Chairman and the Chief Executive Officer (CEO). The Chairman is primarily responsible for the effective working of the Board, in conjunction with management and the CEO for the operational management of the business and for the implementation of the strategy agreed by the Board.

Composition of the Board

There has been one change to the composition of our Board during the year. As previously announced, during the summer of 2017, Anthony Lawrinson – our Chief Financial Officer – tendered his resignation from the Board, for personal and family reasons and relinquished his position at the end of December 2017. Anthony joined the Board in October 2011 and we are indebted to him for his excellent stewardship of the financial affairs of the Group during his period with us. We thank Anthony for his valuable contributions on the Board and his wise counsel.

However, we are delighted to have secured the services of Giles Willits, who joined our Group in January 2018 as Chief Financial Officer. Giles has more than 20 years' experience in senior leadership roles in a number of household name businesses. He was most recently Chief Financial Officer of Entertainment One Ltd – a FTSE 250 company. Apart from this, there were no other changes to the composition of the Board during the year. We continue to operate with three Executive Directors balanced by three Non-Executive Directors, with myself as Chairman. Our Non-Executive Directors have an important role of constructively challenging and working closely with the Executive Directors to develop and agree proposals on strategy, to scrutinise management's performance in meeting agreed goals and objectives and monitoring performance reports.

Anders Hedlund, who founded our Group, is a Nominee Non-Executive Director. Anders Hedlund is presumed not independent, because as founder, he has served on the Board since the Company's inception, his family hold significant interests in the shareholding of the Company and he also fulfils a consultancy role within one of the Group's businesses. As reported in the financial statements, there are also some related party transactions between certain of the subsidiaries within our Group and companies under the ultimate control of the Hedlund family.

As at the date of this report, all of the other Non-Executive Directors are considered independent under the UK Corporate Governance Code.

The Board has three Committees – Remuneration, Audit and Nomination. Each of these committees comprises myself and our two Non-Executive Directors: Elaine Bond and Mark Tentori. Elaine chairs the Remuneration Committee, Mark the Audit Committee, and I chair the Nomination Committee.

The Nominations Committee is responsible for filling Board vacancies, reviewing the Board composition and the roles of Board members.

The Audit Committee satisfies itself on the integrity of financial information and that controls and risk management systems within our businesses are robust and defensible. The Committee meets as required during the year and at least twice with the Group's external auditor. Its role is to review the interim and final financial statements for approval by the Board, to ensure that operational and financial controls are functioning properly, and to provide the forum through which the Group's external auditor reports to the Board.

On completion of the audit, the Committee reviewed the performance of its external auditor KPMG LLP, with feedback from executive management. The Committee has resolved to propose KPMG's re-appointment at the next Annual General Meeting.

Mazars LLP provides internal audit services to the Group and have visited and carried out a series of audits in each of our subsidiaries and reported back on findings to our Audit Committee. The risk-based audit plan for 2018/19 has now been agreed by the Audit Committee and Mazars will continue to report back on their findings to the Audit Committee.

The Remuneration Committee determines appropriate levels of remuneration and compensation for Executive Directors. The Committee meets as required during the year and is closely involved in agreeing the positions within our senior management team that should participate in our Long Term Incentive Plan ("LTIP"), together with the level of awards. The Remuneration Committee is also responsible for agreeing the performance criteria for annual bonuses and LTIP for Executive Directors and senior management.

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW CONTINUED

Board process and information

The Board met seven times during the year and also carried out an in-depth review of 2018/19 budgets, annual operating plans and strategic objectives with the Executive Directors. This took place over two days during March 2018. The Board aims to meet at least six times a year for formal Board meetings and up to six further times in between for informal business reviews, to review budgets and to focus on strategy. As previously advised, where possible and cost effective, the Board tries to meet on the premises of various of its subsidiaries during the year, which provides an opportunity for the Directors to visit our businesses, meet with the senior management and be seen by our teams as a Board that genuinely wishes to be involved. To this end, during October 2017 the full Board spent a week visiting our businesses in USA, meeting with the senior management teams and discussing strategic objectives over the next three years.

Dialogue occurs regularly between Directors outside of scheduled meetings. Meeting agendas include review and approval of minutes recorded, matters arising, a review of material operational matters relating to our businesses and other special items for discussion or consideration. Board papers are usually circulated at least three business days in advance to allow Directors adequate time to prepare.

Our Non-Executive Directors also meet as a team outside of Board meetings to discuss the performance of our Board as a whole and various topics and matters that require their specific input and attention.

The Board receives operational and financial information and reports from the CEO/CFO to assist in monitoring and assessing the ongoing performance of the businesses on a monthly basis.

Each of our Board committees now embraces the practice of annual self reviews of effectiveness and this process will also include the Board as a whole, as we strive to continually 'raise the bar' in terms of our contributions and effectiveness.

Accountability and audit

All Directors have accepted a duty of care and accountability to act in the interests of the Group. As stated, the Audit Committee oversees how the Board monitors risk and reviews the adequacy of the risk management framework.

Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management systems, policies and procedures are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide a reasonable and not absolute assurance against material misstatement or loss.

Risk management processes are reviewed regularly by the Audit Committee to reflect changes in market conditions and the Group's activities. The Board's oversight covers all controls, including financial, operational and compliance controls and general risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate the need for more extensive monitoring.

Whilst this report is intended to provide an overview of the policies and procedures that we adopt in following good corporate governance, I wish to take this opportunity to thank my fellow Directors for their hard work, commitment, loyalty and support that they give to our Group. As always, may I also on behalf of the Board place on record our sincere thanks and appreciation to all our teams throughout the Group. It is through their efforts and support that we are, once again, able to report another year of very strong progress. We value greatly their commitment and loyalty.

Finally, let me take this opportunity to thank our shareholders, customers, suppliers, bankers and advisers for their support and contributions to all our businesses throughout the world. As always, we never take your support for granted and we are very appreciative of the strong working relationship and partnership that we continue to enjoy with you. We endeavour to commit to excellence in all that we do, in order to be the 'partner of choice'!

John Charlton
Chairman
8 June 2018

DIRECTORS' REMUNERATION REPORT

This report sets out the remuneration of IG Design Group Directors for the year to March 2018.

Elaine Bond
Chair of the Remuneration Committee

This report sets out the remuneration of IG Design Group Directors for the year to March 2018 and is in three parts: (1) overview of the year; (2) remuneration strategy and policy; and (3) regulatory disclosures.

Part 1: overview of the year

Company performance

The Group has substantially exceeded its financial targets this year with profit before tax, exceptional items and LTIP charges up 32% at £21.4 million from £16.3 million, net cash increased by £1.4 million to £4.4 million, and fully diluted earnings per share before exceptional items and LTIP charges at 21.8p up 3.6p or 20%. The key financial objectives were sustainable growth in profits and associated earnings per share, along with further increases in net cash. These measures were therefore used to determine the Executive Directors' annual bonuses. Similar measures around sustainable growth in earnings and associated cash flow generation will continue to be the key financial objectives moving forwards.

Annual bonus and base salaries

The bonus opportunity for Executive Directors and senior management during the last year was based on the achievement of targets around:

- Group profit before tax, LTIP charges and Board approved exceptional items;
- closing net cash; and
- fully diluted earnings per share calculated before LTIP charges and Board approved exceptional items.

Similar measures were applied within the individual businesses. The level of bonuses is approved by the Remuneration Committee, which retains reasonable discretion over the level of pay-out depending on the quality of the financial performance in achieving the result. The bonus scheme for the coming year for Executive Directors and other senior management again includes the same or similar objectives relating to profit, net debt and earnings per share.

This year's results for profit, net cash and earnings per share will result in annual bonuses for Executive Directors of 86% of the stretch award.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Part 1: overview of the year continued

Executive share options 2008

In September 2008, the Board put in place an HMRC approved employee share option scheme to assist in the motivation of Executive Directors and senior managers. Some Directors and managers received shares that were in addition to the HMRC approved amounts (being 214,285 options each) and these are denoted as 'unapproved'.

Executive share awards were made at the prevailing market rate on the date of the grant. Options are normally exercisable between three and ten years after grant and upon the achievement of stated performance criteria. The options issued in December 2008 were not subject to performance criteria (other than continued employment), except for unapproved options issued to Executive Directors.

No further options are being granted under this scheme. These options may be exercised between 17 December 2011 and 17 December 2018.

There are no Directors currently holding share options under this scheme (2017: nil). There have been no grants under this scheme during the year.

Long Term Incentive Plan

On 31 March 2014, the Company announced the introduction of a new Long Term Incentive Plan ("LTIP"). Under the LTIP, ordinary shares of 5p each ("ordinary shares") may be awarded annually to Executive Board Directors of the Company, Managing Directors and other selected senior management team ("SMT") members within the Group. Ordinary shares only vest to the degree that stretching performance conditions are met. The maximum dilution under the LTIP is 15% over a ten-year period, excluding the 2012-2015 award set out below and disregarding prior option schemes. The scheme rules which have been agreed by the Remuneration Committee include reasonable provisions in the event of change of control, suitable flexibility to modify performance targets in specified situations and also a mechanism for claw-back under certain circumstances. The Board retains the flexibility for the Employee Benefit Trust to buy ordinary shares to mitigate future dilution.

The performance period for each award under the LTIP is expected to be three years. The cost to employees of ordinary shares issued under the LTIP, if the performance criteria is met, will be nil. In principle the number of ordinary shares to be granted to each employee under the LTIP will not in value be more than 100% of the relevant employee's salary with the exception of the Group CEO who can receive up to 150% annually, although the rules allow up to an upper maximum of 150% for all relevant employees. The grant is based on the relevant share price at the time of grant.

Details of LTIP awards to Directors under all LTIP schemes are shown in the Directors' report on page 48.

LTIP 2012-2015 awards

Of a maximum of 1,400,000 shares 1,107,652 shares vested in June 2015 with the balance lapsing. Of these, 425,000 have not yet been exercised.

75,000 shares were exercised during the year (2017: nil).

LTIP 2014-2017 awards

The maximum award of 1,330,351 shares (after adjusting for the effect of dividends) vested in favour of 18 members of the leadership teams across the Group in June 2017.

During the year 633,111 shares were exercised (2017: nil), and the balance of 667,240 have yet to be exercised.

LTIP 2015-2018 awards

Provisional share awards totalling 1,176,860 were issued during 2015/16 to 26 members of the leadership teams across the Group. A further 100,474 shares were awarded to Paul Fineman in January 2018. For the effect of dividends and lapses see note 25. The performance conditions applied are a) compound annual growth rate ("CAGR") in fully diluted earnings per share (measured before LTIP charges and exceptional items), b) CAGR of profit before tax, LTIP and exceptional items and c) average leverage. Vesting increases on a straight-line basis and the full number of shares are issuable when all three stretch targets are met. For more details on the performance conditions see note 25.

The results achieved by the Group for the three-year period have met all of the stretch performance conditions so the maximum award will vest.

1,213,794 shares (after adjusting for the effect of dividends and leavers) formally vested on 6 June 2018 following Remuneration Committee and Audit Committee approval of the results for the year ended 31 March 2018.

LTIP 2016-2019 awards

Provisional share awards totalling 827,220 were issued during 2016/17 to 23 members of the leadership teams across the Group. A further 72,885 shares were awarded to Paul Fineman in January 2018. For the effect of dividends and lapses see note 25. The performance conditions applied are a) CAGR in fully diluted earnings per share (measured before LTIP charges and exceptional items) and b) CAGR of profit before tax, LTIP and exceptional items. Vesting increases on a straight-line basis and the full number of shares are issuable when both stretch targets are met. For more details on the performance conditions see note 25.

LTIP 2017-2020 awards

Provisional share awards totalling 347,101 were issued in August and September 2018 to 24 members of the leadership teams across the Group. A further 129,380 shares were awarded to Paul Fineman and 168,463 to Giles Willits in January 2018. For the effect of dividends and lapses see note 25. The performance condition applied is CAGR in fully diluted earnings per share (measured before LTIP charges and exceptional items). Vesting increases on a straight-line basis and the full number of shares are issuable when the stretch target is met. For more details on the performance conditions see note 25.

The mid-market price of the Company's shares on 31 March 2018 was 398.5p per share; the highest and lowest mid-market prices of the Company's shares during the year were 435.0p and 317.5p respectively.

2017/18 annual bonus

The aggregate annual bonus of the Executive Directors to be paid in respect of the year ended 31 March 2018 has decreased from £789,910 in the prior year to approximately £448,950. This remuneration is directly linked to meeting profit, net cash and earnings per share targets.

The Remuneration Committee (the "Committee") has carefully reviewed the level of performance related remuneration earned by the Executive Directors. The Committee considers that it is a strong reflection of the Group's operating and financial performance over the past year and that it is aligned with the financial interests of shareholders generally.

Other Remuneration Committee highlights

During the year, the Committee considered the following:

- overall remuneration structure and levels for Executive Directors and other senior management members;
- targets for the annual bonus potential for Executive Directors and senior management for 2018/19, including the consistency of bonus targets with other management and staff. Changes were made to the Group bonus scheme based on the achievement of targets around Group profit before tax, LTIP charges and approved exceptional items, closing net cash and underlying fully diluted earnings per share calculation; and
- awards under the new LTIP scheme, and appropriate performance criteria. The performance criteria were reviewed and simplified with the 2017-2020 scheme being based on underlying earnings per share only.

The Committee believes the Company's remuneration strategy, and the structures implementing that strategy, have contributed positively to maintaining the stable and highly motivated management team of the Company, who have continued to deliver consistently strong performances for shareholders.

Part 2: remuneration strategy and policy

The Group's remuneration policy is to ensure that the remuneration of Executive Directors is sufficiently competitive to enable the Group to retain and motivate existing Directors and attract high-quality performers in the future. The Group aims to incentivise and reward its Executive Directors in a way that is consistent with the Group's commercial objectives and to align the interests of the Directors with those of the shareholders. To achieve this, the Executive Directors' total remuneration comprises both fixed remuneration and variable reward, the latter reflecting Company performance. The main elements of remuneration for Executive Directors are set out on page 45. Only the basic salary is pensionable.

The Group's remuneration policy in respect of Non-Executive Directors is to pay annual fees which reflect the responsibilities and duties placed upon them, whilst also having regard to market practice.

The remuneration of the Non-Executive Directors and of the Chairman is set by the Board.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Part 3: additional regulatory disclosures

The Remuneration Committee

The Remuneration Committee consists of:

- Elaine Bond (Chair of the Committee);
- John Charlton (Non-Executive Chairman); and
- Mark Tentori (Non-Executive Director).

Role of the Committee

The Committee determines the remuneration of the Group's Executive Directors, and reviews that of senior executives who report directly to the Group CEO. It is also responsible for determining the targets for performance-related pay schemes, approving any award of the Company's shares under share options or incentive schemes to employees, and overseeing any major changes in employee benefit structures. The Committee members have no conflicts of interest arising from cross-directorships and no Director is permitted to be involved in any decisions as to his or her own remuneration.

The Committee workplan

The Committee takes the following approach in the course of the year:

Standing compliance items:

- minutes of the last meeting, action log and matters arising;
- feedback from the Board meetings;
- compensation authorisation for CEO direct reports, prior to appointment, as necessary;
- approval of payments to CEO direct reports to apply on termination of employment, as necessary;
- approval of any remuneration consultants to advise the Committee, as necessary;
- due regard to published information regarding pay, bonuses and other executive benefits in companies comparable to the Company (benchmarking), as proposed by the CEO or work independently commissioned by the Committee; and
- due regard to published documents regarding remuneration and changes to the UK Corporate Governance Code (as advised by the Company Secretary).

Meeting dates and key matters

May

- Agree bonus targets for next financial year
- Agree any changes to remuneration for Chairman, CEO, CEO direct reports and information on SMT members
- Agree bonus awards for current financial year

June

- Review detail of LTIPs vesting
- Agree LTIP awards
- Agree LTIP scheme for next financial year
- Review and agreement of service agreements for CEO direct reports and SMT (to include notice periods and compensation commitment on early termination)
- Agree remuneration section of Company annual report
- Review travel policy of all businesses

November

- Annual review of International expense claims policy
- Review and agreement of pension contribution arrangements and benefits in kind awards for CEO direct reports and SMT
- Annual review of terms of reference
- Review of training requirements for the Committee members
- Review self assessment of the Committee

Assistance to the Committee

During the period the Committee received input from the CEO, the CFO, the Senior Human Resources Manager and various professional firms in the UK and USA in connection with remuneration matters.

Dilution of share capital by employee share plans

The Company monitors and has complied with dilution limits in its various share scheme rules. The Board retains the flexibility of using Employee Benefit Trusts to buy ordinary shares to mitigate future dilution.

Pension plan auto-enrolment

Following the introduction of auto-enrolment in 2012, employees now have the option of joining the Group's defined contribution personal pension scheme or opting out of pension provision.

Specific information in respect of Executive Directors' pension entitlements is detailed on page 45.

Service contracts

The Executive Directors have service contracts which can be terminated by the Company with no greater than one year's notice. Non-Executive Directors do not have service contracts and their appointments may be terminated without compensation at any time. All Non-Executive Directors have letters of appointment and their appointment and subsequent re-appointment is subject to approval by shareholders.

Directors' remuneration[a]

The summary of Directors' remuneration is as follows:

	Aggregate for all Directors		Highest paid Director	
	2018 £000	2017 £000	2018 £000	2017 £000
Remuneration	1,637	1,850	678	646
Pension contribution	9	10	—	—
Total remuneration	**1,646**	1,860	**678**	646

The remuneration in respect of the year ended 31 March 2018 to the Directors, by individual, was as follows:

Year ended 31 March 2018	Salary/fees £	Bonus £	Benefits[b] £	Subtotal £	Pension £	Total £
Executive Directors						
Lance Burn	251,318	120,000	2,680	373,998	9,031	383,029
Paul Fineman	384,800	275,200	17,701	677,701	—	677,701
Anthony Lawrinson[c]	189,102	—	4,731	193,833	—	193,833
Giles Willits[d]	78,506	53,750	412	132,668	—	132,668
Total Executive	**903,726**	**448,950**	**25,524**	**1,378,200**	**9,031**	**1,387,231**
Non-Executive Directors						
Elaine Bond	39,212	—	1,979	41,191	—	41,191
John Charlton	74,382	—	7,183	81,565	—	81,565
Anders Hedlund	91,502	—	3,284	94,786	—	94,786
Mark Tentori	40,896	—	—	40,896	—	40,896
Total Non-Executive	**245,992**	**—**	**12,446**	**258,438**	**—**	**258,438**
Total Directors	**1,149,718**	**448,950**	**37,970**	**1,636,638**	**9,031**	**1,645,669**

(a) Audited.
(b) The benefits relate primarily to private health benefits.
(c) Anthony Lawrinson resigned on 31 December 2017.
(d) Giles Willits was appointed on 2 January 2018.

The bonuses are the expected amounts based on the results for the current year and are expected to be paid in June/July 2018 once the year-end statutory accounts have been approved.

The highest paid Director is Paul Fineman (2017: Paul Fineman).

The Group operated a Group personal pension plan to which the Group contributed for one Director (2017: one). The Group also contributes to the personal pension plan of one Director (2017: one), and provides death in service life assurance to the value of between four and six times pensionable salary.

An expense of £1,353,000 has been recognised in the year in respect of share-based payments relating to Directors in respect of the Long Term Incentive Plan (2017: £1,027,000).

DIRECTORS' REMUNERATION REPORT
CONTINUED

Part 3: additional regulatory disclosures continued

Directors' remuneration[a] continued

The remuneration in respect of 31 March 2017 of the Directors by individual was as follows:

Year ended 31 March 2017	Salary/fees £	Bonus £	Benefits[b] £	Subtotal £	Pension £	Total £
Executive Directors						
Lance Burn	218,139	231,661	2,307	452,107	9,816	461,923
Paul Fineman	321,897	310,138	13,494	645,529	—	645,529
Anthony Lawrinson[c]	245,966	248,111	5,477	499,554	—	499,554
Total Executive	786,002	789,910	21,278	1,597,190	9,816	1,607,006
Non-Executive Directors						
Elaine Bond	38,349	—	1,802	40,151	—	40,151
John Charlton	74,382	—	6,268	80,650	—	80,650
Anders Hedlund	89,489	—	2,772	92,261	—	92,261
Mark Tentori	40,000	—	—	40,000	—	40,000
Total Non-Executive	242,220	—	10,842	253,062	—	253,062
Total Directors	1,028,222	789,910	32,120	1,850,252	9,816	1,860,068

(a) Audited.

(b) The benefits relate primarily to private health benefits.

(c) Anthony Lawrinson resigned on 31 December 2017.

On behalf of the Board

Elaine Bond
Chair of the Remuneration Committee

8 June 2018

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and independent auditor's report for the year ended 31 March 2018.

Directors

The Directors of the Company during the period under review, and subsequently to the date of this report, were:

- Elaine Bond
- Lance Burn
- John Charlton
- Paul Fineman
- Anders Hedlund
- Anthony Lawrinson (resigned 31 December 2017)
- Mark Tentori
- Giles Willits (appointed 2 January 2018)

Results and dividends

Results for the year ended 31 March 2018 are set out in the consolidated income statement on page 54. The Directors are recommending a final dividend of 4.00p per share per share which, if approved at the AGM will result in a full year dividend of 6.00p per share for 2017/18.

Articles of association

A copy of the full articles of association are available on request from the Company Secretary and are also available on the Group's website www.thedesigngroup.com. Any amendments to the articles of association can be made by a special resolution of the shareholders.

Share capital and substantial shareholders

Details of the issued share capital, together with details of the movements during the year, are shown in note 22 to the consolidated financial statements. The Company has one class of ordinary share which carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the articles of association and prevailing legislation.

Details on share-based payments are set out in note 25 to the financial statements and the Directors' remuneration report. No person has any special rights or control over the Company's share capital and all issued shares are fully paid.

At 31 March 2018, the Company had been notified of the following substantial shareholders comprising 3% or more of the issued ordinary share capital of the Company:

	% of issued share capital
Hedlund family[(a)]	35.08%
Miton Group	7.97%
Paul E Fineman[(b)]	7.24%
Schroders Plc	5.81%
Close Brothers AM	4.33%
Octopus	4.49%
Mr N Fisher and family	3.94%
Hargreave Hale Ltd	3.01%

(a) In addition to the Hedlund family's beneficial interest set out above, the Hedlund family is also interested in a further 1,150,790 ordinary shares, representing a further 1.80% of the current issued share capital of the Company. These ordinary shares are held by West Coast Trust, a trust for the benefit of Anders Hedlund's adult children, which holds 900,790 ordinary shares and Claes Hedlund, Anders Hedlund's brother, who owns 250,000 ordinary shares. In total the Hedlund family is interested in 23,568,994 ordinary shares, representing 36.89% of the current issued share capital of Company.

(b) This includes a non-beneficial interest in 174,608 ordinary shares at 5p each.

Acquisition of the Company's own shares

At the AGM held on 31 August 2017, the Company was authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of up to 6,264,183 ordinary shares (being approximately 10% of the share capital) on such terms and in such manner as the Directors of the Company may from time to time determine.

This authority was not used during the year or up to the date of this report. Shareholders will be asked to renew these authorities at the AGM as detailed in the next AGM notice. The Company held no treasury shares during the year.

Directors' indemnities and Directors and officers' liability insurance

The Company has purchased Directors' and officers' liability insurance during the year as allowed by the Company's articles.

Financial risk management

Details of the Directors' assessment of the principal risks and uncertainties which could impact the business are outlined in the risks management section on pages 30 to 33. The Board manages internal risk through the ongoing review of the Group's risk register and the Board manages external risk through the monitoring of the economic and regulatory environment and market conditions.

Going concern

The Directors continue to adopt the going concern basis in preparing the annual report and financial statements. Further details are set out in note 1 to the consolidated financial statements.

Post balance sheet events

There have been no material post balance sheet events.

Political donations

No political donations were made during the period under review.

DIRECTORS' REPORT
CONTINUED

Employees

The Group recognises the benefits of keeping employees informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through employee briefings that are held in most businesses at least twice a year and regular team briefings.

The Group conforms to current employment laws on the employment of disabled persons and, where we are informed of any employee disability, management makes all reasonable efforts to accommodate that employee's requirements.

Health and safety

The Group is committed to maintaining high standards of health and safety in every area of the business.

It is the aim of the Group to exceed the requirements of health and safety legislation and we have established a health and safety co-ordinator to ensure continuous improvement of health and safety across the Group.

Directors' interests

The Directors who held office during the year had the following direct interests in the ordinary shares of the Company:

Lance Burn and Anthony Lawrinson exercised options during the year and made gains of £465,750 and £302,250 respectively.

Interest at the end of year	Ordinary shares	LTIP vested 2012-2015[e]	LTIP vested 2014-2017[e]	LTIP vested[d] 2015-2018[e]	LTIP not yet vested 2016-2019[e]	LTIP not yet vested 2017-2020[e]
Elaine Bond	15,816	—	—	—	—	—
Lance Burn	—	—	133,678	192,963	111,857	62,282
John Charlton[a]	619,655	—	—	—	—	—
Paul Fineman[b]	4,453,534	—	—	312,916	226,741	132,414
Anders Hedlund[c]	448	—	—	—	—	—
Anthony Lawrinson[f]	25,000	425,000	290,462	166,888	—	—
Mark Tentori	7,404	—	—	—	—	—
Giles Willits	93,573	—	—	—	—	172,415

Interest at the beginning of year	Ordinary shares	LTIP vested 2012-2015[e]	LTIP not yet vested[d] 2014-2017[e]	LTIP not yet vested 2015-2018[e]	LTIP not yet vested 2016-2019[e]
Elaine Bond	15,816	—	—	—	—
Lance Burn	—	—	268,678	192,191	110,259
John Charlton[a]	619,655	—	—	—	—
Paul Fineman[b]	4,453,534	—	—	207,774	148,999
Anders Hedlund[c]	448	—	—	—	—
Anthony Lawrinson	—	500,000	290,462	166,219	119,199

In addition to the above holdings:

(a) 37,500 (2017: 37,500) shares are held by the wife of John Charlton.

(b) Paul Fineman owns a non-beneficial interest in 174,608 (2017: 174,608) ordinary shares of 5p each.

(c) 17,142,640 (2017: 17,142,640) and 5,275,116 (2017: 5,275,116) ordinary shares of 5p each are respectively registered in the names of AC Artistic Limited ("Artistic") and Malios Limited, companies incorporated in the British Virgin Islands, and under the ultimate control of the Hedlund family. In addition to the Hedlund family's beneficial interest set out above, the Hedlund family also holds interests in a further 1,150,790 ordinary shares, representing a further 1.80% of the current issued share capital of the Company. These ordinary shares are held by West Coast Trust, a trust for the benefit of Anders Hedlund's adult children, which holds 900,790 ordinary shares and Claes Hedlund, Anders Hedlund's brother, who owns 250,000 ordinary shares. In total the Hedlund family has interests in 23,568,994 ordinary shares, representing 36.89% of the current issued share capital of the Company.

(d) All of these shares formally vest on 6 June 2018 following the Remuneration Committee and Audit Committee approval of the results for the year ended 31 March 2018.

(e) For details of the executive share option and LTIP schemes see page 42 and 43.

(f) Interest at date of resignation 31 December 2017.

Disclosure of information to the auditor

In the case of each Director in office at the date the Directors' report is approved, the following applies:

- The Director knows of no information, which would be relevant to the auditor for the purpose of their audit report, of which the auditor is not aware; and
- The Director has taken all steps that he/she ought to have taken as a director to make him/herself aware of any such information and to establish that the auditor is aware of it.

Giles Willits

Director

8 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and a Directors' report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF IG DESIGN GROUP PLC

1 Our opinion is unmodified

We have audited the financial statements of IG Design Group plc ("the Company") for the year ended 31 March 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: Group financial statements as a whole	£0.8m (2017: £0.6m) 4.1% (2017: 4.7%) of profit before tax	
Coverage	98.2% (2017: 88.8%) of Group profit before tax	
Risks of material misstatement		vs. 2017
Recurring risks	Group revenue recognition	↔
	Recoverability of Parent Company's investment in subsidiaries	↔

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2017):

	The Risk	Our response
Group revenue recognition (£327.5m; 2017: £311.0m) Refer to page 62 (accounting policy) and page 67 (financial disclosures)	**2017/18** The majority of the revenue of the Group is derived through the provision of goods to customers during the year, with the amount of revenue recognised being net of discounts, allowances for volume rebates and other payments. The volume of orders close to year end gives rise to a risk that revenue may be recognised in the wrong period. **Processing error** As a result of the wide range of products and customers to the Group, there are a significant number of sales agreements within the business. The agreements are often bespoke and vary from customer to customer in terms of rights to return, volume rebates and fixed price discounts. This gives rise to the risk that revenue may be recognised in the wrong period.	Our audit procedures included: **Tests of details:** • Selecting a sample of revenue transactions recognised close to the year end and agreeing them to proof of delivery in order to assess whether the revenue has been recognised in the correct period; • Inspecting a sample of credit notes raised post year end to determine whether they related to revenue recognised in the year; • For a sample of revenue transactions with customers with a specific sales agreement in place inspecting signed contracts to assess whether revenue has been recognised in accordance with the specific contract terms; • Obtaining 100% of the journals posted in respect of revenue and, using computer assisted audit techniques, analysing these to identify and investigate any entries which appeared unusual based upon the bespoke characteristics of the journal, considering in particular whether the non-revenue side of the journal entry was as expected, based on our business understanding.
Parent: Recoverability of Parent Company Investment in Subsidiaries (£28.0m; 2017: £27.9m) Refer to page 99 (accounting policy) and page 103 (financial disclosures)	**Low risk, high value:** The carrying amount of the Parent Company's investments in the subsidiary company held at cost less impairment represents 40% (2017: 41%) of the Parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	Our procedures included: **Test of details:** • Comparing the carrying amount of 100% of investments with the relevant subsidiaries draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. **Assessing subsidiary audits:** • Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. Considering the results of our audit work on the profits and net assets of those subsidiaries.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF IG DESIGN GROUP PLC

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £0.8m (2017: £0.6m), determined with reference to a benchmark of Group profit before tax of £19.7m, of which it represents 4.1% (2017: 4.7%). Materiality for the Parent Company financial statements as a whole was set at £0.7m (2017: £0.3m), determined with reference to a benchmark of Company net assets, of which it represents 1.1% (2017: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £37,500 (2017: £30,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's fourteen (2017: fourteen) reporting components, which includes the Parent Company, we subjected eight (2017: eight) to full scope audits for Group purposes. The components within the scope of our work accounted for 88.9% of total Group revenue, 98.2% of Group profit before tax and 88.6% of total Group assets. We performed agreed upon procedures on one (2017: one) reporting component representing 6.9% of Group revenue, -1.3% of Group profit and 6.4% of total Group assets. The remaining 4.2% of total Group revenue, 3.3% of Group profit before tax and 5.0% of total Group assets is represented by five (2017: five) reporting components, none of which individually represented more than 3% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team determined the component materialities, which ranged from £0.2 million to £0.7 million, having regard to the mix of size and risk profile of the Group across the components. The work on two of the fourteen in scope components (2016: three of the fourteen components) was performed by component auditors, and the rest, including the audit of the Parent Company, was performed by the Group team.

The Group audit team visited all eight (2017: six) component locations subject to full scope audits to assess the audit risk and strategy. Telephone conference meetings were held with all component auditors on completion of the component audits where the audit findings were reported to the Group audit team in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the annual report

The Directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 49, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Selvey
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Altius House,
North Fourth Street,
Milton Keynes
MK9 1NE

8 June 2018

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2018

	Notes	2018 Before exceptional items £000	2018 Exceptional items (note 10) £000	2018 Total £000	2017 Before exceptional items £000	2017 Exceptional items (note 10) £000	2017 Total £000
Revenue	4	327,516	—	327,516	310,992	—	310,992
Cost of sales		(257,532)	—	(257,532)	(247,058)	(1,532)	(248,590)
Gross profit		69,984	—	69,984	63,934	(1,532)	62,402
		21.4%		21.4%	20.6%		20.1%
Selling expenses		(20,005)	—	(20,005)	(19,019)	—	(19,019)
Administration expenses		(29,793)	(553)	(30,346)	(29,832)	495	(29,337)
Other operating income	7	385	1,092	1,477	210	—	210
Operating profit/(loss)	5	20,571	539	21,110	15,293	(1,037)	14,256
Finance expenses	8	(1,392)	—	(1,392)	(1,229)	—	(1,229)
Profit/(loss) before tax		19,179	539	19,718	14,064	(1,037)	13,027
Income tax (charge)/credit	9	(5,622)	238	(5,384)	(3,480)	761	(2,719)
Profit/(loss) for the year		13,557	777	14,334	10,584	(276)	10,308
Attributable to:							
Owners of the Parent Company				13,545			9,650
Non-controlling interests				789			658

Earnings per ordinary share

	Note	2018 Diluted	2018 Basic	2017 Diluted	2017 Basic
Earnings per share	23	20.5p	21.4p	15.0p	15.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

	2018 £000	2017 £000
Profit for the year	14,334	10,308
Other comprehensive income:		
Exchange difference on translation of foreign operations (net of tax)	(1,632)	3,213
Transfer to profit and loss on maturing cash flow hedges (net of tax)	(271)	223
Net (loss)/gain on cash flow hedges (net of tax)	(27)	271
Other comprehensive (loss)/income for period, net of tax items, which may be reclassified to profit and loss in subsequent periods	(1,930)	3,707
Total comprehensive income for the year, net of tax	12,404	14,015
Attributable to:		
Owners of the Parent Company	12,001	12,795
Non-controlling interests	403	1,220
	12,404	14,015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2018

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 31 March 2016	2,963	4,852	17,164	(223)	(100)	43,346	68,002	3,370	71,372
Profit for the year	—	—	—	—	—	9,650	9,650	658	10,308
Other comprehensive income	—	—	—	494	2,651	—	3,145	562	3,707
Total comprehensive income for the year	—	—	—	494	2,651	9,650	12,795	1,220	14,015
Equity-settled share-based payment (note 25)	—	—	—	—	—	1,555	1,555	—	1,555
Tax on equity-settled share-based payments	—	—	—	—	—	913	913	—	913
Shares issued	150	4,883	—	—	—	—	5,033	—	5,033
Options exercised (note 22)	19	34	—	—	—	—	53	—	53
Capital contribution from non-controlling investor	—	—	—	—	—	—	—	110	110
Equity dividends paid	—	—	—	—	—	(2,134)	(2,134)	(867)	(3,001)
At 31 March 2017	3,132	9,769	17,164	271	2,551	53,330	86,217	3,833	90,050
Profit for the year	**—**	**—**	**—**	**—**	**—**	**13,545**	**13,545**	**789**	**14,334**
Other comprehensive income	**—**	**—**	**—**	**(298)**	**(1,246)**	**—**	**(1,544)**	**(386)**	**(1,930)**
Total comprehensive income for the year	**—**	**—**	**—**	**(298)**	**(1,246)**	**13,545**	**12,001**	**403**	**12,404**
Equity-settled share-based payment (note 25)	**—**	**—**	**—**	**—**	**—**	**1,677**	**1,677**	**—**	**1,677**
Tax on equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**(111)**	**(111)**	**—**	**(111)**
Shares issued	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Options exercised (note 22)	**62**	**46**	**—**	**—**	**—**	**(37)**	**71**	**—**	**71**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**(3,000)**	**(3,000)**	**(575)**	**(3,575)**
At 31 March 2018	**3,194**	**9,815**	**17,164**	**(27)**	**1,305**	**65,404**	**96,855**	**3,661**	**100,516**

Merger reserve
The merger reserve comprises premium on shares issued in relation to business combinations.

Capital redemption reserve
The capital redemption reserve comprises amounts transferred from retained earnings in relation to the redemption of preference shares. For ease of presentation, the amount of £1.34 million relating to the capital redemption reserve has been included within the column of share premium and capital redemption reserve in the balances at both the beginning and end of each year, with no movements during the year.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that qualify for hedge accounting and have not yet matured.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Shareholders' equity
Shareholders' equity represents total equity attributable to owners of the Parent Company.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	11	**35,499**	32,607
Intangible assets	12	**36,547**	33,681
Deferred tax assets	13	**2,663**	5,398
Total non-current assets		**74,709**	71,686
Current assets			
Inventory	14	**49,311**	49,475
Trade and other receivables	15	**37,369**	29,622
Derivative financial assets	26	**113**	307
Cash and cash equivalents	16	**9,031**	3,659
Total current assets		**95,824**	83,063
Total assets		**170,533**	154,749
Equity			
Share capital	22	**3,194**	3,132
Share premium		**8,475**	8,429
Reserves		**19,782**	21,326
Retained earnings		**65,404**	53,330
Equity attributable to owners of the Parent Company		**96,855**	86,217
Non-controlling interests		**3,661**	3,833
Total equity		**100,516**	90,050
Non-current liabilities			
Loans and borrowings	17	**3,781**	(39)
Deferred income	18	**998**	1,083
Provisions	19	**894**	881
Other financial liabilities	20	**1,440**	1,911
Deferred tax liability	13	**373**	525
Total non-current liabilities		**7,486**	4,361
Current liabilities			
Bank overdraft	16	**—**	916
Loans and borrowings	17	**894**	(232)
Deferred income	18	**99**	111
Provisions	19	**429**	441
Income tax payable		**3,364**	3,153
Trade and other payables	21	**38,757**	37,450
Other financial liabilities	20	**18,988**	18,499
Total current liabilities		**62,531**	60,338
Total liabilities		**70,017**	64,699
Total equity and liabilities		**170,533**	154,749

These financial statements were approved by the Board of Directors on 8 June 2018 and were signed on its behalf by:

Paul Fineman
Director

Giles Willits
Director

The notes on pages 59 to 95 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the year		14,334	10,308
Adjustments for:			
Depreciation	11	4,345	4,571
Amortisation of intangible assets	12	818	798
Impairment of goodwill	12	36	—
Finance expenses	8	1,392	1,229
Negative goodwill release to income	10	—	(1,271)
Income tax charge	9	5,384	2,719
(Profit)/loss on sales of property, plant and equipment		(1,953)	24
Loss on external sale of intangible fixed assets		1	51
Equity-settled share-based payment	25	2,257	2,216
Operating profit after adjustments for non-cash items		26,614	20,645
Change in trade and other receivables		(9,133)	(772)
Change in inventory		819	2,670
Change in trade and other payables		3,612	8,940
Change in provisions and deferred income		(199)	44
Cash generated from operations		21,713	31,527
Tax paid		(3,099)	(2,003)
Interest and similar charges paid		(1,483)	(1,867)
Net cash inflow from operating activities		17,131	27,657
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		2,596	58
Acquisition of businesses	31	(5,145)	(2,669)
Capital contribution from non-controlling investor		—	110
Acquisition of intangible assets	12	(1,377)	(534)
Acquisition of property, plant and equipment	11	(7,992)	(4,633)
Receipt of government grants		15	40
Net cash outflow from investing activities		(11,903)	(7,628)
Cash flows from financing activities			
Proceeds from issue of share capital	22	71	5,086
Repayment of secured borrowings		(165)	(21,774)
Net movement in credit facilities		—	(795)
Payment of finance lease liabilities		(46)	(2,383)
New bank loans raised		5,108	—
Loan arrangement fees		(111)	(319)
Equity dividends paid	24	(3,000)	(2,134)
Dividends paid to non-controlling interests		(575)	(867)
Net cash inflow/(outflow) from financing activities		1,282	(23,186)
Net increase/(decrease) in cash and cash equivalents		6,510	(3,157)
Cash and cash equivalents at beginning of period		2,743	6,872
Effect of exchange rate fluctuations on cash held		(222)	(972)
Cash and cash equivalents at end of the period	16	9,031	2,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

1 Accounting policies

IG Design Group plc (the "Company") is a public limited company, incorporated and domiciled in England and Wales. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM").

These financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the Directors in accordance with EU adopted International Financial Reporting Standards.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the policies below.

Going concern basis

The financial statements have been prepared on the going concern basis.

In forming their conclusion that the business is and will remain a going concern, the Directors have reviewed the budgets and forecasts prepared and sensitivity analysis thereon. The business is highly seasonal and this results in peak funding demands.

To meet the funding requirements the business has agreed funding in place with HSBC as part of a three year deal first put in place from 6 June 2016 and extended to May 2021.

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

Measurement convention

The financial statements are prepared on the historical cost basis except derivative financial instruments which are stated at their fair value.

Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group considers all facts and circumstances in assessing whether it has the power to control the relevant activities of investee and to benefit from the results thereof, including rights arising from shareholder agreements, contractual arrangements and potential voting rights held by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceased.

Business combinations are accounted for using the acquisition method as at the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a 'bargain purchase' gain is recognised immediately in the income statement.

Provisional fair values allocated at a reporting date are finalised within twelve months of the acquisition date.

Foreign currency translation

The consolidated financial statements are presented in pounds sterling, which is the Company's functional currency and the Group's presentational currency.

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

1 Accounting policies continued

Foreign currency translation continued

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates prevailing at the dates of the transactions. Exchange differences arising from this translation of foreign operations, and of related qualifying hedges, are taken directly to the translation reserve. They are released into the income statement upon disposal or loss of control and on maturity or disposal of the hedge, respectively.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income in the translation reserve. The cumulative translation differences previously recognised in other comprehensive income (or where the foreign operation is part of a subsidiary, the parent's interest in the cumulative translation differences) are released into the income statement upon disposal of the foreign operation or on loss of control of the subsidiary that includes the foreign operation.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium exclude amounts in relation to those shares.

Trade and other receivables

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other debtors are subsequently reviewed for recoverability and impairment with any losses taken to profit and loss immediately. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other payables

Trade and other payables are stated at their nominal value which is considered to be their fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised as other comprehensive income in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contract hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold (in the case of inventory).

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised in the income statement immediately.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Where separately identifiable parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- freehold buildings — 25-30 years
- leasehold land and buildings — life of lease
- plant and equipment — 4-25 years
- fixtures and fittings — 3-5 years
- motor vehicles — 4 years

No depreciation is provided on freehold land.

Included within plant and machinery are assets with a range of depreciation rates. These rates are tailored to the nature of the assets to reflect their estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Business combinations and goodwill

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 April 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested every half year for impairment.

In respect of acquisitions prior to 1 April 2006, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP at that time which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated.

If the cost of an acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Computer software

Computer software is capitalised at its initial cost and amortised over one to five years.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All other intangible assets are amortised from the date they are available for use. The estimated useful life of computer software and other intangibles are three to five years.

Amortisation charges are included under 'administrative expenses' in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

1 Accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on a weighted average and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of the Group's assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time, value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment in respect of goodwill is not reversed. In respect of other assets, an impairment is reversed when there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as borrowing costs.

Revenue recognition

Revenue represents the amounts, net of discounts, allowances for volume and promotional rebates and other payments to customers (excluding value added tax) derived from the provision of goods and services to customers during the year. Sales of goods are recognised when a Group entity has delivered products to the customer or transferred legal title and the collectability of the related receivable is reasonably assured. Provisions are made for volume and promotional rebates where they have been agreed or are reasonably likely to arise, based upon actual and forecast sales.

Where goods are sold on a sale or return basis revenue is initially booked net of any expectation of the proportion that will be returned by the customer, which is based on historical experience. This is updated for the final value of returns on payment by the customer.

Where goods are sold on a consignment basis the revenue is booked when the goods have been sold by the customer.

Exceptional items

Exceptional items are those items of financial performance which, because of size or incidence, require separate disclosure to enable underlying performance to be assessed.

Government grants

Capital-based government grants are included within other financial liabilities in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Supplier income

The Group does not have material retrospective supplier incentive arrangements, but where these do arise, they are recognised within cost of sales on an accruals basis as earned for each relevant supplier rebate.

Expenses

Operating lease payments

Payments made and lease incentives received under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and expenses

Finance expenses comprise interest payable, finance charges on finance leases and unwinding of discounts on provisions.

Net movements in the fair value of derivatives which have not been designated as an effective hedge, and any ineffective portion of fair value movement on derivatives designated as a hedge are also included within finance income or expense.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Dividend distribution

Final dividends to shareholders of IG Design Group plc are recognised as a liability in the period that they are approved by shareholders.

Employee benefits

Pensions

The Group operates a defined contribution personal pension scheme. The assets of this scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund.

The Netherlands subsidiary operates an industrial defined benefit fund, based on average wages, that has an agreed maximum contribution. The pension fund is a multi-employer fund and there is no contractual or constructive obligation for charging the net defined benefit cost of the plan to participating entities other than an agreed maximum contribution for the period, that is shared between employer (4/7) and employees (3/7). The Dutch Government is not planning to make employers fund any deficits in industrial pension funds; accordingly the Group treats the scheme as a defined contribution scheme for disclosure purposes. The Group recognises a cost equal to its contributions payable for the period.

Share-based payment transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which they are granted. The fair value is determined by using an appropriate pricing model. The fair value cost is then recognised over the vesting period, ending on the date on which the relevant employees become fully entitled to the award.

The quantum of awards expected to vest and the relevant cost charged is reviewed annually such that at each balance sheet date the cumulative expense is the relevant share of the expected total cost, pro-rated across the vesting period.

No expense is recognised for awards that are not expected to ultimately vest, for example due to an employee leaving or business performance targets not being met. The annual expense for equity settled transactions is recognised in the income statement with a corresponding entry in equity.

Social security charges on share-based incentives

Employer's social security charges are accrued, where applicable, at a rate which management expects to be the prevailing rate when share-based incentives are exercised and is based on the latest market value of options expected to vest or having already vested.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. Costs directly attributable to the arrangement of new borrowing facilities are included within the fair value of proceeds received and amortised over the life of the relevant facilities. All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

1 Accounting policies continued

Use of non-GAAP measures

The Directors believe that reporting profits, EPS and average leverage before exceptional items and LTIP charges provides useful information for shareholders on underlying trends and performance.

These are the measures used internally and are considered more useful measures for understanding the true performance of the business. These measures are not defined by IFRS and therefore may not be directly comparable to other companies' adjusted profit or EPS measures. They are not intended to be a substitute for, or superior to IFRS measures.

Average leverage is calculated as average monthly net debt divided by EBITDA before exceptional items and LTIP charges.

The adjustments made to profits, EPS and average leverage are:

- IFRS 2 Share-based Payments – a non-cash charge to the income statement for share-based payments and related social security charges. IFRS 2 requires the fair value of equity instruments measured at grant date to be spread over the period during which the employees become unconditionally entitled to the options. Other than the social security charges element, this is a non-cash charge and has been excluded as it does not reflect the underlying core trading performance of the Group; and
- exceptional items – please see note 10.

Figures quoted at like-for-like exchange rates are calculated by retranslating the previous years figures at the current years exchange rates.

New standards and interpretations not applied

Management continually reviews the impact of newly published standards and amendments and considers, where applicable, disclosure of their impact on the Group. At the date of the authorisation of these financial statements, the following standards and interpretations that are relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective.

New and amended accounting standards	Effective date	To be adopted by the Group
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 Jan 2018	1 Apr 2018
Annual Improvements to IFRSs 2014-2016 Cycle[a]	1 Jan 2018	1 Apr 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)[a]	1 Jan 2018	1 Apr 2018
IFRIC 22 Foreign Currency Translations and Advice Consideration[a]	1 Jan 2018	1 Apr 2018
IFRS 9 Financial Instruments[a]	1 Jan 2018	1 Apr 2018
IFRS 15 Revenue from Contracts with Customers[a]	1 Jan 2018	1 Apr 2018
IFRS 16 Leases[a]	1 Jan 2019	1 Apr 2019

(a) Endorsed by the EU.

Ahead of the finalisation of these financial statements, work has been undertaken to assess the impact of the three new accounting standards on the Group. The key changes or requirements from the standards as well as the expected impact and progress are shown below:

Applicable standard	Key changes or requirements of the standard	Status of implementation and expected impact
IFRS 9 Financial Instruments	IFRS 9 Financial Instruments replaces IAS 39, covering the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment.	During the financial year, the Group concluded preparations for the new requirements in IFRS 9. An initial assessment indicates that the adoption of IFRS 9 will not have a material impact on the consolidated results and financial position.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The standard clarifies the accounting for goods and services and identification of each 'performance obligation' in contractual arrangements. It also provides more guidance on the measurement of revenue from contracts which have discounts, rebates, payments to suppliers and consignment stock arrangements.	The Group has completed a review of the requirements of IFRS 15 against its existing accounting policies, in particular for trade expenditure, consignment stock, bad debts, and other incentives. As a result of this assessment, recognition under IFRS 15 is expected to be materially consistent with current practice for the Group's revenue. Had the principles of IFRS 15 been applied in the current reporting period, it would not have had a significant impact on the financial statements.
IFRS 16 Leases	IFRS 16, replacing IAS 17, provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases.	IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in cost of sales and admin costs and an increase in finance costs.

No other standards including those listed above, interpretations or amendments which have been issued but are not yet effective are expected to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these 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 if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have had a significant bearing on the financial statements in the current year or could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Consolidation of less than 100% owned subsidiaries

Where the Company owns less than 100% of the share capital and voting rights of Group companies, the decision of whether or not the investee should be treated as a subsidiary and consolidated in full in the Group accounts requires judgement. Management consider the individual facts and circumstances relating to the ability to control and benefit from the risks and rewards of investee trading in determining the appropriate treatment, which is then adopted consistently and reviewed annually for any changes in these facts and circumstances.

Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. Other sources of estimation uncertainty are discussed in the strategic report and below.

Impairment of goodwill and property, plant and equipment

Determining whether goodwill and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated or to which property, plant and equipment belong. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Provision for slow moving inventory

The Group has guidelines for providing for inventory which may be sold below cost due to its age or condition. Directors assess the inventory at each location and in some cases decide that there are specific reasons to provide more than the guideline levels, or less if there are specific action plans in place which mean the guideline provision level is not required. Determining the level of inventory provision requires an estimation of likely future realisable value of the inventory in various time frames and comparing with the cost of holding stock for those time frames. Regular monitoring of stock levels, the ageing of stock and the level of the provision is carried out by the Directors. Details of inventory carrying values are provided in note 14. At the year end, stock acquired more than 15 months previously and that is therefore at least one selling season old had decreased from £7,232,000 to £6,017,000 and the Group has provisions of £7,485,000 (2017: £8,379,000) over the total inventory value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

2 Critical accounting judgements and key sources of estimation uncertainty continued

Share-based payments

The Directors are required to estimate the fair value of the awards granted and the quantum of awards expected to vest. This entails the use of pricing models for the fair value calculation and the Directors use specialist advisers to support on this calculation where the pricing model is complex. The estimate of awards expected to vest requires judgement and is reliant on the accuracy of management forecasts. Details of the key assumptions made in the measurement of share-based payments are provided in note 25.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. Significant judgement is required in determining the Group's tax assets and liabilities. Deferred tax assets have been recognised to the extent they are recoverable based on profit projections for future years. Income tax liabilities for anticipated issues have been recognised based on estimates of whether additional tax will be due. Notwithstanding the above, the Group believes that it will recover tax assets and has adequate provision to cover all risks across all business operations. See note 13 for more details.

3 Financial risk management

Risk management is discussed in the strategic report and a discussion of risks and uncertainties can be found on pages 30 to 33 along with the Group's key risks. See note 26 for additional information about the Group's exposure to each of these risks and the ways in which they are managed. Below are key financial risk management areas:

- currency risk is mitigated by a mixture of forward contracts, spot currency purchases and natural hedges;
- liquidity risk is managed by monitoring daily cash balances, weekly cash flow forecasts, regular reforecasting of monthly working capital and regular dialogue with the Group's banks; and
- credit risk is managed by constant review of key debtors and banking with reputable banks.

4 Segmental information

The Group has one material business activity being the design, manufacture and distribution of gift packaging and greetings, stationery and creative play products, design-led giftware, and bags 'not-for-resale'.

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

The results in this note are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure. Both the China factory and the majority of the Asian procurement operations are overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise one operating segment.

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

Financial performance of each segment is measured on operating profit before exceptional items, LTIP charges and 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. Where cash shown in one segment is offset within the Group's banking facilities against overdrafts in other segments, the elimination is shown in the eliminations column. Inter-segment receivables and payables are eliminated similarly.

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

	UK and Asia £000	Europe £000	USA £000	Australia £000	Central and eliminations £000	Group £000
Year ended 31 March 2017						
Revenue – external	114,113	45,497	117,831	33,551	—	310,992
– inter segment	2,904	227	—	—	(3,131)	—
Total segment revenue	117,017	45,724	117,831	33,551	(3,131)	310,992
Segment result before exceptional items, LTIP charges and management recharge	7,479	5,122	7,256	1,739	(4,087)	17,509
Exceptional items						(1,037)
LTIP charges						(2,216)
Operating profit						14,256
Net finance expenses						(1,229)
Income tax						(2,719)
Profit for year ended 31 March 2017						10,308
Balances at 31 March 2017						
Segment assets	95,760	20,413	21,461	11,717	5,398	154,749
Segment liabilities	(10,934)	(16,382)	(27,952)	(5,753)	(3,678)	(64,699)
Capital expenditure additions						
– property, plant and equipment	1,866	687	1,104	1,268	—	4,925
– intangible assets	184	36	1,493	51	—	1,764
Depreciation	1,813	1,081	1,306	371	—	4,571
Amortisation	194	45	536	23	—	798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

4 Segmental information continued

- Capital expenditure consists of additions of property, plant and equipment, intangible assets and goodwill.
- No single customer accounts for over 10% of total sales.
- The assets and liabilities that have not been allocated to segments consist of deferred tax assets £2,663,000 (2017: £5,398,000) and income tax payable of £3,364,000 (2017: £3,153,000), deferred tax liability £373,000 (2017: £525,000).

Geographical information

The Group's information about its segmental assets (non-current assets excluding deferred tax assets and other financial assets) and turnover by customer destination and product are detailed below:

	Non-current assets	
	2018 £000	2017 £000
UK and Asia	**40,126**	38,990
USA	**9,076**	9,936
Europe	**16,610**	14,173
Australia and New Zealand	**6,234**	3,189
	72,046	66,288

Turnover by customer destination

	2018 £000	2017 £000	2018 %	2017 %
UK	**89,292**	83,249	**27**	27
USA	**136,782**	133,452	**42**	42
Europe	**58,080**	55,122	**18**	18
Australia and New Zealand	**36,972**	33,551	**11**	11
Rest of the world	**6,390**	5,618	**2**	2
	327,516	310,992	**100**	100

All turnover arose from the sale of goods.

5 Expenses and auditor's remuneration

Included in profit are the following charges/(credits):

	Notes	2018 £000	2017 £000
Depreciation	11	**4,345**	4,571
Profit on sales of property, plant and equipment and intangible assets		**17**	75
Release of deferred grant income	7	**(99)**	(108)
Amortisation of intangible assets	12	**818**	798
Operating lease payment – minimum lease payments	27	**5,289**	4,460
Sub-lease rental income	7	**(710)**	(558)
Write down of inventories to net realisable value	14	**5,491**	7,383
Reversal of previous write down of inventory	14	**(197)**	(57)
Loss on foreign exchange		**373**	860

Auditor's remuneration:

	2018 £000	2017 £000
Amounts receivable by auditor and its associates in respect of:		
Audit of these financial statements	37	35
Audit of financial statements of subsidiaries		
– Overseas subsidiaries	184	195
– UK subsidiaries	51	50
Other services	85	158

6 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Selling and administration	520	480
Production and distribution	1,434	1,626
	1,954	2,106

The aggregate payroll costs of these persons were as follows:

	Note	2018 £000	2017 £000
Wages and salaries		51,283	49,846
Share-based payments – Long Term Incentive Plan	25	2,257	2,216
Social security costs		3,797	3,792
Other pension costs		3,787	3,473
		61,124	59,327

For information on Directors' remuneration please refer to the sections titled 'Executive share options' and 'Directors' remuneration' within the Directors' remuneration report.

7 Other operating income

	Note	2018 £000	2017 £000
Grant income received		99	108
Sub-lease rentals credited to the income statement		710	558
Other		(424)	(456)
		385	210
Exceptional items	10	1,092	—
		1,477	210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

8 Finance expenses

	2018 £000	2017 £000
Interest payable on bank loans and overdrafts	946	1,177
Other similar charges	332	580
Finance charges in respect of finance leases	2	113
Unwinding of fair value discounts	80	79
Interest payable under the effective interest method	1,360	1,949
Derivative financial instruments at fair value through the income statement	32	(720)
	1,392	1,229

9 Taxation

Recognised in the income statement

	2018 £000	2017 £000
Current tax expense		
Current year – UK corporation tax	(280)	607
Current year – foreign corporation tax	3,635	2,533
Adjustments in respect of previous periods	128	(8)
	3,483	3,132
Deferred tax expense		
Origination and reversal of temporary differences	2,040	(219)
Adjustments in respect of previous periods	(139)	(194)
	1,901	(413)
Total tax in income statement	5,384	2,719

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit before tax	19,718	13,027
Profit before tax multiplied by the standard rate of corporation tax rate of 19% in the UK (2017: 20%)	3,746	2,605
Effects of:		
Expenses not (taxable)/deductible for tax purposes	(374)	279
Movement in unrecognised tax assets	270	(1,637)
Effect of tax rate changes on deferred tax	593	(8)
Differences between UK and overseas tax rates	1,637	1,097
Other items	(477)	585
Adjustments in respect of previous periods	(11)	(202)
Total tax in income statement	5,384	2,719

10 Exceptional items

Year ended 31 March 2018	Admin expenses £000	Other operating income £000	Total £000
Transaction costs[a]	(553)	—	(553)
Sale of Hirwaun Property[b]	—	1,092	1,092
Total before tax	(553)	1,092	539
Income tax credit			238
			777

(a) Transaction costs relate predominantly to the acquisition of the trade and certain assets of Biscay Greetings Pty Limited (Biscay) and of the remaining costs from the acquisition of Lang.

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

Year ended 31 March 2017	Cost of sales £000	Admin expenses £000	Total £000
Acquisition of Lang:			
Transaction and restructuring costs[c]	—	(722)	(722)
Gain on bargain purchase[d]	—	1,271	1,271
Restructuring of American operations[e]	(1,532)	(54)	(1,586)
Total before tax	(1,532)	495	(1,037)
Income tax credit			761
			(276)

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

(d) Gain on bargain purchase on the acquisition of Lang (see note 31 for further details).

(e) Restructuring of American printing platform.

Impact of exceptional items on cash flow

There was £1,637,000 net inflow on the current year's cash flow (2017: £656,000 outflow) which included £350,000 (2017: £nil) of outflow deferred from last year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

11 Property, plant and equipment

	Land and buildings		Plant and	Fixtures and	Motor	
	Freehold £000	Leasehold £000	equipment £000	fittings £000	vehicles £000	Total £000
Cost						
Balance at 1 April 2016	21,404	8,970	44,851	(1,229)	769	74,765
Additions	452	220	3,166	525	270	4,633
Disposals	—	(72)	(4,569)	(538)	(180)	(5,359)
Additions on acquisition of business	—	169	—	123	—	292
Transfer between categories[(a)]	(1,121)	(63)	2,197	4,343	9	5,365
Effect of movements in foreign exchange	658	1,277	2,527	236	87	4,785
Balance at 1 April 2017	21,393	10,501	48,172	3,460	955	84,481
Additions	432	138	6,588	804	30	7,992
Disposals	(1,903)	—	(4,148)	(216)	(18)	(6,285)
Additions on acquisition of business	—	—	424	27	347	798
Transfers from computer software	—	—	—	294	—	294
Effect of movements in foreign exchange	174	(1,006)	(963)	(128)	(60)	(1,983)
Balance at 31 March 2018	**20,096**	**9,633**	**50,073**	**4,241**	**1,254**	**85,297**
Depreciation and impairment						
Balance as at 1 April 2016	(11,469)	(4,216)	(29,914)	1,476	(452)	(44,575)
Depreciation charge for the year	(742)	(301)	(3,201)	(241)	(86)	(4,571)
Disposals	—	25	4,571	531	150	5,277
Transfers between categories[(a)]	936	17	(2,057)	(4,211)	(50)	(5,365)
Effect of movements in foreign exchange	(236)	(561)	(1,667)	(130)	(46)	(2,640)
Balance at 1 April 2017	(11,511)	(5,036)	(32,268)	(2,575)	(484)	(51,874)
Depreciation charge for the year	(749)	(470)	(2,590)	(389)	(147)	(4,345)
Disposals	1,349	—	4,079	205	9	5,642
Transfers from computer software	—	—	—	(239)	—	(239)
Effect of movements in foreign exchange	(67)	447	544	76	18	1,018
Balance at 31 March 2018	**(10,978)**	**(5,059)**	**(30,235)**	**(2,922)**	**(604)**	**(49,798)**
Net book value						
Balance at 31 March 2018	**9,118**	**4,574**	**19,838**	**1,319**	**650**	**35,499**
At 31 March 2017	9,882	5,465	15,904	885	471	32,607

(a) Transfer between categories includes reclassification of previously combined assets as well as a gross up of the brought forward balances of certain asset cost and depreciation amounts that had previously been netted off. The effect on net book value of these adjustments is nil.

Depreciation is charged to either cost of sales, selling costs or administration costs within the income statement depending on the department to which the assets relate.

Leased plant and machinery

The net book value of property, plant and equipment included an amount of £nil (2017: £144,000) in respect of assets held under finance leases. Depreciation with respect of these assets was £nil (2017: £244,000).

Security

All freehold properties are subject to a fixed charge.

12 Intangible assets

	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
Balance at 1 April 2016	40,931	3,566	110	44,607
Additions	35	487	12	534
Additions on acquisition of businesses	—	261	969	1,230
Disposals	—	(441)	—	(441)
Effect of movements in foreign exchange	1,508	278	42	1,828
Balance at 1 April 2017	42,474	4,151	1,133	47,758
Additions	—	1,377	—	1,377
Additions on acquisition of businesses	1,703	—	921	2,624
Transfer to fixed assets	—	(294)	—	(294)
Disposals	—	(40)	—	(40)
Effect of movements in foreign exchange	(809)	(325)	(154)	(1,288)
Balance at 31 March 2018	**43,368**	**4,869**	**1,900**	**50,137**
Amortisation and impairment				
Balance at 1 April 2016	(9,439)	(2,877)	(55)	(12,371)
Amortisation for the year	—	(432)	(366)	(798)
Disposals	—	390	—	390
Effect of movements in foreign exchange	(1,004)	(285)	(9)	(1,298)
Balance at 1 April 2017	(10,443)	(3,204)	(430)	(14,077)
Amortisation for the year	—	(447)	(371)	(818)
Impairments	(36)	—	—	(36)
Transfers to fixed assets	—	239	—	239
Disposals	—	39	—	39
Effect of movements in foreign exchange	785	228	50	1,063
Balance at 31 March 2018	**(9,694)**	**(3,145)**	**(751)**	**(13,590)**
Net book value				
Balance at 31 March 2018	**33,674**	**1,724**	**1,149**	**36,547**
At 31 March 2017	32,031	947	703	33,681

The aggregate carrying amounts of goodwill allocated to each geographical segment are as follows:

	2018 £000	2017 £000
UK and Asia	**25,600**	25,600
Europe	**5,329**	5,146
Australia	**2,745**	1,285
Total	**33,674**	32,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

12 Intangible assets continued

Impairment

The Group tests goodwill each year for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to the business unit, or group of business units, that are expected to benefit from the synergies of the combination (see table on page 73), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is referred to below as a cash-generating unit. During the last few years the businesses have begun to work more closely with each other, exploiting the synergies that arise. The recoverable amounts of cash-generating units are determined from the higher of value in use and fair value less costs to sell.

The Group prepares cash flow forecasts for each cash-generating unit derived from the most recent financial budgets for the following three years which are approved by the Board. The key assumptions in those budgets are sales, margins achievable and overhead costs, which are based on past experience and future expectations. The Group then extrapolates cash flows for the following seven years based on a conservative estimate of market growth of between 0.5% and 2.0% (2017: 2.0%).

The cash-generating units used the following pre-tax discount rates which are derived from an estimate of the Group's future weighted average cost of capital ("WACC") adjusted to reflect the market assessment of the risks specific to the current estimated cash flows over the same period. The Group's WACC has been compared to other similar companies and is felt to be appropriate.

Pre-tax discount rates used were:

	2018	2017
UK and Asia	12.8%	10.5%
Europe	13.3%	12.3%
Australia	15.3%	14.1%

All of the cash-generating units' values in use were determined to be higher than fair value less costs to sell, thus this was used as the recoverable amount. In all businesses, other than a small £36,000 impairment of a stand-alone operation, the carrying value of the goodwill was supported by the recoverable amount and there are currently no reasonably foreseeable changes to assumptions that would give rise to an impairment of the carrying value.

The Directors do not believe a reasonably possible change to the assumptions would give rise to an impairment. The Directors have considered a 5% movement in the discount rate and a flat budget growth rate assumption in their assessment; with these changes in assumptions there is still considerable headroom and no indication of impairment.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Property, plant and equipment	63	46	(1,200)	(1,219)	(1,137)	(1,173)
Tax loss carried forward	584	1,794	—	—	584	1,794
Other timing differences[(a)]	2,986	4,439	(143)	(187)	2,843	4,252
Net tax assets/(liabilities)	3,633	6,279	(1,343)	(1,406)	2,290	4,873

Deferred tax is presented net on the balance sheet in so far as a right of offset exists. The net deferred tax asset is £2,663,000 (2017: £5,398,000) and the net deferred tax liability is £373,000 (2017: £525,000).

The deferred tax asset in respect of tax losses carried forward at 31 March 2018 of £584,000 (2017: £1,794,000) comprises UK tax losses of £440,000 (2017: £907,000) and US losses of £144,000 (2017: £887,000). US tax losses carried forward will become irrecoverable in March 2027. UK tax losses may be carried forward indefinitely. The deferred tax assets have been recognised where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Board expects that the tax losses will be recoverable against future profits. Deferred tax assets in respect of taxable losses that are expected to be recovered outside this forecast period have not been recognised. This includes unrecognised deferred tax assets in respect of UK losses of £310,000 (2017: £305,000), £490,000 (2017: £84,000) in respect of China, and £221,000 (2017: £284,000) in respect of Asia.

A deferred tax liability of £153,000 (2017: £233,000) has been recognised based on the tax cost of remitting earnings from China. No other deferred tax liability has been recognised on unremitted earnings of the overseas subsidiaries as if all unremitted earnings were repatriated with immediate effect, no other tax charge would be payable. A 17% UK corporate tax rate was substantively enacted on 6 September 2016 and will replace the current effective rate of 19% from 1 April 2020. A reduction in the US federal corporation tax rate from 35% to 21% was announced in 2017 and enacted effective 1 January 2018. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

There are no deferred tax balances with respect to cash flow hedges.

Movement in deferred tax during the year

	1 April 2017 £000	Acquired with subsidiary £000	Recognised in income £000	Recognised in equity £000	**31 March 2018 £000**
Property, plant and equipment	(1,173)	—	75	(39)	**(1,137)**
Tax loss carried forward	1,794	—	(1,152)	(58)	**584**
Other timing differences[(a)]	4,252	(213)	(824)	(372)	**2,843**
Net tax asset/(liability)	4,873	(213)	(1,901)	(469)	**2,290**

Movement in deferred tax during the prior year

	1 April 2016 £000	Acquired with subsidiary £000	Recognised in income £000	Recognised in equity £000	31 March 2017 £000
Property, plant and equipment	(1,074)	(40)	100	(83)	(1,097)
Capital gains deferred	(184)	—	108	—	(76)
Tax loss carried forward	2,621	—	(1,080)	253	1,794
Other timing differences[(a)]	2,581	(772)	1,285	1,158	4,252
Net tax asset/(liability)	3,944	(812)	413	1,328	4,873

(a) Other timing differences include a closing balance of £1,942,000 (2017: £1,949,000) in respect of share-based payments.

14 Inventory

	2018 £000	2017 £000
Raw materials and consumables	**6,325**	5,933
Work in progress	**8,927**	8,668
Finished goods	**34,059**	34,874
	49,311	49,475

Of the £49,311,000 (2017: £49,475,000) stock value £46,984,000 (2017: £46,346,000) is held at cost and £2,327,000 (2017: £3,129,000) is held at net realisable value. The write down in the year of inventories to net realisable value amounted to £5,491,000 (2017: £7,383,000). The reversal of previous write downs amounted to £197,000 (2017: £57,000). The reversal is due to the inventory being either used or sold.

Materials, consumables, changes in finished goods and work in progress recognised as a cost of sale amounted to £228,776,000 (2017: £213,306,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

15 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	**32,490**	25,991
Prepayments and accrued income	**1,553**	1,539
Other receivables	**3,015**	1,871
VAT receivable	**311**	221
	37,369	29,622

The Group has receivable financing arrangements in UK, Europe, USA and Hong Kong. None of this facility was drawn at 31 March 2018 (2017: £nil).

Please see note 17 for more details of the banking facilities.

There are no trade receivables in the current year (2017: £nil) expected to be recovered in more than twelve months.

The Group's exposure to credit and currency risks and provisions for doubtful debts related to trade and other receivables is disclosed in note 26.

16 Cash and cash equivalents/bank overdrafts

	2018 £000	2017 £000
Cash and cash equivalents	**9,031**	3,659
Bank overdrafts	**—**	(916)
Cash and cash equivalents per cash flow statement	**9,031**	2,743

Net cash

	Note	2018 £000	2017 £000
Cash and cash equivalents		**9,031**	3,659
Bank loans and overdrafts	17	**(4,780)**	(916)
Loan arrangement fees		**105**	271
Finance leases		**—**	(45)
Net cash as used in the executive review		**4,356**	2,969

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 26.

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 17 for further details of the Group's loans and overdrafts.

17 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 26.

	2018 £000	2017 £000
Non-current liabilities		
Secured bank loans (see page 78)	3,791	—
Loan arrangement fees	(10)	(39)
	3,781	(39)
Current liabilities		
Current portion of secured bank loans (see page 78)	989	—
Bank loans and borrowings (see page 78)	989	—
Loan arrangement fees	(95)	(232)
	894	(232)

Terms and debt repayment schedule

	Note	2018 £000	2017 £000
Due within one year:			
Bank loans and borrowings (see page 78)		989	—
Bank overdrafts	16	—	916
Due between one and two years:			
Secured bank loans (see page 78)		989	—
Due between two and five years:			
Secured bank loans (see page 78)		2,802	—
		4,780	916

Secured bank loans

The Group (excluding the Australia business) negotiated a global refinancing on 6 June 2016. The wholly owned Group is now funded by HSBC. The facilities comprise:

- a three-year revolving credit facility ("RCF") for £18 million which is sufficient to fund the Group's core financing requirements;
- receivables financing arrangements for an initial term of three years in the UK, Europe, USA and Hong Kong; and
- a further flexible 'working capital' RCF with availability varying from month to month to meet requirements during the seasonal inventory build. This is reviewed annually but capable of extension to match the maturity of the core RCF.

While the facilities have no overall limit in total the Group estimates the effectively available facilities at over £127.9 million, more than sufficient to cover the peak requirements. The facilities have flexible elements within them that mean they can grow with the Group's requirements.

The facility was capable of extension for two further years at the same terms should the parties agree. The second one year extension was agreed in May 2018. This takes the date for maturity of the facility to May 2021.

Invoice financing arrangements are secured over the trade receivables that they are drawn on. The RCF facilities are secured with a fixed and floating charge over all other assets of the Group. The facilities do not amortise with time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

17 Loans and borrowings continued

Secured bank loans continued

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

- interest cover, being the ratio of earnings before interest, depreciation and amortisation to interest on a rolling twelve-month basis; and
- leverage, being the ratio of debt to pre-exceptional EBITDA on a rolling twelve-month basis.

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

In January 2018, the Group's Australia business obtained a secured loan from Westpac of £5,108,000 (AUD 9,000,000). This is repayable monthly over a five year period. It is subject to a variable interest rate linked to the Australian base rate. £165,000 was repaid during the year which, along with £163,000 exchange movement results in a balance at 31 March 2018 of £4,780,000 (AUD 8,700,000).

See page 23 of the executive review for further details.

18 Deferred income

	2018 £000	2017 £000
Included within non-current liabilities		
Deferred grant income	**998**	1,083
Included within current liabilities		
Deferred grant income	**99**	98
Other deferred income	**—**	13
Deferred grant income	**99**	111

The deferred grant income is in respect of government grants relating to the development of the site in Wales. This is being amortised in line with depreciation on the new investment.

19 Provisions

	Property £000	Other £000	Total £000
Balance at 1 April 2017	978	344	1,322
Provisions made in the year	—	254	254
Provisions released during the year	—	(118)	(118)
Unwinding of fair value discounts	80	—	80
Provisions utilised during the year	(72)	(152)	(224)
Effect of movements in foreign exchange	—	9	9
Balance at 31 March 2018	**986**	**337**	**1,323**

	2018 £000	2017 £000
Non-current	**894**	881
Current	**429**	441
	1,323	1,322

The property provision represents the estimated reinstatement cost of two of the Group's leasehold properties under fully repairing leases and provision for an onerous lease for one of those properties. A professional valuation was performed during 2016 for one of the leasehold properties and the provision was reassessed and is stated after discounting. £882,000 (2017: £829,000) of the non-current balance relates to a lease expiring in 2036; the balance relates to items between two and five years.

Other provisions represents management's best estimate in respect of minor claims arising in the normal course of business.

20 Other financial liabilities

	2018 £000	2017 £000
Included within non-current liabilities		
Finance lease	—	13
Other creditors and accruals	1,440	1,898
	1,440	1,911
Included within current liabilities		
Finance lease	—	32
Other creditors and accruals	18,832	18,405
Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	40	2
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	116	60
	18,988	18,499

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	—	—	—	35	(3)	32
Between one and five years	—	—	—	15	(2)	13
	—	—	—	50	(5)	45

21 Trade and other payables

	2018 £000	2017 £000
Trade payables	37,056	36,341
Other payables including income taxes and social security	817	749
VAT payable	884	360
	38,757	37,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

22 Share capital

Authorised share capital at 31 March 2018 and 2017 was £6,047,443 divided into 120,948,860 ordinary shares of 5p each.

	Ordinary shares	
In thousands of shares	2018	2017
In issue at 1 April	62,642	59,257
Options exercised during the year	1,248	385
Share placing	—	3,000
In issue at 31 March – fully paid	63,890	62,642

	2018 £000	2017 £000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each	3,194	3,132

Share options exercised during the year resulted in 510,000 ordinary shares being issued (2017: 385,000) which generated cash proceeds of £71,000 (2017: £53,000).

LTIP options exercised during the year resulted in 738,111 ordinary shares being issued at nil cost (2017: 607,652 ordinary shares being issued at nil cost).

In the prior year, on 25 July 2016, the Group raised £5,250,000 (before expenses) by way of a share placing of 3,000,000 new ordinary shares at a price of £1.75 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23 Earnings per share

	2018		2017	
	Diluted pence	Basic pence	Diluted pence	Basic pence
Underlying earnings per share excluding exceptional items and LTIP charges	21.8	22.9	18.2	19.0
Cost per share on LTIP charge	(2.7)	(2.9)	(2.8)	(2.9)
Underlying earnings per share excluding exceptional items	19.1	20.0	15.4	16.1
Cost per share on exceptional items	1.4	1.4	(0.4)	(0.4)
Earnings per share	20.5	21.4	15.0	15.7

The basic earnings per share is based on the profit attributable to equity holders of the Company of £13,545,000 (2017: £9,650,000) and the weighted average number of ordinary shares in issue of 63,198,000 (2017: 61,539,000) calculated as follows:

In thousands of shares	2018	2017
Issued ordinary shares at 1 April	62,642	59,257
Shares issued in respect of exercising of share options	556	260
Shares issued in respect of share placing	—	2,022
Weighted average number of shares at 31 March	63,198	61,539

Underlying basic earnings per share excludes exceptional items credited of £700,000 (2017: £1,037,000 charged) and the tax relief attributable to those items of £211,000 (2017: £761,000), to give underlying profit including the effect of non-controlling interest of £12,634,000 (2017: £9,926,000).

Underlying diluted earnings per share excludes exceptional items and LTIP charges of £1,718,000 (2017: £3,253,000) and tax relief attributable to those items of £683,000 (2017: £1,203,000), to give underlying profit of £14,446,000 (2017: £11,700,000).

Diluted earnings per share

The average number of share options under the Executive share options 2008 scheme outstanding in the year is 612,795 (2017: 835,680) at an average exercise price of 14p (2017: 14p). The average number of share options under the LTIP scheme outstanding in the year is 1,371,743 (2017: 500,000) at nil cost. The diluted earnings per share is calculated assuming all these options were exercised, and taking into account LTIP awards whose specified performance conditions were satisfied at the end of the reporting period of 1,213,794 share options. There is also a small adjustment for shares issued that could be funded by option exercise costs in respect of the 2008 Scheme. At 31 March 2018 the diluted number of shares was 66,389,000 (2017: 64,161,000).

24 Dividends paid and proposed

A final dividend for year ending 31 March 2017 of 2.75p (for year ending 31 March 2016: 1.75p) was paid on 7 September 2017. An interim dividend of 2.00p was paid on 18 January 2018 (2017: 1.75p). The Directors are recommending a final dividend of 4.00p per share in respect of the year ended 31 March 2018 (2017: 2.75p). If approved it will be paid in September 2018 to shareholders on the register at the close of business on 5 July 2018.

	2018		2017	
	Pence per share	£000	Pence per share	£000
Final equity dividend for prior year	2.75	1,734	1.75	1,037
Interim equity dividend for current year	2.00	1,266	1.75	1,097
Dividends paid in the year		3,000		2,134

	2018		2017	
Proposed for approval at Annual General Meeting	Pence per share	£000	Pence per share	£000
Final equity dividend for the current year	4.00	2,556	2.75	1,723

25 Share-based payments

Executive share options 2008

Options to subscribe for ordinary shares of a nominal value of 5p each were granted, pursuant to the Company's approved and unapproved Employee share option schemes, which are exercisable at dates ranging from December 2011 to December 2018 and at an exercise price of 14.00p.

There were no performance conditions attached to the approved options (other than continued employment). For the unapproved options awarded to Executive Directors there were conditions related to profitability for the two years to March 2011. These conditions were fully met.

As at 31 March 2018 there were 200,000 approved options outstanding with a weighted average contractual life of 0.7 years (2017: 1.7 years). No share options were granted under this scheme during the year (2017: nil).

The numbers and weighted average exercise prices of share options are as follows:

	2018		2017	
	Weighted average exercise price pence	Number of options	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	14.00	710,000	14.00	1,096,000
Exercised during the period	14.00	(510,000)	14.00	(386,000)
Outstanding at the end of the period	14.00	200,000	14.00	710,000
Exercisable at the end of the period	14.00	200,000	14.00	710,000

The weighted average share price at the date of exercise of share options exercised during the period was 376.0p (2017: 212.7p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

25 Share-based payments continued

Long Term Incentive Plan

On 31 March 2014, the Group announced the introduction of a new Long Term Incentive Plan ("LTIP"). Under the LTIP, options to subscribe for ordinary shares of a nominal value of 5p each ("ordinary shares") may be awarded annually to Executive Board Directors of the Company, Managing Directors and other selected senior management team members within the Group. Ordinary shares only vest to the degree that stretching performance conditions are met. The maximum dilution under the LTIP is 15% over a ten year period, excluding an award made under the 2012-2015 LTIP, of which 1,107,652 share options have vested. The scheme rules, which have been agreed by the Remuneration Committee, include reasonable provisions in the event of change of control, suitable flexibility to modify performance targets in specified situations and also a mechanism for claw-back under certain circumstances. The Board retains the flexibility to buy ordinary shares through an Employee Benefit Trust to mitigate future dilution should it need to do so.

The performance period for each award under the LTIP is three years. The cost to employees of ordinary shares issued under the LTIP if the performance criteria are met is nil. In principle the number of ordinary shares to be granted to each employee under the LTIP will be not more than 100% in value of the relevant employee's salary base or 150% for the CEO, although the rules allow an upper maximum of 150% for all employees.

Vested LTIP schemes – outstanding options

	Number of ordinary shares	Exercise price pence	Exercise dates
2012-2015 LTIP scheme	425,000	nil	June 2016 – March 2024
2014-2017 LTIP scheme	667,240	nil	June 2017 – August 2024
2015-2018 LTIP scheme[(a)]	1,213,794	nil	June 2018 – August 2025
	2,306,034		

All performance criteria have been met for the above schemes.

	2018		2017	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	**nil**	**1,830,351**	nil	500,000
Options vesting during the period[(a)]	**nil**	**1,213,794**	nil	1,330,351
Exercised during the period	**nil**	**(738,111)**	nil	—
Outstanding at the end of the period	**nil**	**2,306,034**	nil	1,830,351
Exercisable at the end of the period	**nil**	**2,306,034**	nil	1,830,351

(a) The shares relating to the 2015-2018 scheme formally vest on 6 June 2018 following the Remuneration Committee and Audit Committee approval of the results of the year ended 31 March 2018.

Scheme details for LTIPs in vesting periods during the year

During the financial year to 31 March 2018 there were three LTIP schemes still within their vesting periods (2017: three). The award and performance targets for these are in the tables below.

Awards:

	2015-2018		2016-2019		2017-2020	
	Grant A	Grant B	Grant A	Grant B	Grant A	Grant B
Fair value per share (£)	1.29	4.04	1.82	4.04	3.71	4.04
Number of participants awarded	26	1	23	1	24	2
Initial award	1,176,860	100,474	827,220	72,885	347,101	297,844
Dividend shares awarded	40,806	3,833	28,547	2,697	8,095	6,985
Lapses and forfeitures	(108,179)	—	(135,372)	—	(7,918)	—
Expected to vest as at 31 March 2018	**1,109,487**	**104,307**	**720,395**	**75,582**	**347,278**	**304,829**
Expected to vest as at 31 March 2017	1,216,833	—	916,509	—	—	—

The LTIP awards 'Grant A' were made in 2015/16, 2016/17 and 2017/18, respectively. The LTIP awards 'Grant B' were made in January 2018 to Paul Fineman in respect of the 2015-2018 and 2016-2019 schemes and to Paul Fineman and Giles Willits in respect of the 2017-2020 scheme.

The grant date fair value of the options granted in the year assuming they are to vest in full is £3,191,000 (2017 £1,503,000). The exercise price is nil.

Performance targets:

Awards are granted with threshold and stretch targets. 25% of the weighted awards vests if the relevant threshold target is achieved with straight-line vesting of the balance up to 100% of the weighted award if the stretch target is achieved.

The EPS target for the 2016-2019 scheme is the sole exception to this: the threshold of 7.5% CAGR[a] pays out at 0%, with the award vesting straight-line from here to 100% at stretch.

	Weighting	Threshold	Stretch
2015-2018 LTIP			
EPS	50%	CAGR[a] 10%	CAGR[a] 17.5%
Profit before tax, exceptional items and LTIP charges	30%	CAGR[a] 10%	CAGR[a] 17.5%
Average leverage	20%	2.5x	1.8x
2016-2019 LTIP			
EPS	60%	CAGR[a] 7.5%	CAGR[a] 17.5%
Profit before tax, exceptional items and LTIP charges	40%	CAGR[a] 10%	CAGR[a] 17.5%
2017-2020 LTIP			
EPS	100%	CAGR[a] 10%	CAGR[a] 17.5%

(a) CAGR = Compound annual growth rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

25 Share-based payments continued
Long Term Incentive Plan continued
Share-based payments charges

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

	2018 £000	2017 £000
Charge in relation to the 2014-2017 LTIP scheme	—	517
Charge in relation to the 2015-2018 LTIP scheme	913	662
Charge in relation to the 2016-2019 LTIP scheme	473	376
Charge in relation to the 2017-2020 LTIP scheme	291	—
Equity-settled share-based payments	1,677	1,555
Social security charge on 2008 executive share option awards	29	—
Social security charge on LTIP awards	551	661
Equity-settled share-based payments	2,257	2,216

Social security charges on share-based payments

Social security is accrued, where applicable, at a rate which management expects to be the prevailing rate when share-based incentives are exercised and is based on the latest market value of options expected to vest or having already vested.

The total social security accrual outstanding at the year end in respect of share-based payment transactions was £1,197,000 (2017: £973,000).

26 Financial instruments
Derivative financial assets

	2018 £000	2017 £000
Financial assets designated at fair value through the income statement	113	307

a) Fair values of financial instruments

The carrying values for each class of financial assets and financial liabilities in the balance sheet, which are given below, are not considered to be materially different to their fair values.

As at 31 March 2018, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of £113,000 (2017: £307,000) and a liability of £156,000 (2017: £62,000).

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.

b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is managed by dealing only with banks and financial institutions with strong credit ratings. The Group's financial credit risk is primarily attributable to its trade receivables.

The Group has no significant concentration of credit risk exposure as revenues are split across a large number of customers in different geographical areas. The main customers of the Group are large and mid-sized retailers, other manufacturers and wholesalers of greetings products, service merchandisers and trading companies. The Group has established procedures to minimise the risk of default of trade receivables including detailed credit checks undertaken before new customers are accepted and rigorous credit control procedures after sale. These processes have proved effective in minimising the level of provisions for doubtful debts required.

The amounts presented in the balance sheet are net of allowances for doubtful receivables estimated by the Group's management, based on prior experience and their assessment of the current economic environment.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £44,649,000 (2017: £31,828,000) being the total of the carrying amount of financial assets excluding equity investments above.

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

	2018 £000	2017 £000
UK and Asia	**10,685**	5,486
USA	**12,863**	13,021
Europe	**4,549**	3,954
Australia	**4,393**	3,530
	32,490	25,991

Credit quality of financial assets and provisions for doubtful debts

The ageing of trade receivables at the balance sheet date was:

	2018		2017	
	Gross £000	Provisions for doubtful debts £000	Gross £000	Provisions for doubtful debts £000
Not past due	**19,786**	**—**	21,875	(31)
Past due 0-60 days	**10,404**	**(100)**	3,465	(146)
61-90 days	**628**	**(93)**	705	(68)
More than 90 days	**2,476**	**(611)**	768	(577)
	33,294	**(804)**	26,813	(822)

There were no unimpaired balances outstanding at 31 March 2018 (2017: £nil) where the Group had renegotiated the terms of the trade receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

26 Financial instruments continued
Derivative financial assets continued
b) Credit risk continued
Credit quality of financial assets and provisions for doubtful debts continued

The movement in the provisions for doubtful debts in respect of trade receivables during the year was as follows:

	2018 £000	2017 £000
Balance at 1 April	822	350
Charge for the year	434	673
Unused amounts reversed	(237)	—
Amounts written off	(149)	(235)
Effects of movement in foreign exchange	(66)	34
Balance at 31 March	**804**	822

The allowance account for trade receivables is used to record provisions for doubtful debts unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

c) Liquidity risk
Financial risk management

The Group's policy with regard to liquidity ensures adequate access to funds by maintaining an appropriate mix of short-term and longer-term facilities, which are reviewed on a regular basis. The maturity profile and details of debt outstanding at 31 March 2018 is set out in note 17.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 March 2018	Notes	Carrying amount £000	Contractual cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Non-derivative financial liabilities							
Secured bank loans – Australian dollar[a]		4,780	(5,242)	(1,162)	(1,121)	(2,959)	—
Other financial liabilities[b]	20	20,272	(20,272)	(18,832)	(176)	(10)	(1,254)
Trade payables[b]	21	37,056	(37,056)	(37,056)	—	—	—
Other payables[b]	21	1,701	(1,701)	(1,701)	—	—	—
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the income statement[b]	20	40	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve[b]	20	116	(5,835)	(5,835)	—	—	—
		63,965	(70,106)	(64,586)	(1,297)	(2,969)	(1,254)

(a) Nominal interest rate 3.57%.

(b) Measured at Level 2.

31 March 2017	Notes	Nominal interest rate %	Carrying amount £000	Contractual cash flows £000	One year or less £000	One to two years £000
Non-derivative financial liabilities						
Finance leases						
– euro leases[a]	20	5.0	45	(50)	(35)	(15)
Other financial liabilities[a]	20		20,303	(20,303)	(18,405)	(1,898)
Trade payables[a]	21		36,341	(36,341)	(36,341)	—
Other payables[a]	21		1,109	(1,109)	(1,109)	—
Bank overdraft[a]		4.0 – 5.3	916	(916)	(916)	—
Derivative financial liabilities						
Forward foreign exchange contracts carried at fair value through the income statement[a]			2	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve[a]			60	(1,574)	(1,574)	—
			58,776	(60,293)	(58,380)	(1,913)

(a) Measured at Level 2.

The following shows the facilities for bank loans, overdrafts, asset-backed loans and revolving credit facilities:

	31 March 2018				31 March 2017			
	Carrying amount £000	Facility in use contractual cash flows £000	Facility unused £000	Total facility £000	Carrying amount £000	Facility in use contractual cash flows £000	Facility unused £000	Total facility £000
Secured bank loans	4,780	(5,242)	—	(5,242)	—	—	—	—
Corporate revolving credit facilities	—	—	(19,622)	(19,622)	—	—	(18,000)	(18,000)
Receivables financing	—	—	(17,981)	(17,981)	—	—	(12,123)	(12,123)
Bank overdraft	—	—	(3,654)	(3,654)	916	(916)	(1,613)	(2,529)
	4,780	(5,242)	(41,257)	(46,499)	916	(916)	(31,736)	(32,652)

The receivables financing facilities are dependent upon the levels of the relevant receivables.

The major bank facilities vary in the year depending on forecast debt requirements. The maximum limit across all facilities, at the peak borrowing point in the annual cycle, with the major bank was £127.9 million (2017: £125.5 million). At 31 March 2018, the facility amounted to £37.7 million (2017: £30.1 million).

Additional overdraft facilities were available at other banks of £3.7 million (2017: £2.5 million), along with a loan of AUD 9,000,000 repayable monthly over a five year period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

26 Financial instruments continued
Derivative financial assets continued
d) Cash flow hedges
The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

31 March 2018	Carrying amount £000	Contractual cash flows £000	One year or less £000
Forward exchange contracts:			
Liabilities	116	(5,835)	(5,835)

31 March 2017	Carrying amount £000	Contractual cash flows £000	One year or less £000
Forward exchange contracts:			
Liabilities	60	(1,574)	(1,574)

The Group has forward currency hedging contracts outstanding at 31 March 2018 designated as hedges of expected future purchases in US dollars and Chinese renminbi and sales in euros for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments.

The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments.

The cash flow hedges of the expected future purchases in 2018/19 were assessed to be highly effective and as at 31 March 2018 a net unrealised loss of £27,000 (2017: £271,000 gain) with related deferred tax credit of £nil (2017: £nil) was included in other comprehensive income in respect of these hedging contracts.

e) Market risk
Financial risk management
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

The Group hedges a proportion, as deemed appropriate by management, of its sales and purchases of inventory denominated in foreign currency by entering into foreign exchange contracts. Such foreign exchange contracts typically have maturities of less than one year.

The Group rarely hedges profit translation exposure, since such hedges provide only a temporary deferral of the effects of movement in foreign exchange rates. Similarly, the Group does not hedge its long-term investments in overseas assets.

However, the Group holds loans that are denominated in the functional currency of certain overseas entities.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 March 2018	Notes	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	16	1,040	22	3,237	4,732	9,031
Trade receivables	15	9,337	4,525	14,053	4,575	32,490
Other receivables		1,169	25	574	—	1,768
Financial assets at fair value through the income statement		85	—	—	28	113
Secured bank loans	17	—	—	—	(4,780)	(4,780)
Loan arrangement fees	17	105	—	—	—	105
Trade payables	21	(10,009)	(5,368)	(16,260)	(5,419)	(37,056)
Other payables	21	(978)	(497)	—	(226)	(1,701)
Balance sheet exposure		749	(1,293)	1,604	(1,090)	(30)

31 March 2017	Note	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	16	1,021	(455)	2,659	434	3,659
Trade receivables	15	5,265	3,764	13,378	3,584	25,991
Other receivables		800	30	102	—	932
Financial assets at fair value through the income statement		307	—	—	—	307
Loan arrangement fees	17	271	—	—	—	271
Finance leases	20	—	(45)	—	—	(45)
Bank overdrafts	16	—	—	—	(916)	(916)
Trade payables	21	(10,268)	(4,624)	(17,533)	(3,916)	(36,341)
Other payables	21	(553)	(362)	—	(194)	(1,109)
Balance sheet exposure		(3,157)	(1,692)	(1,394)	(1,008)	(7,251)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	**2018**	2017
Euro	**1.14**	1.19	**1.14**	1.17
US dollar	**1.34**	1.30	**1.40**	1.25

Sensitivity analysis

A 10% weakening of the following currencies against sterling at 31 March 2018 would have affected equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis was performed on the same basis for 31 March 2017.

	Equity		Profit/(loss)	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Euro	**118**	154	**(879)**	(732)
US dollar	**(146)**	127	**(521)**	(635)

On the basis of the same assumptions, a 10% strengthening of the above currencies against sterling at 31 March 2018 would have affected equity and profit or loss by the following amounts:

	Equity		Profit/(loss)	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Euro	**(144)**	(188)	**1,075**	895
US dollar	**178**	(155)	**637**	777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

26 Financial instruments continued
Derivative financial assets continued
e) Market risk continued
Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Note	2018 £000	2017 £000
Variable rate instruments			
Financial assets		9,031	3,659
Financial liabilities		(4,780)	(916)
Loan arrangement fees		105	271
Finance leases		—	(45)
Net debt	16	4,356	2,969

A change of 50 basis points (0.5%) in interest rates in respect of financial assets and liabilities at the balance sheet date would have affected equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect on financial instruments with variable interest rates, financial instruments at fair value through profit or loss. The analysis is performed on the same basis for 31 March 2017.

	2018 £000	2017 £000
Equity		
Increase	21	14
Profit or loss		
Increase	21	14

f) Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group is dependent on the continuing support of its bankers for working capital facilities and so the Board's major objective is to keep borrowings within these facilities.

The Board manages as capital its trading capital, which it defines as its net assets plus net debt. Net debt is calculated as total debt (bank overdrafts, loans and borrowing as shown in the balance sheet), less cash and cash equivalents. The banking facilities with our principal bank have covenants relating to interest cover, cash flow cover and leverage, and our articles currently permit borrowings (including letter of credit facilities) to a maximum of four times equity.

		Equity	
	Note	2018 £000	2017 £000
Net assets attributable to owners of the Parent Company		96,855	86,217
Net cash	16	(4,356)	(2,969)
Trading capital		92,499	83,248

The main areas of capital management relate to the management of the components of working capital including monitoring inventory turn, age of inventory, age of trade receivables, balance sheet reforecasting, monthly profit and loss, weekly cash flow forecasts and daily cash balances. Major investment decisions are based on reviewing the expected future cash flows and all major capital expenditure requires sign off by the Chief Executive Officer and Chief Financial Officer or above certain limits, by the Board. There were no major changes in the Group's approach to capital management during the year. A particular focus of the Group is leverage measured as the ratio of average monthly net debt to EBITDA before exceptional items and LTIP charges.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	**5,108**	4,515
Between one and five years	**9,925**	11,064
More than five years	**17,807**	19,419
	32,840	34,998

Non-cancellable operating lease rentals are receivable as follows:

	2018 £000	2017 £000
Between one and five years	**1,728**	790

The Group leases a number of warehouse and factory facilities as well as vehicles and office equipment under operating leases. The leases of warehouse and factory facilities typically have an option to renew at the end of the lease term with lease payments subject to five-yearly rent reviews.

One of the leased properties has been sublet by the Group and part of a second. The main sub-leases have periods to run of between one and five years. Sub-lease payments of £710,000 (2017: £558,000) were received during the financial year.

During the year, £5,289,000 was recognised as an expense in the income statement in respect of operating leases (2017: £4,460,000).

28 Capital commitments

At 31 March 2018, the Group had outstanding authorised capital commitments to purchase plant and equipment for £551,000 (2017: £575,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

29 Related parties

	2018 £000	2017 £000
Sale of goods:		
AB Alrick – Hedlund	—	1
Hedlunds Pappers Industri AB	172	149
Festive Productions Ltd	24	37
Hedlund Import AB	2,718	4,596
S A Greetings (South African Greetings)	91	26
	3,005	4,809
Purchase of goods:		
Hedlund Import AB	—	60
Mattr Media Ltd	62	69
	62	129
Receivables		
Hedlund Import AB	17	112
Hedlunds Pappers Industri AB	—	7
Balance at 31 March	17	119
Payables		
Hedlund Import AB	—	—
Balance at 31 March	—	—

Identity of related parties and trading

Hedlund Import AB and AB Alrick – Hedlund are under the ultimate control of the Hedlund family. Anders Hedlund is a director of Hedlunds Pappers Industri AB, which is under the ultimate control of the Hedlund family. Festive Productions Ltd is a subsidiary undertaking of Malios Holding AG, a company under the ultimate control of the Hedlund family.

John Charlton is Chairman of SA Greetings (Pty) Ltd.

During the year the Company paid £62,000 (2017: £69,000) for marketing services to Mattr Media Ltd, a company controlled by Joshua Fineman, who is the son of the Group CEO.

The above trading takes place in the ordinary course of business and on normal commercial terms.

Other related party transactions

Directors of the Company and their immediate relatives have an interest in 45% (2017: 46%) of the voting shares of the Company. The shareholdings of Directors and changes during the year are shown in the Directors' report on page 48.

See the Directors' remuneration report on pages 41 to 46 for more detail.

30 Subsidiary with significant non-controlling interest

The Company has one subsidiary company which has a material non-controlling interest, IG Design Group Australia Pty Ltd (Australia). Summary financial information in relation to Australia is shown below.

Australia balance sheet as at 31 March	2018 £000	2017 £000
Non-current assets	5,538	2,611
Current assets	7,637	10,800
Current liabilities	(5,604)	(5,699)
Non-current liabilities	(45)	(146)

Australia comprehensive income for the year ended 31 March	2018 £000	2017 £000
Turnover	36,972	33,551
Profit after tax	1,265	1,325
Total comprehensive income	1,345	1,563

Australia cash flow for the year ended 31 March	2018 £000	2017 £000
Net increase/(decrease) in cash and cash equivalents	550	(807)

Australia non-controlling interest	2018 £000	2017 £000
1 April	3,833	3,370
Share of profits for the year	789	658
Other comprehensive income	40	119
Capital contribution from non-controlling investor	—	110
Dividend paid to the non-controlling interest	(575)	(867)
Currency translation	(426)	443
31 March	3,661	3,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

31 Acquisition of business

On 9 January 2018, the Group acquired the trade and certain assets of Biscay Greetings Pty Limited ("Biscay"), a leading greetings card and paper products business based in Australia.

The acquisition, made through IG Design Group Australia Pty Limited, was satisfied by a cash consideration of £5,145,000 (AUD 8,900,000) using local debt facilities. The consideration represents 2.7x EBITDA for the year ended 30 June 2017 although an injection of working capital of up to £1,700,000 (AUD 3,000,000) may also be required.

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

From the date of acquisition to 31 March 2018 the Biscay business contributed £1,253,000 to the revenue of the Group. If the acquisition had occurred on 1 April 2017, Group revenue would have been £334,854,000. The trade of Biscay has been incorporated into that of IG Design Group Australia Pty Limited. It is not possible to disclose separately the profit of the Biscay business.

Effect of acquisition

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

	Recognised fair values on acquisition £000
Property, plant and equipment	798
Intangible assets	921
Inventories	2,149
Trade and other payables	(213)
Deferred tax liabilities	(213)
Net identifiable assets and liabilities	3,442
Total cash consideration paid	5,145
Goodwill	1,703

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- property, plant and equipment has been valued using market comparison and cost techniques. The valuation model considers market prices for similar items when they are available, and depreciated replacement costs when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence;
- intangible assets are made up of Customer relationships which have been valued using a Multi-period Excess Earnings Method ("MEEM") approach and Brands valued using the relief-from royalty method; and
- inventories have been valued at book value being cost to buy/manufacture, less provisions where this is above net realisable value. This is felt to be materially aligned with market value.

If new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition which identifies adjustments to the fair values above or any additional provisions that existed at the date of the acquisition, then the accounting for the acquisition will be revised.

Acquisitions in the prior year

On 11 July 2016, the Group acquired all of the shares capital of The Lang Companies Inc (“Lang”) for a cash consideration of £2,669,000 ($3,443,000). Acquisition costs of £260,000 were incurred during the period and expensed in the income statement as an exceptional item. Lang is a design-led supplier of high-quality branded consumer home décor and lifestyle products, based in the USA. Lang is a natural fit with the Group, being a design-led company with complementary products and markets. There are natural synergy opportunities with the Group in sourcing and cross selling. In the period from acquisition to 31 March 2017 Lang contributed net profit of £528,000 to the consolidated Group net profit for the year ended 31 March 2017. If the acquisition had occurred on 1 April 2016, Group revenue would have been £316,160,000 and net profit would have been £9,224,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2016.

Effect of acquisition

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

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

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

COMPANY BALANCE SHEET
AS AT 31 MARCH 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Intangible assets – software	3	26	51
Tangible assets	4	25	42
Investments	5	27,972	27,886
Total non-current assets		28,023	27,979
Current assets			
Debtors – due within one year	6	2,105	3,535
Debtors – due after more than one year	7	28,618	36,156
Derivative financial assets	8	34	152
Cash at bank and in hand	10	10,807	239
		41,564	40,082
Creditors: amounts falling due within one year	11	(4,655)	(4,839)
Net current assets		36,909	35,243
Creditors: amounts falling due after more than one year	12	10	39
Provisions for liabilities – other provisions	14	(104)	(149)
Net assets		64,838	63,112
Capital and reserves			
Called up share capital	15	3,194	3,132
Share premium account		8,475	8,429
Capital redemption reserve		1,340	1,340
Merger reserve		17,164	17,164
Hedging reserve		(91)	146
Profit and loss account		34,756	32,901
Equity shareholders' funds		64,838	63,112

IG Design Group plc is registered in England and Wales, number 1401155.

These financial statements were approved by the Board of Directors on 8 June 2018 and were signed on its behalf by:

Paul Fineman
Director

Giles Willits
Director

The notes on pages 99 to 108 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2018

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Merger reserves £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2016	2,963	3,512	1,340	17,164	(6)	23,486	48,459
Profit for the year	—	—	—	—	—	9,402	9,402
Other comprehensive income for the period	—	—	—	—	152	—	152
Options exercised	19	34	—	—	—	—	53
Equity-settled share-based payments	—	—	—	—	—	773	773
Tax on equity-settled share-based payments	—	—	—	—	—	591	591
Share options charge relating to subsidiary employees	—	—	—	—	—	783	783
Share placing	150	4,883	—	—	—	—	5,033
Equity dividend paid	—	—	—	—	—	(2,134)	(2,134)
At 31 March 2017	3,132	8,429	1,340	17,164	146	32,901	63,112
Profit for the year	—	—	—	—	—	3,017	3,017
Other comprehensive income for the period	—	—	—	—	(237)	—	(237)
Options exercised	62	46	—	—	—	(37)	71
Equity-settled share-based payments	—	—	—	—	—	1,019	1,019
Tax on equity-settled share-based payments	—	—	—	—	—	198	198
Share options charge relating to subsidiary employees	—	—	—	—	—	658	658
Equity dividend paid	—	—	—	—	—	(3,000)	(3,000)
At 31 March 2018	3,194	8,475	1,340	17,164	(91)	34,756	64,838

Within the profit and loss account is a cumulative amount of £1,909,000 (2017: £1,277,000) which is unrealised in respect of share options granted to subsidiary employees. See consolidated statement of changes in equity for descriptions of reserve.

COMPANY CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the year		3,017	9,402
Adjustments for:			
Depreciation and amortisation	3, 4	42	79
Foreign exchange losses/(gains)		572	(829)
Interest receivable and similar income		(1,064)	(1,863)
Interest payable and similar charges		367	608
Loss on disposal of tangible fixed assets		—	51
Dividends received from Group undertakings		(5,884)	(9,775)
Equity-settled share-based payment expenses		1,502	1,238
Taxation		(144)	(18)
Operating profit after adjustments for non-cash items		(1,592)	(1,107)
(Increase)/decrease in trade and other debtors		(12)	2
Increase in trade and other creditors		387	460
Decrease/(increase) in amounts owed by Group undertakings		6,229	(46)
Increase in provisions		(72)	(72)
Cash generated from operations		4,940	(763)
Interest received		2,673	1,002
Net cash from operating activities		7,613	239
Cash flows from investing activities			
Dividends received		5,884	9,775
Acquisition of tangible fixed assets	4	—	(26)
Net cash from investing activities		5,884	9,749
Cash flows from financing activities			
Net proceeds from the issue of share capital[(a)]		71	5,086
Repayment of secured borrowings		—	(16,493)
Equity dividends paid	2	(3,000)	(2,134)
Net cash from financing activities		(2,929)	(13,541)
Net increase/(decrease) in cash and cash equivalents		10,568	(3,553)
Cash and cash equivalents at beginning of period		239	3,792
Cash and cash equivalents at 31 March 2018	10	10,807	239

(a) See note 22 in Group's financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

1 Accounting policies – Company

Basis of preparation

IG Design Group plc (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company financial statements present the information about the Company as a separate entity and not about the Group.

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102, issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit and loss account and financial instruments at fair value through the hedging reserve.

Going concern

See note 1 to the Group accounting policies on page 59. Based on the financial performance of the Group, the Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange prevailing at the balance sheet date and the gains or losses on translation are included in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are accounted for at fair value with changes taken to other comprehensive income, which are recognised in other comprehensive income.

Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other debtors are subsequently reviewed for recoverability and impairment with any losses taken to profit and loss immediately. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other payables

Trade and other payables are stated at their nominal value which is considered to be their fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest, less direct arrangement costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement only.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

1 Accounting policies – Company continued

Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except that hedging instruments in a designated hedging relationship shall be recognised as set out below:

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement of fair value is recognised immediately in profit or loss, except where it qualifies for hedge accounting.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Company discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Intangible fixed assets – software

Software is stated at cost less amortisation. Cost is amortised over three years to write off the asset over its useful economic life.

Tangible fixed assets – property, plant and equipment and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

- fixtures and fittings – three to five years.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Leases

Where the Company enters into a lease which does not entail taking substantially all the risks and rewards of ownership of an asset, the lease is accounted for as an 'operating lease' and the rentals payable are charged to the profit and loss account on a straight-line basis over the life of the lease.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the option at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions).

No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in subsidiary. If the amount recharged exceeds the increase in the cost of investment, the excess is recognised as a dividend to the extent that it reflects post-acquisition profits of the subsidiary.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income accordingly.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

Pensions

The Company operates a defined contribution personal pension scheme. The assets of this scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

2 Dividends paid and proposed

A final dividend for year ending 31 March 2017 of 2.75p (for year ending 31 March 2016: 1.75p) was paid on 7 September 2017. An interim dividend of 2.00p was paid on 18 January 2018 (2017: 1.75p). The Directors are recommending a final dividend in respect of the year ended 31 March 2018 of 4.00p per share (2017: 2.75p). If approved, it will be paid in September 2018 to shareholders on the register at the close of business on 5 July 2018.

	2018		2017	
Dividends paid in the year	Pence per share	£000	Pence per share	£000
Final equity dividend for prior year	2.75	1,734	1.75	1,037
Interim equity dividend for current year	2.00	1,266	1.75	1,097
Dividends paid in the year		3,000		2,134

	2018		2017	
Proposed for approval at Annual General Meeting	Pence per share	£000	Pence per share	£000
Final equity dividend for current year	4.00	2,556	2.75	1,723

3 Intangible assets – software

	Software £000
Cost	
Balance at 1 April 2017 and 31 March 2018	86
Depreciation and impairment	
Balance as at 1 April 2017	(35)
Amortisation charge for the year	(25)
Balance at 31 March 2018	(60)
Net book value	
At 31 March 2018	26
At 31 March 2017	51

4 Tangible assets

	Fixtures and fittings £000
Cost	
Balance at 1 April 2017 and 31 March 2018	**165**
Depreciation and impairment	
Balance as at 1 April 2017	(123)
Depreciation charge for the year	(17)
Balance at 31 March 2018	**(140)**
Net book value	
At 31 March 2018	**25**
At 31 March 2017	42

5 Investments

	Shares in Group undertakings £000	Loans to Group undertakings £000	Total £000
Cost			
At 1 April 2016	23,763	5,208	28,971
Additions – share option charge relating to subsidiary employees	783	—	783
Effects of movement in foreign exchange	—	792	792
At 31 March 2017	24,546	6,000	30,546
Additions – share option charge relating to subsidiary employees	658	—	658
Effects of movement in foreign exchange	—	(572)	(572)
At 31 March 2018	**25,204**	**5,428**	**30,632**
Provisions			
At 31 March 2017 and 2018	**(2,660)**	**—**	**(2,660)**
Net book value			
At 31 March 2018	**22,544**	**5,428**	**27,972**
At 31 March 2017	21,886	6,000	27,886

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

5 Investments continued

The Company has the following investments in subsidiaries:

	Country of incorporation	Percentage of ordinary shares held 2018	Percentage of ordinary shares held 2017
Trading companies			
IG Design Group UK Ltd[c]	Great Britain	100[b]	100[b]
IG Design Group Americas Inc[d]	US	100	100
The Lang Companies Inc[d]	US	100[a]	100[a]
Anker Play Products, LLC[d]	US	50[a]	50[a]
International Greetings Asia Ltd[e]	Hong Kong	100	100
The Huizhou Gift International Greetings Company Limited[e]	China	100[a]	100[a]
IG Design (Ningbo) Ltd[f]	China	100[a]	—
Hoomark BV[g]	Netherlands	100[a]	100[a]
Anchor International BV[h]	Netherlands	100[a]	100[a]
Hoomark S.p.z.o.o[i]	Poland	100[a]	100[a]
IG Design Group Australia Pty Ltd[j]	Australia	50	50
Urban Dollar Pty Ltd[k]	Australia	25[a]	25[a]
Dormant companies			
Anker International plc[c]	Great Britain	100[a]	100[a]
Belgrave Graphics Ltd[c]	Great Britain	100	100
Britesparks Ltd[c]	Great Britain	100	100
Concorde Industries Ltd[c]	Great Britain	50	50
Copywrite Designs Ltd[c]	Great Britain	100	100
Credit Collection Consultants Ltd[c]	Great Britain	50[a]	50[a]
Hoopack Hoogeveen BV[g]	Netherlands	100[a]	100[a]
Howard Industries Ltd[c]	Great Britain	100[a]	100[a]
IG Design Group (Lang), Inc[d]	US	100[a]	100[a]
IG Design Group Europe BV (formerly IG Europe BV)[g]	Netherlands	100	100
IG Employee Share Trustee Ltd[c]	Great Britain	100	100
Polaris Plastics Ltd[c]	Great Britain	100[a]	100[a]
School Supplyline Ltd[c]	Great Britain	100[a]	100[a]
Scoop Designs Ltd[c]	Great Britain	100[a]	100[a]
Tom Smith Christmas Crackers Ltd[c]	Great Britain	100[a]	100[a]
Tom Smith Crackers Ltd[c]	Great Britain	100	100
Tom Smith Group Ltd[c]	Great Britain	100	100
Tom Smith Ltd[c]	Great Britain	100	100
Tom Smith Online Ltd[c]	Great Britain	100[a]	100[a]
Weltec BV[h]	Netherlands	100[a]	100[a]

(a) Indirect holding.
(b) 50% direct/50% indirect holding.
(c) Registered office: No 7 Water End Barns, Water End, Eversholt MK17 9EA.
(d) Registered office: 5555 Glenridge Connector, Suite 300, Atlanta, GA 30342, USA.
(e) Registered office: 21F, 69 Jervois Street, Sheung Wan, Hong Kong.
(f) Registered office: 13-8, Building 003, No 3, 5 and 6 of Century Oriental Business Plaza, Yinzhou, Ningbo, China
(g) Registered office: Industrieweg 62, 7903 AK Hoogeveen, The Netherlands.
(h) Registered office: Voltastraat 12, 3281 NG Numansdorp, The Netherlands.
(i) Registered office: Jędrzychowice 116A, 59-900 Zgorzelec, Poland.
(j) Registered office: 121 Rayhur Street, Clayton, South Victoria 3169, Australia.
(k) Registered office: Suite 9, 1 Eastridge Drive, Chirnside Park, Victoria 3116, Australia.

Class of shares held are ordinary shares for companies incorporated in Great Britain or the equivalent for the overseas subsidiaries.

Concorde Industries Ltd and Credit Collection Consultants Ltd are dormant companies that have never traded and both have net assets of £2.

6 Debtors – due within one year

	2018 £000	2017 £000
Trade debtors	—	4
Amounts owed by Group undertakings	1,892	3,262
Other debtors	58	124
Prepayments	155	145
	2,105	3,535

7 Debtors – due after more than one year

	Note	2018 £000	2017 £000
Amounts owed by Group undertakings[(a)]		26,849	34,849
Deferred tax assets	9	1,769	698
		28,618	35,547

(a) Attracts interest at market rate and is repayable on 31 July 2019.

8 Derivative financial assets

	2018 £000	2017 £000
Financial assets designated at fair value through profit and loss	10	5
Financial assets designated at fair value through hedging reserve	24	147
	34	152

9 Deferred tax asset

	2018 £000	2017 £000
Difference between accumulated depreciation and capital allowance	88	101
Tax loss carried forward	264	264
Other timing differences	1,417	942
	1,769	1,307

10 Cash and cash equivalents/bank overdrafts

	2018 £000	2017 £000
Cash at bank and in hand	10,807	239

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

11 Creditors: amounts falling due within one year

	Note	2018 £000	2017 £000
Loan arrangement fees		(95)	(232)
Trade creditors		462	250
Amounts owed to undertakings		398	1,941
Other taxes and social security		187	72
Other creditors and accruals		3,550	2,807
Other financial liabilities	13	153	1
		4,655	4,839

Refer to note 17 to the Group's financial statements for more details of the terms of the bank borrowings.

12 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Loan arrangement fees	(10)	(39)

13 Other financial liabilities falling due within one year

	2018 £000	2017 £000
Financial liabilities designated as fair value through profit and loss	38	—
Financial liabilities designated as fair value through hedging reserve	115	1
	153	1

14 Provisions

	2018 £000	2017 £000
Balance at 1 April	149	197
Provision used during the year	(72)	(72)
Unwinding of discounted amount	27	24
	104	149

The provision represents a provision for an onerous lease. The lease expires in November 2019 and the provision will be fully utilised at that point.

15 Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
63,889,942 (2017: 62,641,833) ordinary shares of 5p each	3,194	3,132

Refer to note 22 to the Group's financial statements for details of movements and note 25 for details of share options and LTIP schemes.

16 Share-based payments

Please see note 25 to the Group's financial statements for details of share-based payments.

17 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018 £000	2017 £000
Assets measured at fair value through profit or loss	10	6
Assets measured at fair value through the hedging reserve	24	146
Assets measured at amortised cost	39,606	38,478
Liabilities measured at fair value through profit or loss	(38)	—
Liabilities measured at fair value through the hedging reserve	(115)	(1)
Liabilities measured at amortised cost	(860)	(2,191)
	38,627	36,438

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of forward exchange contracts is assessed using valuations models taking into account market inputs such as foreign exchange spot and forward rates, yield curves and forward interest rates.

The fair value of interest rate swaps is based on bank quotes.

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models, which is in line with when they are expected to affect profit and loss.

	2018			2017		
	Carrying amount £000	Expected cash flows £000	One year or less £000	Carrying amount £000	Expected cash flows £000	One year or less £000
Forward exchange contracts:						
Assets	24	2,405	2,405	147	7,524	7,524
Liabilities	(115)	6,317	6,317	(1)	173	173
	(91)	8,722	8,722	146	7,697	7,697

The Company uses cash flow hedge accounting in line with FRS 102.12, by entering into forward exchange contracts to hedge foreign exchange exposure. Fair value at 31 March 2018 was £91,000 liability (2017: £146,000 asset) recognised in other comprehensive income.

The amount recognised in the profit and loss account for the year was £28,000 charge (2017: £6,000 income).

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2018 £000	Fair value 2017 £000
Forward exchange contracts:		
Assets – forward exchange contracts	34	152
Liabilities – forward exchange contracts	(153)	(1)
Total liability	(119)	(1)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2018

18 Contingencies
The Company has given, together with certain of its subsidiary undertakings, an unlimited composite joint and several guarantee in respect of the HSBC facilities of itself and its subsidiaries. The total of this guarantee at the year end, in relation to the Company only, was £nil (2017: £668,000) in excess of the amount dealt with in the Company's financial statements.

The Company has given HSBC Bank (China) Company Ltd a guarantee of RMB15.4 million (£1.8 million) on behalf of its subsidiary Huizhou Gift International Greetings Company Ltd.

As part of the Group refinancing completed in June 2016 the Company provided guarantees to HSBC banks in the Netherlands of €1.2 million (£1.1 million), the USA $84.5 million (£60.4 million) and in Hong Kong $18.5 million (£13.2 million) on behalf of the Group's trading subsidiaries in those countries.

19 Related parties
Identity of related parties with which the Company has transacted:

Group undertakings:

- IG Design Group UK Ltd;
- IG Design Group Americas, Inc;
- Lang Companies Inc;
- International Greetings Asia Ltd;
- The Huizhou Gift International Greetings Company Ltd;
- Hoomark BV;
- Anchor International BV;
- Hoomark S.p.z.o.o; and
- IG Design Group Australia Pty Ltd.

Transactions with key management personnel – total compensation of key management personnel (the Directors) in the year amounted to £2,885,000 (2017: £2,887,000).

Related party transactions – transactions with Group undertakings

	2018 £000	2017 £000
Management recharges	2,546	2,636
Receivables outstanding	28,741	38,111
Creditors outstanding	(398)	(1,941)

During the year the Company paid £62,000 (2017: £69,000) for rebranding and marketing services to Mattr Media Ltd, a Company controlled by Joshua Fineman, who is the son of the Group CEO.

20 Accounting estimates and judgements
Management does not consider that there are any significant account estimates or judgements other than those showing in note 2 to the Group financial statements.

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