IG Design Group plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

WHAT'S INSIDE

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.

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Alternative performance measures

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

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

The APMs are **adjusted profit**, **adjusted EBITDA**, **adjusted operating profit** and **adjusted EPS**. The definitions of the APMs used are listed below:

- **Adjusted EPS** – Fully diluted earnings per share before tax, exceptional items, acquisition amortisation and LTIP charges
- **Adjusted profit** – Profit before tax, exceptional items, acquisition amortisation and LTIP charges
- **Adjusted operating profit** – Profit before interest, tax, exceptional items, acquisition amortisation and LTIP charges
- **Adjusted EBITDA** – EBITDA before exceptional items and LTIP charges

Further detail can be seen on pages 28 and 29.

We are Design Group

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.

OUR GOALS ARE

Customers

to be the 'partner of choice' across an increasing range of products and categories where our customers value our fast pace, innovation, market focus and flexibility

Team

to have a creative and winning culture focused on developing a team that looks to accomplish great things

Suppliers

to build relationships with suppliers who provide capacity and enable us to compete profitably and share our passion for design and innovation

Investors

continue to grow our Group and deliver returns well above market performance

OUR COMMITMENT TO SHAREHOLDERS

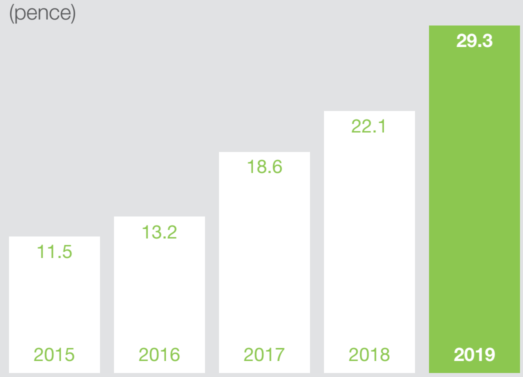
Delivering growth

Adjusted EPS

Continue to deliver double digit three year compound annual growth

Through organic growth and acquisitions

Adjusted EPS
(pence)



+33%
on 2018

2019 reported diluted earnings per share 16.0p (2018: 20.5p)

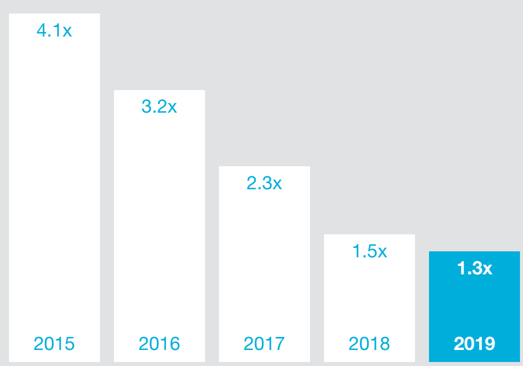
Generating cash

Average leverage

Sustain long term average leverage between 1.0x and 2.0x

Provides capacity for future investment

Average leverage



+13%
improvement
on 2018

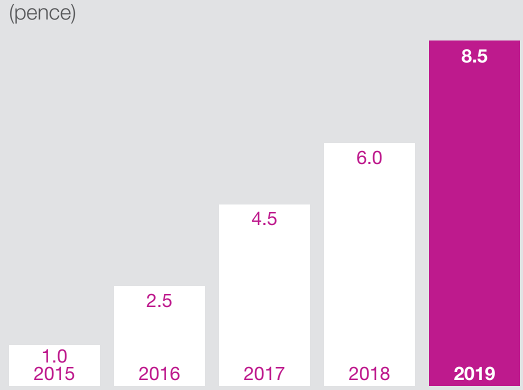
Improving returns

Dividend

Trend upwards until 2.5x covered (40% pay out)

Growth supported increased shareholder distributions

Dividends
(pence)



+42%
on 2018

Alternative performance measures: we use both statutory reported and adjusted measures in our strategic report. Adjusted measures in management's view reflect the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured day-to-day. A full reconciliation between our reported and adjusted results is provided in our alternative performance measures section on pages 28 and 29.

Key financial performance indicators

Revenue
£448.4m
2018: £327.5m
+37%

Adjusted profit before tax
£30.3m
2018: £21.8m

Reported profit before tax
£17.3m
2018: £19.7m

Adjusted EBITDA
£38.7m
2018: £28.0m
+38%

Average debt
£48.8m
2018: £41.9m
+16%

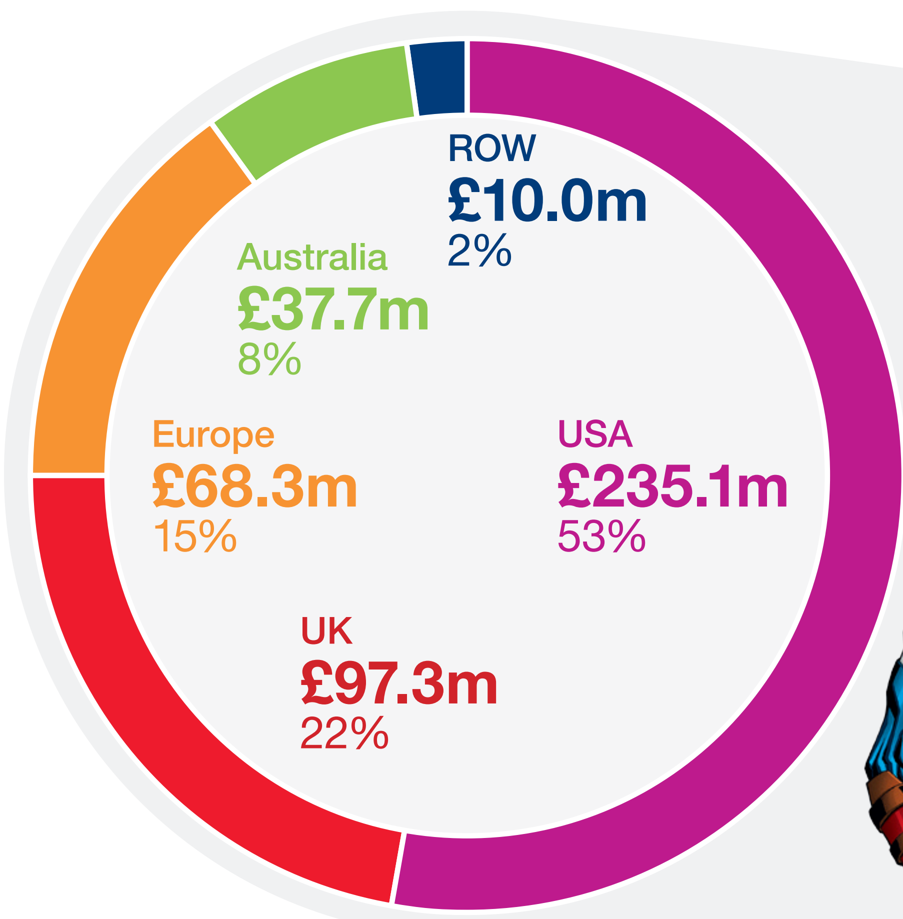
Cash conversion
130.5%
2018: 80.5%

Return on capital employed
24.3%
2018: 22.5%

AT A GLANCE

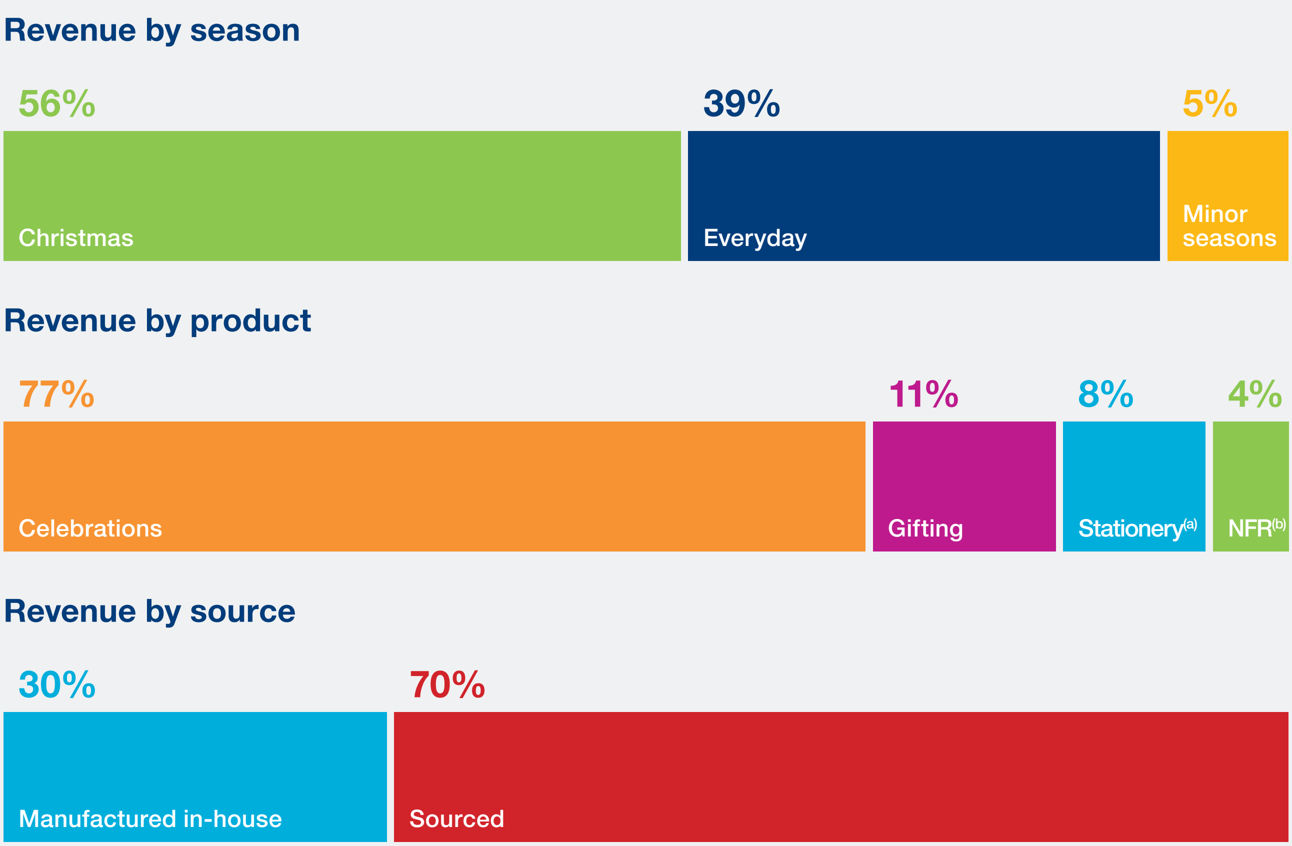
We're truly international, with 11,000 customers selling our products through over 210,000 stores across more than 80 countries, we enjoy considerable market presence around the world.

Revenue by customer destination



Focused on our four major product categories of Celebrations, Stationery and creative play, Gifting and 'Not-for-resale' consumables, 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.



(a) Stationery and creative play.
(b) 'Not-for-resale' consumables.

BUSINESS MODEL

Design Group is a global manufacturer and distributor of design-led Celebration, Stationery and creative play, Gifting, 'Not-for-resale' consumables and related products.

Customers

We are proud to serve the best retailers around the world. We provide a complete end-to-end service from design concept to store shelf

11,000 customers with product in over 210,000 retail outlets in over 80 countries

- It is our aim to be a partner of choice to our customers
- Our customers benefit from our ability to deliver everything from small individual orders to large international programmes
- Our global scale gives us the ability to access the best products at the best prices for our customers
- Our local teams have the expertise to ensure we know what works well for our customers in each market

Product Design & Development

Design is at the heart of everything we do

230 designers across four continents in eight studios, producing thousands of designs a year

- We pride ourselves on always being at the very cutting edge of design trends and product development
- Our businesses can all access these great designs through our global design hub
- Each business unit has a dedicated design team
- We are continuously innovating fresh designs, including generic, customer bespoke and licensed branded offerings

Manufacturing & Sourcing

Our manufacturing facilities and global network of suppliers ensures we can turn our designs into high quality products for our customers

Over 50,000 SKUs manufactured and sourced annually

- We manufacture a number of our core products in-house, including gift wrap, crackers, bags and cards
- Sites in the UK, China, USA, Netherlands and Poland
- We continuously invest in our manufacturing process resulting in some of the most efficient production facilities in the industry
- For products that we source, we work with carefully selected partners to manufacture our designs
- Our manufacturing and sourcing network, which is subject to regular ethical, quality and technical audits, supported by our team of manufacturing and sourcing experts, ensures we deliver compliant and ethically sourced products

Distribution & Fulfilment

We understand that customers value excellent service and we have a track record of delivering on time and to high quality standards

Over 750 million units sold annually

- We offer everything from ‘free on board’, where the customer handles shipping, to merchandising solutions, where we deliver items into stores depending on customer needs
- In each business unit across the world our experienced logistics teams process each retailer’s order through our global infrastructure of warehouses and fulfilment centres
- Our ability to deliver on time/in full is a critical part of our service offering
- We work with our customers to improve the process of getting stock to the shelf, helping reduce store costs and improve stock availability

OUR STRATEGY

Our strategy is built on leveraging our core strengths and focusing on the market opportunities.

Key strategic performance indicators

Working with the winners

- Increasing revenue through organic growth with both existing and new customers, suppliers and product areas

Level of business with our top 10 customers

Definition: Percentage of Group revenue from our top 10 global customers

Why chosen: We pride ourselves on having long lasting relationships with the world's leading retailers, and nurturing and maintaining these relationships allows us to grow as they do

Sales by channel

Definition: Growing our revenues across different sales channels

Why chosen: Our 'winners' are a broad range of customers across various sales channels including mass and discount retailers, wholesalers, independents and other small channels. As the retail environment changes, we will measure our success in growth across these channels

Design & innovation

- Developing in new channels and adjacent product categories
- Expanding in the growing number of events celebrated throughout the year

New product category growth

Definition: New product category growth year-on-year

Why chosen: It is important to stay ahead of the curve and introduce new segments and products that complement our existing ranges. This helps the Group grow in other areas and diversify our offering

Diversifying seasonality

Definition: Year-on-year growth in categories other than Christmas products

Why chosen: We have in the past been a heavily Christmas-based business, and whilst this is still very important, we also want to focus on growing the non-Christmas (being minor seasons and everyday) part of our business

Efficiency & scale

- Driving margins through investment in processes and people
- Accretive M&A opportunities to unlock synergies and strengthening our 'one-stop-shop' position with customers

Adjusted operating margin

Definition: Adjusted operating margin as a percentage of revenue

Why chosen: Delivering value to our customers is essential and we must ensure we can continue to compete in our marketplace and win against other suppliers. To do this we aim to improve our margin through improved sourcing and ongoing manufacturing efficiency gains

M&A and investment

Definition: Capital expenditure and corporate acquisitions

Why chosen: Our ability to invest in efficiency improving projects helps support our competitive position, while our ability to execute earnings accretive M&A ensures the Group continues to grow its scale and reach, helping unlock new markets and synergies

DELIVERING OUR STRATEGY

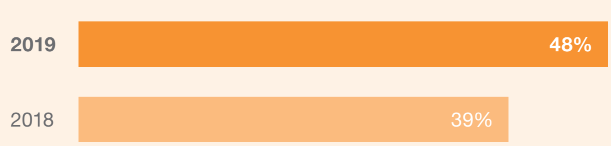
Working with the winners

Growing revenue through organic growth with both existing and new customers, suppliers and product areas.

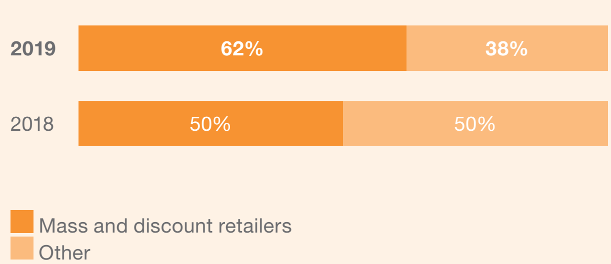
Why is this important?

Revenue growth is critical to the ongoing success and development of the Group. Our focus on working with the winners allows the Group to drive revenues with our key customers by being their partner of choice. As revenue grows this further underpins our relationship with our customers.

Level of business with our top 10 customers
(% of total revenue)



Sales by channel
(%)



Progress in 2019

2019 has been another successful year for the Group in this focused area of our strategy. We have retained the majority of our key customers and have driven up our revenue through these winning partnerships. We have grown our own top 10 customer revenue to 48% of Group revenues (2018: 39%). We choose to partner with those customers that we see have growth potential, and focus on excellent customer service and quality products at good value to ensure we grow as our customers do.

Our sales by channel remains a key focus, in particular given the growth in mass and discount retailers in the market, such as Action, Aldi, Lidl and Dollar Tree. We continue to build our offering in this channel increasing sales by 71% to £277 million, which now represents 62% of Group revenues.

Priorities for 2020 and beyond

We will drive top line growth in the Group through focusing on our two main 'working with the winners' KPIs. Therefore our key priorities for 2020 will be:

- Grow our level of business with our top 10 retailers
- Grow our business within our channels

This includes maintaining and developing our key customer relationships around the Group, in particular with Walmart, given its prominence within the portfolio following the acquisition of Impact Innovation, Inc. ('Impact').

Strategy in action: Walmart

Walmart is the biggest retailer in the world, with global revenues in excess of $500 billion a year. In the US they operate from nearly 5,000 stores so it is therefore no surprise that Walmart are Design Group's largest customer, accounting for about 20% of Group revenue.

Our relationship with Walmart was strengthened in the year following the acquisition of Impact Innovations, Inc. and following the transaction we are now a key partner supplying celebrations products such as seasonal décor and gift wrap.

It was a very proud moment and a great reflection of the fantastic support and dedication the team at Impact has given to Walmart when in March 2019 we were awarded 'Seasonal and Celebrations Supplier of the Year 2019'.

Strategy in action: Value/ Discounter customers

Value discounters are one of the fastest growing retail channels around the world and offer the Group significant growth opportunities. One of our key customers, with over 1,300 stores across Europe, is a discounter focused on non-food offering. Last year alone they grew their store base in the Netherlands, Belgium, France, Germany, Luxembourg, Austria and Poland by 21%. Design Group has become one of their key business partners, growing our revenues with this discounter 53% year-on-year. This is driven by product innovation, all round service and a proactive approach.

DELIVERING OUR STRATEGY

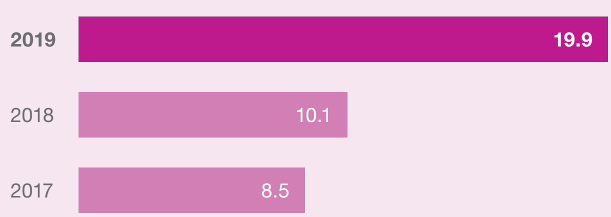
Design & innovation

Develop opportunities in new channels and adjacent product categories while expanding our presence in the growing market for celebration events throughout the year.

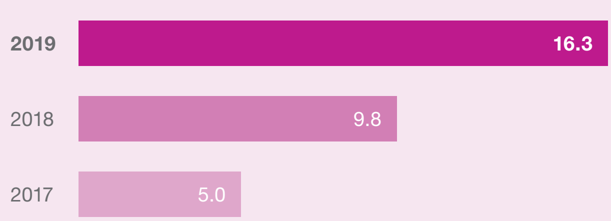
Why is this important?

Design and innovation are our life blood and key to the success of the Group going forward. Consumers are constantly looking for exciting ways to celebrate and our design teams are focused on providing fresh and new ways to enjoy our products. We focus on developing new ways to sell and also new product areas.

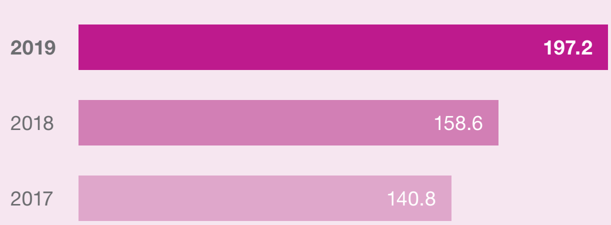
'Not-for-resale' consumables
(Revenue £m)



Creative play products
(Revenue £m)



Seasonal diversity
(Non-Christmas revenue £m)



Progress in 2019

This financial year saw a first full year's trading pattern of our 'not-for-resale' consumables. This exciting growth area contributed £19.9 million of our overall revenue in 2019, a 97% improvement year-on-year. On average this segment is growing at a fast pace of 53% over two years. This was supported by our investment in a second retail collateral bag machine in our manufacturing facility in Wales and should help drive this new segment even further in the coming financial year.

The second of our 'new' segments, Creative play, introduced in 2017, has seen a huge drive forward over the past three years, with revenues increasing by 67% in 2019 and at an average of 81% over two years. As outlined in our strategy in action section we are excited to grow this segment further by cross-selling to other areas of the Group. In 2019 our Australian business sold AU$0.4 million of Anker Play Products that they hadn't the year before.

Christmas sales accounted for nearly 56% of our business in 2019 and whilst this is still a huge focus for the Group, diversifying our offering outside of Christmas is a growth area for us. In 2019 we increased our non-Christmas sales by 24% to £197.2 million, with the category growing at an average of 18% over two years.

Priorities for 2020 and beyond

The Group will always remain focused on being on top of the latest trends in our product categories. In addition, in order to drive the business forward, we will look to expand our product offering outside of our core segments and seasons to ensure we also remain diverse and appeal to all consumers. Therefore our key priorities for the coming fiscal year are:

- Growth in new segments
- Expanding our non-Christmas sales

As well as these, we continue to ensure we have a high quality design and sales team attracting key talent in the industry. We will also continue to explore acquisitions that both complement, enhance and diversify our product portfolio.

Strategy in action:

Sustainable products

Environmental challenges that we all face have led to a joint effort between our customers, our suppliers and Design Group to seek new ways to design, develop, manufacture and distribute our products to ensure we are limiting our impact on the environment. This initiative is not only good for the environment but is also good business sense as consumers raise concerns about the sustainability of products sold in stores around the world. Amongst many examples of how we have changed, the Group has reduced our 'one use' packaging across a wide range of goods, reducing the amount of plastic and acetate used. In addition, the UK has launched our first fully recyclable cracker, the 'Tom Smith Kraft Cracker' with wooden content, no finishes and no plastic. We still have more to do however and remain focused on improving each year.

Strategy in action:

Anker Play Products

In 2017 we established a joint venture to build a business in the creative play category, an area we felt offered great opportunity as an adjacent category to our existing stationery and gifting product ranges.

Over the past two years the business has seen significant revenue growth from $0.9 million in 2017 to $14.5 million in 2019 and continues to offer the opportunity for further successful growth. Currently the business is mainly US based but now it is more established it offers the cross selling opportunity for expansion into our other key territories – Australia, the UK and Europe.

DELIVERING OUR STRATEGY

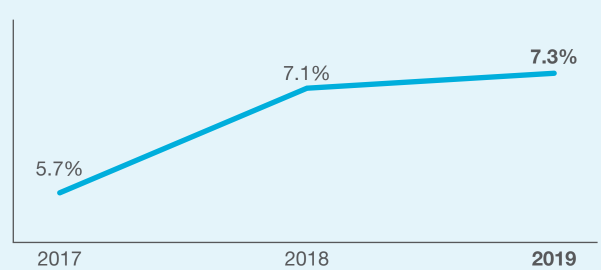
Efficiency & scale

Increasing margins through investments in process and people while pursuing accretive M&A opportunities focused on unlocking synergies and strengthening our 'one-stop-shop' position with customers.

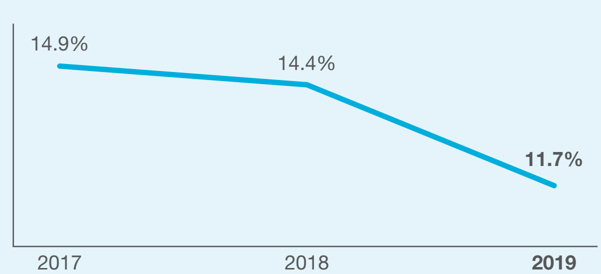
Why is this important?

Driving efficiencies through capital and people investment will help strengthen our margins, while carefully selected acquisitions that complement our business help deliver synergies and drive the overall scale of the Group.

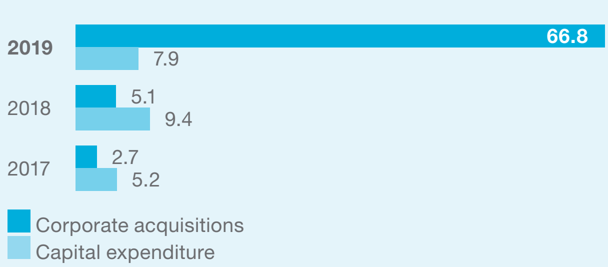
Adjusted operating margin as % of revenue



Adjusted overheads as % of revenue



M&A and investment
(£m)



Progress in 2019

Our adjusted operating margin continues to improve year-on-year partially driven by a focus on driving efficiencies in our manufacturing processes.

Our continuing focus on cost management has driven adjusted overheads as a percentage of revenue down to 11.7% in 2019 compared to 14.4% in 2018.

2019 saw the first full year of our high speed printing press in Europe operating. This hugely increased our manufacturing efficiencies and overall manufacturing capacity.

Further investment in processes this year included:

- New ERP platform in our Americas business
- A second retail collateral bag machine in Wales
- New converting lines in the Netherlands

We have also built the strengths of our team through investing in new roles including:

- MD of Global Procurement
- Group Company Secretary/Legal Counsel
- Chief Information Officer
- Senior VP of Sales in the USA

Priorities for 2020 and beyond

- Increase operating margin
- Delivering improved efficiency through further capital investment
- Unlock c$5 million of synergies following the acquisition of Impact
- Identifying further M&A opportunities

Strategy in action:

Impact Innovations, Inc.

On 31 August 2018 we completed the acquisition of Impact Innovations, Inc., a leading supplier of gift wrap and seasonal décor products in the US for $73.5 million, plus a working capital adjustment, representing an EBITDA multiple of 4.9x.

This was a transformational deal for the Group creating the largest consumer gift packaging business in the world. It doubled our scale in the US and expanded our product range into the seasonal décor market. Furthermore the combined volumes unlocked the ability to create a world class manufacturing facility in the US, mirroring our operations in the UK and Europe, including planned operational synergies of $5 million per annum from 2021.

The deal was significantly accretive from day one and was supported by shareholders with a £50 million equity raise to help finance the acquisition.

Strategy in action:

Manufacturing A new printing press

In April 2018 our European manufacturing facility started production of gift wrap with its brand new state-of-the-art printing press. By June we had it printing at a record breaking 800 metres per minute, at a speed of 72 miles per hour.

This investment not only increased capacity in Europe, it also delivered a significant improvement in efficiency and will pay back in just under four years. The success of this investment helped support our business case to order another press for our US operation, following the acquisition of Impact. This press will be delivered in the last quarter of the 2019 calendar year and will be a key driver in the delivery of the $5 million synergies relating to the consolidation of our US manufacturing facilities following the acquisition.

SOCIAL RESPONSIBILITY

At Design Group we aim to lead the way in social responsibility through respecting our people and our environment and ensuring our supply chains are sourcing responsibly.

Environmental

Environmental Taskforce

Environmental issues are taken very seriously given the nature of our business. As a Group we ensure that we are fully compliant with all legal environmental requirements. We encourage all parts of the business to look to reduce our impact on the environment and look to continually improve each year through the development of new environmentally friendly products and better processes that reduce our carbon footprint.

This year saw the launch of our Environmental Taskforce across the Group who will be working with third party specialist organisations, with the aim to be regarded by our customers as leaders in bringing improved sustainable product solutions to all product categories in the Group's portfolio. The taskforce is comprised of a select group of senior management who are charged with enabling the people in our offices, warehouses and supply chains to bring the Group's environmental agenda to life and into the core of their business practice.

Key environmental initiatives

As a key part of the agenda we have identified initiatives that focus on ensuring that the Group is doing all it can to transform the effect of our business on the environment. These include using more sustainable materials in our production to move towards fully recyclable packaging, a focus on reducing our carbon footprint, reducing waste in the manufacturing process, and a continued focus on responsible sourcing.

Starting with crackers

A recent developments is a completely recyclable cracker range for customers in the UK. Other initiatives include removing plastic from a selection of product packaging, removing non-recyclable glitter from a number of wrap ranges and reducing the size of wrap cores to reduce the volumes and cost of our transport. We still have a long way to go, but we will continue to improve year-on-year as increasing our attention on the environmental impact of the Group is moving us forward in the right direction.

People

A truly global workforce

The average number of employees during the year was 2,364 within Design Group. Our people are based across the globe, with offices in Australia, Hong Kong, China, the Netherlands, Poland, the USA and the UK. Not to mention our global sales team across many locations around the world.

Our people make us who we are

Design Group wouldn't be who we are without the passion, drive and determination of our talented teams across the globe in all disciplines. They are the key to our success and we continue to work towards ensuring that our people are committed, loyal and engaged by investing in their capabilities and desire to learn and develop.

Pages 44 and 45 of our corporate governance review highlights our focus on training, talent identification and personal development mechanisms as well as employee engagement.

A charitable bunch

One key desire of all our teams across the Group is to ensure that Design Group is making a positive difference in its surrounding communities. Teams across the globe have been involved in many charitable initiatives this year, including; raising money for Breast Cancer, donations to support Ronald McDonald House, provider of free 'home away from home' accommodation; donations of toys to Family Promise as well as reading to students within the Liberty County School System; and donating blankets for the winter months to Senior Citizens Inc. in Savannah.

Design Group UK has teamed up with the Trussell Trust (UK national food bank coordinator) and for every case of catering crackers sold we donate £2 to the Trussell Trust. The Group team also spent an afternoon sorting donations for Willen Hospice who are providers of specialist palliative care in Milton Keynes.

Business

Our supply chain

It's our responsibility to make sure every worker in our supply chain is protected and respected. In our facilities, we ensure that all employees receive the relevant living wage, and we promote equality amongst our workforce across all diversities. Employee safety is paramount throughout the Group and we ensure that we operate within all safety laws and regulations within the territories where we are based. Our code of business conduct sets out our position on all of these key principles and is being rolled out across the globe to all Design Group employees.

Working closely with our suppliers

Design Group is committed to engage with our suppliers fairly and lawfully and source responsibly. We are SEDEX members and work closely with 'Stronger Together', a multi-stakeholder initiative aiming to reduce modern slavery, and our suppliers to ensure they respect human rights, promote decent working conditions and improve sustainability across our supply base.

Responsible sourcing

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').

EXECUTIVE REVIEW

Investing in growth, delivering record profits.

Paul Fineman
Chief Executive Officer

Giles Willits
Chief Financial Officer

Overview

We are pleased to report that the Group has achieved another excellent year of **adjusted profit** and **adjusted earnings per share** growth as a result of strong performances from all regions. It is particularly pleasing to have delivered significant organic growth whilst also benefiting from the transformational acquisition of Impact Innovations Inc. ('Impact') and other capital investments across the Group. The diversified nature of our business, alongside excellent customer relationships, the strength of our design and innovation capabilities and our focus on service have combined to make this another record year for IG Design Group plc.

Furthermore, our focus on cash generation has resulted in a significant increase in our year-end cash, and delivered a further reduction in **average leverage**, despite increased capital and acquisition investment.

During the year, Group **revenue** increased by 37% to £448.4 million (2018: £327.5 million) with **adjusted profit before tax** increasing by 39% to £30.3 million (2018: £21.8 million). **Adjusted earnings per share** increased 33% to 29.3p (2018: 22.1p). **Average leverage** improved from 1.5 times to 1.3 times, whilst the year-end positive net cash balance increased from £4.4 million in 2018 to £17.1 million in 2019, reflecting the effectiveness of our focus on converting profit into cash and the highly cash generative dynamics within our business.

Adjusted profit before tax	Adjusted earnings per share	Adjusted cash generated from operations
£30.3m	29.3p	£50.5m
Reported profit before tax	**Reported earnings per share**	**Reported cash generated from operations**
£17.3m	16.0p	£44.8m

Reported profit before tax reduced from £19.7 million in 2018 to £17.3 million in the current year, primarily as a result of the exceptional cost associated with the acquisition of Impact and the subsequent restructuring in the US. **Reported diluted earnings per share** is 16.0p (2018: 20.5p).

The results are testament to our successful focus on the Group's key strategic drivers; **working with the winners** in both existing and new channels and markets; **design and innovation**, growing existing, new and adjacent product categories; and **efficiency and scale**, investing in state-of-the-art machinery across the globe, growing our scale through acquisitions and leveraging synergies from these.

The combination of reduced **average leverage** and strong cash generation has underpinned a 42% increase in the dividend from a level of 6.0p for 2018 to a total of 8.5p for 2019. This increase not only reflects the growth in the business but also the commitment to reduce **dividend cover**, which decreased to 3.4 times compared to 3.7 times in the prior year.

Our strategy

Our business is successful as a result of our focus on growing by maximising the impact of our key strategic drivers, which underpin the Group's ethos and are broken down into three key areas:

Working with the winners

We are focused on increasing our revenue and profitability through growth in both existing and new channels and markets by ensuring we maintain excellent relationships with our key customers, as well as developing relationships with new customers. We want to be part of our customers' success stories. As the retail market evolves and progresses, we work closely with our key customers with the aim of being their partner of choice going forward. Our top 10 customers now account for 48% of our global revenues (2018: 39%).

In order to do this, we need to have the capability to manufacture and/or source a broad range of products, leveraging from improved sourcing processes as our business grows. Many of our customers work across multiple territories and have global ambitions. As such, our geographic and channel diversity in key markets is essential to help support our customers as they grow. Our businesses are experts in their territories and we ensure that we know what works well for our customers in each of those markets.

To continue our growth trajectory with our customers, we follow key market trends including the increase in consumer demand for mainstream mass and discount retailers, as well as specialist 'experiential' retailers and e-commerce opportunities.

Our focus on working with the winners helps ensure we are benefiting as our customers continue to grow. But it also requires us to decide who we will not work with and this has been especially important during a year that has witnessed challenging retail markets, with a number of high profile retailers facing financial troubles. This is highlighted by our low bad debt write offs at 0.1% of revenues.

The Impact acquisition has resulted in a strengthening of our relationship with Walmart, the largest retailer in the world. With over 11,000 stores worldwide, Walmart is our largest customer, and now accounts for approximately 20% of the Group's revenue. Our focus on great customer service is a must for maintaining and developing all relationships, and we were delighted that Impact was awarded Walmart Supplier of the Year in March 2019. Next year will see us continue to grow our business with Walmart.

In 2019 over

750 million

units of consumer products sold

EXECUTIVE REVIEW CONTINUED

Revenue driven by our transformational acquisition and significant organic growth.

Our strategy continued

Design & innovation

Our customers, as do their customers, look to us to be at the forefront of product design and innovation. This means we look to develop the best designs for innovative and quality products, while maintaining a focus on value and consumer appeal.

The Group has succeeded in growing revenues through developing new and adjacent category products as well as increasing revenues in existing product areas. The addition of Impact product categories has strengthened the Group's ability to offer a complete 'one-stop-shop' to customers including products not previously forming part of the Group's portfolio such as Seasonal décor. We also continue to diversify our product range by focusing on occasions other than Christmas that are celebrated across the globe throughout the year with 'minor seasons' now generating over £20 million in global sales.

During the year we again saw a significant increase in revenues in the US from our focus on our Creative play and related products business. We are now looking to leverage across all of the territories in which we operate around the world, while also further expanding our 'not-for-resale' products revenue which has now broadened in terms of product offering and geographical reach.

Technological development is a key part of this strategy and this extends to adapting to changes in consumer habits and being dynamic in providing customers with new channels to purchase their celebration products. We have been busy developing new celebration product offers that work online and will be trialling these with customers during the remainder of the 2019 calendar year.

Coupled with innovation in product design, we have also increased our focus on developing more sustainable products and improved sourcing, manufacturing and distribution to reduce our global carbon footprint. We believe this focus is not only the right strategy to help the environment but can also be a source of competitive advantage. Recent highlights include developing a completely recyclable cracker range for customers in the UK, removing plastic from a selection of product packaging, removing non-recyclable glitter from a number of wrap, bag and card ranges and reducing the size of wrap cores to further rationalise shipping volumes and cost. We are committed to continuously increasing our attention to the environmental impact of the Group and have recently established an Environmental Taskforce that will be working with third party specialist organisations. We wish to ensure that we can be regarded by our customers as leaders in bringing improved sustainable product solutions to all product categories in the Group's portfolio.

Efficiency & scale

As we grow we remain intent on driving up operating margins through investment in processes and people as well as by unlocking synergies following acquisitions, using our global reach and capabilities to leverage Group economies of scale.

The year has seen significant capital investment across the Group totalling £7.9 million (2018: £9.4 million). Key areas included investment in further bag making equipment in the UK to support the growth of our 'not-for-resale' business, in new paper converting lines in the Netherlands and the continued investment in our US IT capabilities. As ever, we look for quick return projects that help increase our capacity, improve our efficiency and deliver a better service.

In addition we are building the capabilities of the team around the Group. In the US this included the excellent team at Impact, and a new Chief Information Officer. In Asia we have introduced a newly created position of Global Procurement Managing Director and at Group we have added a Group Legal Counsel to the team. These new positions help extend the strength of the teams around the world, bringing new skills that will ensure we are properly resourced to deliver our strategy.

Furthermore, the acquisition of Impact was a pivotal moment for the Group further extending the geographical diversity of the business. Impact is one of the leading suppliers of gift wrap and seasonal décor products in the US, with long standing relationships with major US retailers. Following the acquisition in August 2018, the Group has proceeded quickly with the integration of Impact with our existing US business, combining manufacturing operations into one facility in Memphis and we are already seeing the benefits from the synergies and the increased scale of the overall business, including successes in cross selling Impact products across the Group.

EXECUTIVE REVIEW
CONTINUED

Strong cash conversion supported increased investment while delivering reduced average leverage.

Targets for growth

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

- double-digit growth in **adjusted earnings per share** – over the past five years we have averaged 28% annual growth;
- maintaining **average leverage** between 1.0 times and 2.0 times – since 2015 the Group's leverage has reduced from 4.1 times to 1.3 times for the year ended 31 March 2019; and
- a progressive dividend policy targeting **dividend cover** of 2.5 times earnings per share in the near future – in 2019, **dividend cover** reduced to 3.4 times.

Outlook

The Group is focused on continuing to deliver year-on-year growth and we are greatly encouraged with prospects for this trend to continue in 2020 and beyond. Despite the ongoing challenging retail marketplace, and geo-political uncertainties, our order book across the business shows pleasing growth year-on-year. In the US we continue our focus on delivering the synergies from the acquisition of Impact and the subsequent restructuring of the business. This includes further investment in our IT systems, taking delivery of our new printing press in the US and further restructuring and rationalisation of processes.

We continue to invest in building the capability and strength of our teams around the world to ensure we remain agile to the opportunities that will deliver further successes. In particular, in the US we have recently recruited new senior management to lead our sales and manufacturing teams.

We continue to set ourselves ambitious targets and remain focused on creating value for all stakeholders through the delivery of our strategy. We are excited by the positive start to the new financial year and the potential to drive the business forward through compelling M&A opportunities.

Acquisition of Impact drives revenue increase of 27%

Adjusted operating margin increased to 7.3%

Over 750 million units sold, across more than 50,000 SKUs

Operational regional highlights

Our Group looks to leverage 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 the year ended 31 March 2019.

			Segmental revenue			Adjusted operating profit			Adjusted margin	
% Group revenue			2019	2018	% growth	2019	2018	% growth	2019 %	2018 %
50%	Americas	$m	289.9	158.8	83%	20.0	12.7	57%	6.9%	8.0%
28%	UK	£m	127.1	123.3	3%	8.1	7.9	3%	6.4%	6.4%
14%	Europe	€m	73.0	58.5	25%	10.0	7.5	33%	13.7%	12.9%
9%	Australia	AU$m	70.3	63.1	11%	7.7	5.0	54%	10.9%	7.9%
(1%)	Elims/Central costs	£m	(5.5)	(4.8)	—	(4.1)	(4.0)	—	—	—
100%	Total	£m	448.4	327.5	37%	32.6	23.2	41%	7.3%	7.1%

Americas

Our Americas business has undergone significant change in 2019. With the Impact acquisition we have doubled the size of the US business, leading to a significant restructure to merge our manufacturing facilities into one location, as well as affecting the planned ERP systems implementation.

Despite all of this change, the US has delivered strong results with revenue increasing 83% to $289.9 million (2018: $158.8 million), of which $114.9 million related to the Impact acquisition. **Adjusted operating profit** followed a similar trend, up 57% at $20.0 million (2018: $12.7 million). The Americas now accounts for 50% (2018: 37%) of the Group's revenues. **Adjusted operating margins** at 6.9% were down on the previous year primarily reflecting the acquisition of Impact and the mix of product revenues. Going into 2020 margins are set to improve reflecting the full year of Impact, the delivery of synergies following the acquisition and subsequent US restructuring, as well as further improvements in product mix toward higher margin categories.

The Group has shown good organic growth across all channels, but in particular in our Creative play offering in the Americas. Anker Play Products, launched as a start up in July 2016, delivered its first year of profit within just three years from launch.

This is a particularly pleasing start and is set to continue with the 2020 order book already looking very promising as we continue to develop our offering both in the Americas as well as globally.

The most prominent story for the US business is the acquisition of Impact. Formerly a competitor of Design Group in the US gift wrap sector, the combined synergies and expertise we now have as a result of the acquisition puts us on a great footing going forward.

The integration of facilities is going to plan, with gift wrap manufacturing operations now under one roof in our Memphis facilities. This underpins our drive to improve efficiencies in our manufacturing processes in the region, and further capital investment is underway in this respect with the delivery of the new state-of-the-art printing press scheduled for the final quarter of the 2019 calendar year. Since the acquisition in August 2018 we have already seen the delivery of identified operational synergies in line with expectations, as well as strong revenue growth in their two main product categories and excellent growth of Impact's 'not-for-resale' category which achieved record revenue levels. We remain firmly on track to deliver by 2021 annual operational savings of $5 million.

The addition of Impact and their extended product offering allows the Group to offer adjacent product categories to our customer base and provides good cross-selling opportunities which we will continue to develop over the coming years having already seen early success in Seasonal décor in the UK.

The new ERP system has gone live in the business, with additional roll-out and development by the end of 2020. The new system will not only drive further efficiencies from one standardised operating platform but also increase the US business' capacity and is a key enabler for the growth plans in this territory.

We continue to monitor the developments of the ongoing trade discussions between the US and Chinese governments. The business has been highly pro-active in implementing mitigation strategies and has to date, successfully managed the effect of the 10% tariffs introduced in September 2018, and is currently reviewing the full extent of the recent increase of tariffs to 25%. We expect the financial effect to be limited to the usual financial contingencies maintained by the Group and that the successful strategies we have adopted to date continue to be effective.

EXECUTIVE REVIEW
CONTINUED

Revenues of 'not-for-resale' products doubling to almost £20 million globally

24% increase in value of non-Christmas season products

£7.9 million in fast payback capital expenditure

Operational regional highlights
continued

UK

Sales volumes and values continue to grow in our UK business, which now accounts for 28% (2018: 38%) of our overall Group revenue. Sales in the UK increased 3% to £127.1 million (2018: £123.3 million) delivering **adjusted operating profit** up 3% at £8.1 million (2018: £7.9 million) in a very challenging retail market.

The unification of the UK business continues to evolve, and this year saw a further rationalisation of the UK team and further development of processes and activities to leverage our scale in the UK. Whilst we are seeing benefits from the move towards increased cohesiveness, as can be seen in the revenue and profit growth, the market is still very competitive reflected by our flat adjusted operating margins.

Our 'not-for-resale' bags initiative, launched in 2018, continues to be a growth area for the UK business. We have invested in an additional bag machine this financial year, underpinning our view that this is an excellent opportunity to grow the business with a new product offering and develop relationships with new customers. Sales in this product category alone have grown 53% compared to 2018. We expect 2020 to see further growth in bag production volumes with new customers.

Additional product innovation this financial year includes the development and launch of our sustainable product portfolio which includes stationery made from recycled materials.

Europe

Our business in Europe delivered another excellent performance in 2019 accounting for 14% (2018: 16%) of the Group's revenue. Sales increased 25% to €73.0 million (2018: €58.5 million) with **adjusted operating margins** up to 13.7% (2018: 12.9%). As a result, **adjusted operating profit** was up 33% to €10.0 million (2018: €7.5 million). This is driven by organic growth and an excellent example of the Group's 'working with the winners' strategy in action.

The European business has some excellent trading relationships with key leading retailers across the region. For example, Anchor, our business in the Netherlands selling on-trend photo frames and photo-based gift accessories, has built on its relationship with its main customer, a fast-growing international non-food discounter with stores across Europe. Anchor has been a key business partner throughout their historic and continued growth. Sales in this area have achieved another record level this financial year.

In addition, our Celebrations business in the Netherlands, which is benefiting from its investment in a new state-of-the-art printing press in March 2018, has also focused on extending category offerings, increasing SKUs and developing new business with key customers, including a fast-growing major discount grocer.

Australia

Sales in Australia achieved record levels, up 11% year-on-year at AU$70.3 million (2018: AU$63.1 million), with **adjusted operating margins** improving at 10.9% (2018: 7.9%), delivering **adjusted operating profit** up 54% at AU$7.7 million (2018: AU$5.0 million). Our business in Australia accounted for 9% of overall Group revenue (2018: 11%).

The acquisition of Biscay Pty Limited ('Biscay') in January 2018 has delivered the expected synergies and growth in our Australian business despite market headwinds. Margins have improved as a result of focus in improved product mix.

The Australian business faces challenging market conditions with some rationalisation of our national accounts. As such we expect revenues to step back in 2020 with resulting effect on operating profits, albeit the effect on EPS will be tempered by the ownership structure in this region.

In 2019 over

500 million

metres of ribbon sold

In 2019 over

20 million

photo frames sold

EXECUTIVE REVIEW CONTINUED

Our products and brands

Revenue by product category	31 March 2019 %	31 March 2019 £m	31 March 2018 %	31 March 2018 £m
Celebrations	77	345.3	74	243.5
Stationery and creative play	8	36.9	10	31.2
Gifting	11	46.3	13	42.6
'Not-for-resale' consumables	4	19.9	3	10.2
Total		448.4		327.5

Part of the Group's ongoing strategy is to be partner of choice to our customers which means providing 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 all our categories. This was further enhanced this year with the acquisition of Impact, adding Seasonal décor to our product categories.

A key focus, more so than ever before, both this year and going forward is the development of innovative and design-led products that are highly attractive to our customers, and in turn to their customers. This, combined with our proven ability to deliver first class customer service continues to drive our business forward.

Our culture is one of ongoing improvement, with a determination to perpetually 'raise the bar' in all aspects of our business and this continues to be a mantra we firmly adhere to. With our development of sustainable and recycled products and offering acetate free, fully recyclable packaging where possible, we aim to set an industry standard when it comes to environmental approach.

Since last year, we have evolved even further as 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, seasonal décor and partyware products;
- 'Stationery and creative play', including home, school and office products;
- 'Gifting', our design-led giftware products category; and
- 'Not-for-resale' consumables focused on branded store bags, and now point of purchase products.

All our core product categories grew in the year with strong growth specifically in Stationery and creative play and Gifting driven by our focus on new higher margin sales initiatives in these areas.

This year, excluding 'not-for-resale' consumables, we estimate that over 750 million items, from over 50,000 SKUs have been manufactured, sourced and delivered to our customers during the year, of which 31%, £137.4 million sales, carry our Group's generic and licensed brands. Particular growth year-on-year has been in Celebrations, Creative play products and our new Seasonal décor offering.

The business successfully continued to broaden the sales generated throughout the year outside of specific Christmas based products increasing sales generated in our 'Everyday' and 'Minor seasons' by 24% year-on-year, which together account for 44% of the total revenues of the Group.

The increasing retail focus on celebrating Valentines, Easter and other than Christmas events led to revenues for these occasions exceeding £20 million. This is an exciting growth opportunity for all the business units across the Group.

The Group has a strong team of experts within our sourcing and manufacturing operations based in Hong Kong and China, together with a broadening base throughout Asia, which was further enhanced by Impact's sourcing team which joined us in September 2018. The sourcing teams have maintained their continued performance record and delivered excellent standards of service that further boosts ongoing loyalty of our large customer base.

Our team

Design Group wouldn't be what it is without the passion, drive and determination of our talented teams across the globe in all disciplines. They are the key to our success and we continue to further invest in our teams by building on their core capabilities. We are, once again, hugely thankful to all of our colleagues for their contribution during what has been another year of exceptional performance in ever more challenging and competitive markets.

EXECUTIVE REVIEW CONTINUED

Alternative performance measures

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

In order to show when such measures have been used, the APMs are highlighted in blue throughout the Executive Review. The APMs are **adjusted profit**, **adjusted EBITDA**, **adjusted operating profit** and **adjusted EPS**. The definitions of APMs used are listed below:

- **Adjusted EPS** – Fully diluted earnings per share before tax, exceptional items, acquisition amortisation and LTIP charges
- **Adjusted profit** – Profit before tax, exceptional items, acquisition amortisation and LTIP charges
- **Adjusted operating profit** – Profit before interest, tax, exceptional items, acquisition amortisation and LTIP charges
- **Adjusted EBITDA** – EBITDA before exceptional items and LTIP charges

Exceptional items

These include acquisition related costs and reorganisation and restructuring costs. These items are excluded to present the performance of the business in a consistent manner and in line with how the business is managed and measured on a day-to-day basis. They are typically gains or costs associated with events that are not considered to form part of the core operations, or are considered to be a 'non-recurring' event (although they may span several accounting periods). Further detail can be seen in note 10 to the financial statements.

Acquisition related costs

Costs directly associated with acquisitions, including legal and advisory fees on deals, form part of our reported results on an IFRS basis. These costs, however, in our view form part of the capital transaction and as they are not attributed to investment value under IFRS 3, they are excluded from our adjusted measures for the purposes of reporting underlying results. Similarly, where acquisitions have employee related payments (exclusive of LTIPs) which lock in and incentivise legacy talent, we have also excluded these costs. As these costs are employment linked, they are treated as an expense and form part of the IFRS results, however, as with transaction costs, we do not consider these to form part of the underlying results of the business. In accordance with IFRS 3, on acquisition, businesses need to be fair valued, which can result in an uplift to stock on hand relating to sales orders already attached to the acquired stock. This uplift will distort the margins associated with the stock, and typically unwinds quickly as stock is sold soon after acquisition. The unwind of the stock uplift is excluded from our adjusted results as we deem this to be a cost of the acquisition.

Reorganisation and restructuring costs

In order to maximise efficiencies, as well as recognise synergies from acquisitions, certain projects are undertaken to achieve these. These are projects outside of the normal operations of the business and typically are very sizeable in terms of costs. This is particularly relevant during a large scale restructuring that can result in some disruption to the normal business (for example manufacturing patterns) leading to operational inefficiencies occurring in this time frame. If we deem this to be the case, we will present the details and associated costs of the projects separately in our financial statements and exclude them from our adjusted measures.

LTIP costs

As part of our senior management remuneration, the Group operate a Long Term Incentive Plan ('LTIP') in the form of options for ordinary shares of the Group. In accordance with accounting principles, despite this plan not being a cash cost to the business, a share-based payments charge is taken to the income statement. We consider that these charges do not form part of the underlying operational costs and therefore exclude them from our adjusted measures.

Acquisition amortisation costs

Under IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer lists and brands which form part of the intangible value of the acquired business but are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over an appropriately judged period. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. As such we exclude them from the underlying results of the business.

Alternative performance measures

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

	Notes	31 March 2019 £m	31 March 2018 £m
Adjusted EBITDA		38.7	28.0
Exceptional items	10	(8.3)	0.5
LTIP charges	25	(3.0)	(2.2)
EBITDA		27.4	26.3

	Notes	£m	£m
Adjusted profit before tax		30.3	21.8
Exceptional items	10	(8.4)	0.5
Acquisition amortisation	12	(1.6)	(0.4)
LTIP charges	25	(3.0)	(2.2)
Reported profit before tax		17.3	19.7

	£m	£m
Adjusted profit after tax	23.2	15.6
Exceptional items	(6.4)	0.8
Acquisition amortisation	(0.7)	(0.3)
LTIP charges	(2.8)	(1.8)
Reported profit after tax	13.3	14.3

	Notes	Pence	Pence
Adjusted EPS		29.3	22.1
Exceptional items (including tax effect)	23	(8.6)	1.4
Acquisition amortisation (including tax effect)	23	(0.9)	(0.3)
LTIP charges (including tax effect)	23	(3.8)	(2.7)
Reported diluted EPS		16.0	20.5

The APMs are also used in a number of the Group's performance metrics detailed below:

- **Adjusted overheads** – Selling expense, administration expense and other operating income excluding exceptional items, acquisition amortisation and LTIP charges
- **Adjusted operating margin** – Adjusted operating profit divided by revenue
- **Cash conversion** – Adjusted cash generated from operations divided by adjusted EBITDA
- **Return on capital employed** – Adjusted operating profit divided by monthly average net capital employed (excluding cash and intangibles)
- **Average leverage** – Average debt divided by adjusted EBITDA
- **Dividend cover** – Adjusted EPS divided by total dividends for the year
- **Interest cover** – Adjusted finance charge divided by adjusted profit

EXECUTIVE REVIEW
CONTINUED

Detailed financial review

The Group has delivered another excellent performance in the financial year to 31 March 2019.

	31 March 2019 £m	31 March 2018 £m	% change
Revenue	**448.4**	327.5	37
Gross profit	**84.6**	70.0	21
Overheads	**(52.0)**	(46.8)	11
Adjusted operating profit	**32.6**	23.2	41
Adjusted operating margin %	*7.3%*	*7.1%*	
Finance charge	**(2.3)**	(1.4)	67
Adjusted profit before tax	**30.3**	21.8	39
Exceptional items	**(8.4)**	0.5	
Acquisition amortisation	**(1.6)**	(0.4)	
LTIP charges	**(3.0)**	(2.2)	
Profit before tax	**17.3**	19.7	(12)
Tax	**(4.0)**	(5.4)	
Profit after tax	**13.3**	14.3	(8)

Revenues for the year of £448.4 million have grown 37% over the previous year (2018: £327.5 million) of which 9.8% relates to organic growth and the remainder as a result of the acquisition of Impact. At like-for-like foreign exchange rates the overall revenue increase is the same. **Adjusted operating profit** increased by 41% to £32.6 million (2018: £23.2 million) and 40% at like-for-like exchange rates. **Adjusted operating profit margins** increased to 7.3% (2018: 7.1%) as we continue to focus on higher margin product categories along with increased efficiencies and a drive on cost management. Gross margins fell in the year, largely as a result of the effect of the acquisition of Impact and product mix to 18.9% (2018: 21.4%). Overheads as a percentage of revenue reduced to 11.7% compared to 14.4% in the prior year.

Overall our **adjusted profit before tax** increased 39% in the year to £30.3 million (2018: £21.8 million) reflecting the strong performance of the business. Our **reported profit before tax** at £17.3 million (2018: £19.7 million) declined year-on-year reflecting the exceptional cost of £8.4 million (2018: exceptional gain £0.5 million), amortisation of assets acquired through business combinations of £1.6 million (2018: £0.4 million) and an LTIP charge of £3.0 million (2018: £2.2 million). **Adjusted profit after tax** increased 49% to £23.2 million (2018: £15.6 million) with **reported profit after tax** for the year at £13.3 million (2018: £14.3 million).

Finance charge

Finance costs at £2.3 million (excluding arrangement fees of £0.2 million relating to the additional facility to fund the Impact acquisition, which are included in exceptional costs below) compared to £1.4 million in the prior year. This reflects the increase in central banks' base rates and the higher average debt of the Group following the acquisition of Impact. **Adjusted interest cover** was 14.1 times in 2019, compared to 16.7 times in 2018 reflecting the additional cost of the debt for the Impact acquisition.

Exceptional items

The Group incurred exceptional costs in the year totalling £8.4 million (2018: exceptional gain of £0.5 million).

The costs related to three items:

- Acquisition of Impact (£2.4 million) – legal and due diligence fees and deferred employee related amounts associated with locking in and incentivising the legacy Impact team.
- Restructure of our US operations (£5.6 million) – these include the costs for closure of our manufacturing facility in Midway and relocation of equipment and personnel to Impact's manufacturing site in Memphis, Tennessee. Along with manufacturing inefficiencies associated with the start up of converting operations (including machine calibration and operator training). In addition the costs include redundancies and the sale of the Midway freehold property less associated costs.
- UK unification – £0.4 million of costs associated with relocating a part of our UK business to another site and associated redundancies with the move.

The net cash outflow in the year associated with exceptional costs was £0.3 million, which includes the £4.8 million cash inflow from the sale of our Midway site in Georgia.

LTIP charges

LTIP charges have increased in the year to £3.0 million (2018: £2.2 million). The increase reflects the higher share price alongside an increase in the number of shares granted compared to the prior year.

In 2019 over

60 million

units of Stationery and creative play products sold

EXECUTIVE REVIEW
CONTINUED

Taxation

The Group aims to manage its tax affairs in an open and transparent manner, including being fully compliant with all applicable rules and regulations in tax jurisdictions in which it operates. We have not entered into any tax avoidance or otherwise aggressive tax planning schemes and the Group continues to operate its tax affairs in this manner.

The tax charge is £4.0 million compared to £5.4 million in the prior year. The year-on-year reduction is driven by the increased exceptional costs in the year, part of which are allowable for tax purposes. The effective tax rate on **adjusted profits** is 23.4% (2018: 28.4%). The reduction primarily reflects the impact of the lower US federal tax rate following the US tax reform in January 2018. Overall tax paid in comparison to the prior year increased slightly to £3.7 million (2018: £3.1 million) largely as a result of higher profitability in tax paying territories including Europe and Australia.

Earnings per share

Adjusted, fully diluted earnings per share grew 33% to 29.3p (2018: 22.1p) reflecting the improved adjusted profitability of the business. **Reported basic earnings per share** are 16.0p (2018: 21.4p).

Dividends

The Board is pleased to announce a final dividend of 6.00p (2018: 4.00p) bringing our total dividend in respect of the year to 8.50p per share, up 42% (2018: 6.00p). This represents 3.4 times **dividend cover** compared to 3.7 times in 2018. 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 adjusted earnings per share.

Return on capital employed

Improving the return on capital employed is one of our promises to the shareholders and in line with this each region has its own target to improve its return on capital employed. Overall, the Group saw the **return on capital employed** increase to 24.3% in 2019 from 22.5% in 2018.

Cash flow and net cash

At 31 March 2019, the net cash position has improved by £12.7 million to £17.1 million compared to the prior year at £4.4 million. This reflects the improved adjusted profit performance in the year, with **adjusted EBITDA** up 38% to £38.7 million (2018: £28.0 million) and strong net working capital inflows which together delivered an outstanding EBITDA to operating **cash conversion** of 130.5%.

	31 March 2019 £000	31 March 2018 £000
Adjusted EBITDA	38.7	28.0
Change in trade and other receivables	25.6	(9.1)
Change in inventory	4.3	0.4
Change in creditors, provisions and accruals	(18.1)	3.3
Adjusted cash generated from operations	50.5	22.6
Exceptional items from operations	(5.0)	(0.5)
LTIP	(0.7)	(0.4)
Cash generated from operations	44.8	21.7
Proceeds from sale of property, plant and equipment	5.3	2.6
Net capital expenditure	(7.9)	(9.4)
Business acquired	(66.8)	(5.1)
Cash acquired with acquisition	1.2	—
Tax paid	(3.7)	(3.1)
Interest paid (including exceptional items)	(2.1)	(1.5)
Dividends paid to non-controlling interests	(1.1)	(0.6)
Equity dividends paid	(4.6)	(3.0)
Proceeds from issue of share capital	48.3	0.1
Other	(0.7)	(0.3)
Movement in net cash	12.7	1.4
Opening net cash	4.4	3.0
Closing net cash	17.1	4.4

Working capital

The main driver for the working capital movements in the year was the Impact acquisition. We acquired Impact on 31 August 2018 at the peak of their working capital cycle when trade receivables, inventory and creditors were close to their highest annual level. As a result following acquisition the Group benefited from a net Impact related working capital inflow of £24.8 million as inventory was despatched and receivables were collected from customers, over and above funding the creditor payments. Excluding the cash inflow from the Impact acquisition there was a net working capital outflow of £13.0 million, reflecting the need for additional working capital to support the growth of the business year-on-year.

In the ever-challenging retail environment it is even more important to ensure we actively track debtor days and credit rating profiles to ensure we mitigate our exposure to credit risk with regard to our debtors. As a result we kept bad debt write off to less that 0.1% of revenue (2018: 0.1%), a testament to our active credit risk management process.

Stock levels increased year-on-year, largely due to Impact, however excluding this, our UK and Europe businesses have built up stock levels earlier in the production cycle than normal to gain further efficiencies from our high-speed printing operations, and to mitigate against the potential risks to our supply chain relating to Brexit.

Capital expenditure

During the year we invested £7.9 million (2018: £9.4 million). The key projects include:

- the acquisition of new converting lines in the Netherlands;
- the introduction of a second bag machine in our UK factory to provide 'not-for-resale' branded bags for retailers; and
- a new ERP system in the US.

There are also smaller capital projects that we have invested in throughout the year and 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 we achieve the expected returns.

Impact acquisition and associated share capital issue

In August 2018 the Group acquired 100% of the equity of Impact Innovations Inc. The deal completed for total consideration of $73.5 million on a cash and debt free basis representing a 4.9x adjusted EBITDA multiple with an additional working capital and other adjustment. In total, cash totalling £66.8 million was paid in the year for the business. The acquisition was funded using a combination of debt and an equity share placing. The net proceeds from the share issue were £48.3 million. Full details of the assets acquired, which included stock, customer lists and the Impact brand, can be found in note 31 to the consolidated financial statements.

Average leverage and treasury

As our business is very seasonal in nature we spend a period of our year in a net debt position and therefore **average leverage** is the key measure the Group adopts in relation to debt. We seek to maintain our average leverage position in the range between 1.0 times and 2.0 times over the long term. **Average leverage** for the year to 31 March 2019 was 1.3 times, down from 1.5 times in the prior year, demonstrating the continued focus on our balance sheet and working capital management throughout the year.

On 5 June 2019 we entered into a new three year Group facility with a club of five banks chosen to reflect and support the geographical spread of the Group. HSBC continue to be a significant partner and have been joined in the new facility by NatWest, BNP Paribas, Sun Trust and PNC.

The new Group facilities, which run to May 2022 comprise:

- a revolving credit facility ('RCF A') of $80.0 million;
- a further flexible RCF ('RCF B') with availability varying from month to month of up to £85.0 million. This RCF is flexed to meet our working capital requirements during those months when inventory is being built within our annual business cycle and is nil when not required minimising carry costs; and
- the existing invoice financing arrangements in Hong Kong which will remain in place for a minimum of the first year.

In total, the available facilities at approximately £160 million are more than sufficient to cover our peak requirements. Being partially framed in US dollars they provide a hedge against currency movements. The facilities, which do not amortise with time, include an additional uncommitted amount to finance potential acquisitions.

EXECUTIVE REVIEW
CONTINUED

Average leverage and treasury continued

There are financial covenants, tested quarterly, attached to the 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 adjusted EBITDA on a rolling twelve-month basis.

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

The Group currently 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 is planned to 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 overall impact on revenue 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.

New accounting standards

IFRS 16 'Leases' is effective for accounting periods beginning on or after 1 January 2019. The Group plans on adopting the modified retrospective approach. The estimated impact to profit before tax for the 2020 financial year is a reduction of between £nil and £1.0 million. Non-current assets are expected to increase by £31.0 million and gross liabilities are expected to increase by £35.0 million. The Group has elected not to recognise right of use assets and lease liabilities for short-term leases or low-value assets and will continue to expense the lease payments associated with these leases on a straight-line basis over the term of the lease.

Financial position and going concern basis

The Group's net assets increased by £75.1 million to £175.6 million at 31 March 2019 (31 March 2018: £100.5 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)

10 June 2019

In 2019 over

10 million

‘Not-for-resale’ bags sold

PRINCIPAL RISKS AND UNCERTAINTIES

The Group actively monitors the risk related to its business and the environment in which it operates.

Our risk management framework

The Board
- Ownership and monitoring of risk management
- Set objectives and risk appetite

Audit Committee
- Responsible for advising the Board on risk exposures
- Review of internal controls that help manage risks

Executive Committee
- Management of key risks
- Assessment of materiality of key risks

Business Units
- Identification, assessment and mitigation associated with key risks
- Consider risk as part of decision making and management of external relationships

Group Risk Function
- Monitoring and collation of risks and actions by management from across the Group
- Review and oversight of the Group's risk management process

Key
Working with the winners

Design & innovation

Efficiency & scale

Risk management approach
The Group's continuing success is influenced by how well we understand and manage our risks, making risk management ever more important as part of the Group's strategy. We have a risk management framework which helps us identify, assess and mitigate significant risks.

Every year we review our approach to the Group's risk management framework, especially given the significant growth we have experienced over the previous few years.

Our approach to risk management is bottom up, with each of our Business Units maintaining risk registers for their territories, identifying, monitoring and determining mitigation plans for the key risks in their businesses. These risks feed into the Group risk summary.

Risk appetite
Risk appetite is an expression of the types and amount of risk that the Group is willing to take or accept to achieve its objectives. In determining our risk appetite, we ensure that it allows us to make consistent and informed decisions across the Group, whilst capturing all key and significant risks assessing them and managing them to within our tolerated levels of risk.

Framework
The Group's risk management framework determines an overall risk rating for each Business Unit which in turn governs the Business Unit's place on the Group's risk continuum. The continuum is a sliding scale from lower risk, to higher risk and the placing on this scale then focuses the Group on where the higher risks sit and prioritises additional mitigation strategies that may be required.

Link to Group strategy
The risks we have identified as our key focus in 2019 and beyond can be seen in the next few pages. Where applicable we have also identified how these risks interact with our Group strategy.

Risk	Mitigation	Change
Acquisitions Failure to identify potential acquisition opportunities or failing to successfully integrate an acquisition could affect our growth strategy	Maintain an active M&A pipeline and ongoing review of market opportunities Operate strict evaluation criteria including using third party due-diligence professionals for technical areas Appropriate and effective modelling and sensitivity analysis and risk evaluation along with synergy target analysis Overseen by one or more senior management team members with regular reports to the Board Engage third party integration specialist, as required, to support critical integration processes post acquisition	**Increased** Increased risk following the significant acquisition of Impact
Pre-mitigation impact: **High**	Post-mitigation impact: **Medium**	Link to strategy:
People Failure to recruit, develop and retain the right people could affect the Group's ability to meet its strategic objectives	A focus on succession planning and building strong teams around key individuals in each Business Unit Ensuring we review all aspects of executive and senior management remuneration and appropriate remuneration packages, alongside a standardised grading and benefits structure for all positions Appropriate policies around hiring key team members focusing on qualifications and appropriate experience for the relevant role A focus on management development to improve competencies across the business Implementation of cross-learning programmes to ensure all senior management team understand other roles	**Unchanged** Remains low risk with continued focus and further investment in our management teams
Pre-mitigation impact: **Medium**	Post-mitigation impact: **Low**	Link to strategy:
Competition Loss of significant customers Price erosion due to pricing from competitors Customers going directly to our suppliers	Focus on design, product quality and service delivery Maintain a blended and diversified portfolio of products and customers, both by market segment and geography Close management of costs and margin on a product-by-product basis Continued investment in capital expenditure to drive improved efficiency to maintain a competitive advantage Maintain close relationships with all of our key customers	**Increased** Increased risk as retail environment becomes more challenging
Pre-mitigation impact: **High**	Post-mitigation impact: **Medium**	Link to strategy:

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Risk	Mitigation	Change
Margin erosion Cost inflation and price competition eroding margins on already low margin products Seasonality and fashion driving inventory obsolescence	Investment in production facilities and continued monitoring and improving production processes to ensure they are as efficient as possible Regular and careful review and management of product costings with senior management approval for lower margin products Regular monitoring of inventory obsolescence ensuring the business has sufficient provisions Monitor competitor activity and working closely with suppliers ensuring efficiently costed sourced product Concept selling to boost margins	**Unchanged** Ongoing investment in efficiency improvements offsetting commercial pricing pressures
Pre-mitigation impact: **High**	Post-mitigation impact: **Medium**	Link to strategy:
Business continuity and supply chain integrity Disruption of manufacturing operations during peak season Failure of suppliers to deliver Problems with product quality or integrity of supply chain	Policies and procedures to efficiently manage and safely maintain continuity of supply Carefully selected suppliers whose performance is monitored closely with alternative routes of supply as back up Regular supply chain audits along with internal audits of manufacturing facilities Group insurance policy for a range of operational risks Leveraging our sourcing offices in Asia to manage and maintain supply relationships	**Unchanged** Group wide insurance programme continues to provide effective cover alongside increased focus on managing robust supply chain
Pre-mitigation impact: **Medium**	Post-mitigation impact: **Low**	Link to strategy:
Economic uncertainty Changes to international trade terms between core territories of operation having a significant effect in our main cost areas of raw materials, freight and people	Regular monitoring of the economic conditions in which we operate Impact analysis and response plans for significant changes to trade agreements utilising external specialists where necessary Brexit mitigation plans	**Increased** Brexit and US tariffs on China sourced products increase risk for the Group
Pre-mitigation impact: **High**	Post-mitigation impact: **Medium**	Link to strategy:

Risk	Mitigation	Change
Customer default Significant customer default	Tight credit control procedures, with regular review of credit limits Insuring credit risk where possible Close monitoring of debts and inventory levels taking provisions where required	**Increased** Increasingly challenging retail environment
Pre-mitigation impact: **High**	Post-mitigation impact: **Medium**	Link to strategy:
Currency exposure Purchases, sales and funding in a mixture of currencies Translation of overseas businesses	Natural hedges where possible across businesses as well as spot purchases, forward contracts and other similar instruments Ensuring financing facilities have appropriate headroom to accommodate fluctuations in currencies	**Unchanged** Ongoing management focus maintains effective hedge to currency risk where possible
Pre-mitigation impact: **High**	Post-mitigation impact: **Medium**	Link to strategy:
Governance and compliance Non-compliance with legal and tax regulations in the jurisdictions in which we operate	Group Legal Counsel joined the Group this year to aid with managing the Group's compliance Specialist advisers in relevant jurisdictions used where appropriate and necessary Outsourced internal audit function Open dialogue with relevant parties (e.g. tax authorities)	**Unchanged** Increased regulatory environment offset by new and improved governance
Pre-mitigation impact: **Medium**	Post-mitigation impact: **Low**	Link to strategy:
Liquidity and treasury management Failure to raise funds through debt or share issues Loss of support from principal banking partners	Regular cash budgeting, forecasting and monitoring Maintain borrowing lines with lending partners to a range of maturities sufficient to cover funding requirements Working closely and transparently with our lending partners ensuring the cash flow cycle is understood and monitored by all parties	**Unchanged** Ongoing focus on cash management supported by refinancing with banks on 5 June 2019
Pre-mitigation impact: **High**	Post-mitigation impact: **Medium**	Link to strategy:

BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and for ensuring high standards of corporate governance are maintained throughout the Group.

John Charlton

Non-Executive Chairman

Date of appointment

John joined the Board in April 2010 and was appointed Chairman of the Board on 7 September 2011.

Experience

In his executive career, John was previously Senior Vice President International of American Greetings Corporation and Chief Executive of UK Greetings Ltd. He was also Chairman of Amscan International Ltd.

External appointments

John is Chairman of SA Greeting (Pty) Ltd, a South African company.

Skills

In-depth knowledge of the international greetings, card, gift packaging, stationery and social expression gift market.

Committees

N* A R

Paul Fineman

Chief Executive Officer

Date of appointment

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.

Experience

Paul has over 40 years' experience in the card, gift wrap and stationery industry having developed knowledge within his family's business, Anker International, prior to its acquisition in 2005. He has led the transformation and growth of Design Group as CEO since 2009. Paul was awarded Chief Executive Officer of the Year by the Quoted Company Awards 2017.

Skills

Business and team development.

Innovation and entrepreneurship.

Giles Willits

Chief Financial Officer

Date of appointment

Giles joined the Board in January 2018.

Experience

Giles has more than 20 years' experience in senior leadership and financial roles in multiple household name businesses. He was most recently the CFO 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.

External appointments

Giles sits on the Board of Shearwater Group plc as a Non-Executive Director.

Skills

Particular skills and experience in M&A, as well as being a Chartered Accountant.

Lance Burn

Executive Director

Date of appointment

Lance joined the Board in October 2012.

Experience

Lance 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 McDougall plc, Saint Gobain Solaglas UK and also international overseas-based roles for PepsiCo International in Africa and India.

Skills

Managing businesses both in the UK and abroad across a number of industry sectors.

Business integration and overseas operations.

Anders Hedlund

Founder and Non-Executive Deputy Chairman

Date of appointment

Anders was appointed as Nominee Non-Executive Director in 2007.

Experience

Anders founded the Group in 1979 and was joint Chief Executive Officer of the Group until December 2007.

Skills

Significant industry knowledge.

Elaine Bond

Non-Executive Director

Date of appointment

Elaine joined the Board as a Non-Executive Director on 1 February 2012.

Experience

Elaine was previously Group Operations Director of UK Greetings Ltd, the UK subsidiary of American Greetings.

External appointments

Non-Executive Director at Sandgate Systems Limited.

Skills

Operational skills and experience gained over many years in the card, gift wrap and stationery industry.

Committees

R * A N

Mark Tentori

Non-Executive Director

Date of appointment

Mark joined the Board as a Non-Executive Director on 1 January 2016.

Experience

Mark has 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 PricewaterhouseCoopers where he qualified as a Chartered Accountant.

External appointments

Currently Portfolio Partner at Charterhouse Capital Partners LLP.

Skills

Wide experience in finance and a Chartered Accountant.

Committees

A * R N

A Audit Committee

R Remuneration Committee

N Nomination Committee

* Chair

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW

We are proud to celebrate a year of outstanding 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 2019. I am delighted that once again we have exceeded the goals that we set ourselves in terms of adjusted profit and adjusted 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 Impact Innovations in the US and an increased dividend.

We again end the year being cash positive, with a further reduction in average leverage.

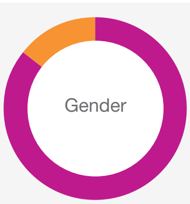
We shall continue to put considerable effort into strengthening our position as one of the world's leading designers, manufacturers, importers and distributors of each of the core product categories on which we focus.

The Board is focused on developing the Group for the long-term benefit of all shareholders, with well-informed and effective decision making. As part of this, the Board takes corporate governance seriously and, following updates to AIM Rule 26, adopted the QCA Corporate Governance Code in September 2018 ('Code').

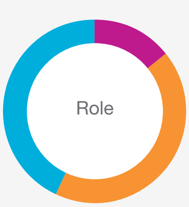
I am pleased to share with you our governance structure and the improvements that have taken place over the past year. For ease, we have structured this to align with the principles of the Code.

Finally, let me take this opportunity to thank our shareholders, customers, suppliers, bankers and advisers for their support and contributions to all our businesses. As always, we are very appreciative of the strong working relationship and partnership that we continue to enjoy with you.

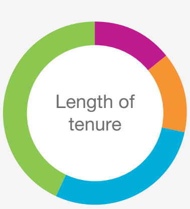
John Charlton
Chairman, 10 June 2019



6 Male
1 Female



1 Chair
3 Executive Directors
3 Non-Executive Directors



1 1-2 years
1 2-5 years
2 5-10 years
3 10+ years

Governance framework

Board

Accountable to shareholders for sustainable financial performance and long-term shareholder value

Executive Board

Consists of Business Unit Managing Directors responsible for the execution of the strategy, governance and business performance

Nomination Committee

Responsible for reviewing and recommending changes to the composition of the Board and its committees

Remuneration Committee

Responsible for overseeing the remuneration strategy for the Group and remuneration policy for the Directors

Read the Committee report on page 54 to 58

Audit Committee

Responsible for overseeing financial reporting, risk management, internal controls and external audit

Read the Committee report on page 51 to 53

Principle 1:
Establish a strategy and business model which promote long-term value for shareholders

The Group continues to operate under a governance structure, which is designed to be flexible and efficient in creating sustainable long-term growth in shareholder 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** – increasing revenue through organic growth with both existing and new customers, suppliers and product areas.
- **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.
- **Efficiency and scale** – driving margins through investments in processes 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.

Further detail on the Group's strategy and business model, as well as the key challenges faced by the Company in achieving its goals, can be found on pages 36 to 39.

Principle 2:
Seek to understand and meet shareholder needs and expectations

This year has been particularly noteworthy with the Group, as part of the acquisition of Impact Innovations, Inc., raising c£50 million from investors to support the financing of the deal. This was significantly oversubscribed and a good indication of the strong relationship between the Company and its shareholders, both existing and new.

At the start of 2019 the Company appointed Canaccord as its Nomad and Broker. Canaccord has a wide international reach and is well placed to support the Group's ambitions for growth in the future.

Our CEO and CFO have maintained regular contact with our institutional investors as can be seen in the timeline below:

Shareholder engagement calendar 2018/2019	
18 April 2018	Trading update
24 April 2018	Investor day
4 May 2018	Regional investor roadshow
11 May 2018	Capital market day at our business in Wales
11-20 June 2018	Preliminary results announcement followed by an investor roadshow
26 June 2018	Investor day
3 September 2018	Equity raise
5 September 2018	Annual General Meeting
14 September 2018	Investor day
17 September 2018	Extraordinary General Meeting
27-30 November 2018	Interim results announcement followed by an investor roadshow
8 January 2019	Appointment of new Nomad/Broker
22 January 2019	Trading update
24 January 2019	Investor day
30 January 2019	Capital market day at our business in Wales
1 February 2019	Investor day
26 March 2019	Capital market day at our business in Wales
27 March 2019	Investor day

Following investor meetings, the full Board receives feedback on the views and concerns of investors and regularly receives copies of investment reports from analysts.

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW CONTINUED

Principle 2: continued

Seek to understand and meet shareholder needs and expectations

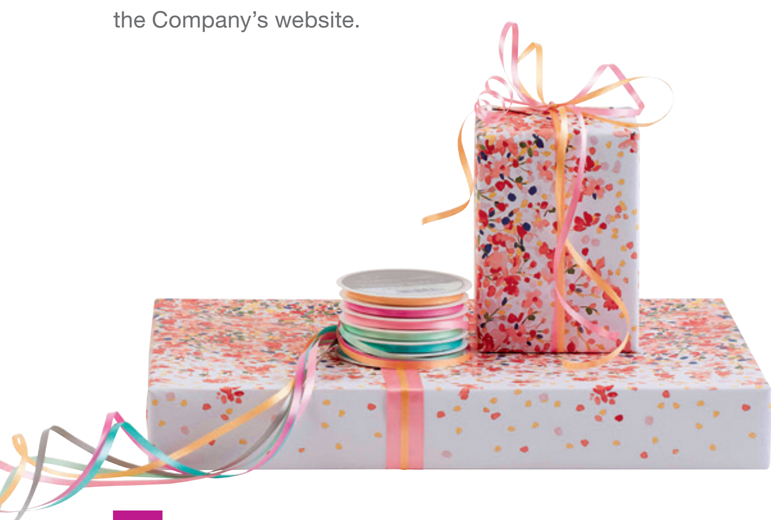
Individual investors

In addition to our focus on institutional investors, we aim to engage with individual and retail investors on a regular basis.

Our AGM gives us the ideal opportunity to meet with individual investors face-to-face. It is important that all investors have a platform to raise questions or make comments whilst also enabling us to give visibility of, and interaction with, the Board.

All our investors are regularly kept up-to-date with announcements, circulars, videos and reports, all of which are available on the Company's website. In September 2018 we were proud recipients of a silver award at the Corporate & Financial Awards 2018 in the category of 'Best printed report: AIM/small cap'. The award was in recognition of our printed annual report and financial statements and is a testament to the Group's efforts to communicate clearly and transparently with investors.

Nikky Geairns, is primarily responsible for shareholder liaison, and can be contacted at ngeairns@thedesigngroup.com. Contact details for the Company's PR Advisers, Brokers and Registrars are also set out in the 'Contact' section of the Company's website.



Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success

All of our stakeholders – our employees, customers, suppliers and communities – are vital to the success of the Group.

Employees

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 the Group to attract and retain the brightest talent.

Training

All our Business Units provide relevant and up-to-date training for employees. This year Australia invested in a new Workplace Compliance System which will see a move away from ad hoc training to a more structured training of awareness programme being utilised. Initially set up to provide key training of awareness in Bullying, Sexual Harassment, Equal Opportunity, Privacy and Social Media and the Internet, the system has the capability to include additional modules in the future.

The Design Group Academy operating in our Celebrations business in Europe is a powerful tool to train employees in the skills needed for their roles, as well as rolling out key compliance initiatives. The purpose built classroom provides a relaxed and comfortable environment in which employees can focus on their learning away from their usual work stations. In addition, they operate a separate programme for sales managers the 'Sales Improvement Group'. In its second year of a three year programme the key emphasis is coaching and is specifically targeted to the day-to-day issues which sales managers face.

Talent

Our Business Unit Managing Directors were recently asked as part of our succession planning to highlight who the 'Stars of the Future' are within their businesses and share the development plans in place that underpin their progress. The information will be reviewed bi-annually by the Group's Executive Committee. Consideration will be made as to what inter-company/Group-wide experience could be given and will also highlight 'gaps' that may need filling within the organisation for the future.

In the UK we run a twelve month development programme in conjunction with an external provider for individuals who demonstrate the desire and capability for future promotion. This is a tailored training programme which also includes a dedicated mentor from the senior leadership team and one-to-one coaching.

Relations with shareholders

Information and feedback

Our Business Units use a variety of methods to enable effective two-way communication with employees. These range from semi-annual all-employee meetings (with web-ex facilities for remote team members) to smaller scale weekly catch ups. Comment boxes and staff surveys are also used and various alternatives in between. Local management in Australia catch up with the office and warehouse teams quarterly for pizza, service awards and a business review.

We recently reviewed the methods by which we encourage our employees, worldwide, to raise feedback and concerns. We had a number of local country-based initiatives so knew our employees were able to speak up, however, we recognised the need for an independent telephone hotline enabling employees across the world to raise concerns confidently (and anonymously should they wish). This was rolled out at the end of March and we look forward to seeing how it is utilised over the coming year.

Engagement

This year our Celebrations business in Europe redesigned its staff canteen providing comfortable seating, TV screens and table football to encourage employees to take breaks away from their desks and to mix across functions.

Each location recognises birthdays and service anniversaries. The US holds employee picnics and monthly employee events often linked to key celebrations in that month e.g. Super Bowl in January, Valentine's day in February. Similar events are held in Australia, teams within the business are tasked with running the special events which ensure that everyone is involved.

Customers

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.

Highlights to note from the Americas:

- Impact Innovations, Inc. was awarded 'Supplier of the Year 2019 for Seasonal and Celebration' by Walmart, an award which recognises outstanding service and performance. This was especially pleasing during a year of transition for Impact as they integrated into the Design Group, and recognises a cohesive team effort.
- Due to the strength of our relationship with a major US retailer, we have been made a strategic partner and invited to participate in two key initiatives with them. In one of these initiatives, we are the only participant from the 'Housewares' department and just one of three suppliers involved. These initiatives demonstrate exceptional trust in our business and will lead to very close collaboration in supply chain efficiencies and in how to grow our business through innovation in all facets of serving the end consumer.

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW CONTINUED

Principle 3: continued

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Customers continued

In addition we are keen to ensure that our products keep up with key developments in our markets. For example, following the news that Australia had legalised same-sex marriage at the end of December 2017, our Australian business celebrated in 2018 by launching Mr&Mr and Mrs&Mrs cards from its World Greetings brand.

Suppliers

As detailed on page 17 in our social responsibility commentary, we are committed to engaging with our suppliers fairly and lawfully and that we source responsibly. We expect our supply base to do the same.

Our businesses meet with our key suppliers regularly to maintain a regular open dialogue and to share priorities both from the Group's perspective but also those of our suppliers. Our Purchasing Managers have daily interaction with our supplier base covering a variety of topics such as quality, service levels, sourcing of raw materials etc.

This year saw the creation of a new role, Global Procurement Managing Director. The intention is to develop our supply chain to be a more cohesive, transparent and joined up organisation, collaborating closely, where there are tangible Group benefits, sharing data, ideas, products and best practice, combined with a continued focus on driving country-based success. An individual was appointed in February 2019, reporting to the Group's Executive Committee, and their focus will include:

- data quality, ease of access and transparency;
- third party manufacturing base;
- supplier on-boarding;
- managing Group business with suppliers; and
- ensuring best practice and compliance across the supply chain.

Communities

Our businesses throughout the world undertake a variety of local initiatives to support their local communities and national charities. See our social responsibility section on page 17 for some examples.

Further detail on how our business model identifies the key resources and relationships on which the business relies can be found on page 7.

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board 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.

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.

In the past few months the Board and senior management have reviewed key policies which support risk management. These include the Code of Business Conduct, Anti-bribery & Corruption policy and Whistleblowing. Updated versions have been rolled out to the senior management teams across the business, with a wider roll out planned to all employees in 2020.

Further detail on the principal risks faced by the Group and the mitigating actions taken in respect of those risks can be found on pages 36 to 39.

Principle 5:

Maintain the Board as a well-functioning, balanced team led by the Chair

The Board consists of three Executive Directors and four Non-Executive Directors (including the Chairman). For the biographies of the Board see pages 40 and 41.

There were no changes to the composition of the Board during the year.

The Board met formally seven times during the 2019 financial year. All Directors were present. In addition the Board met for a strategy day, two separate days focused on M&A and carried out an in-depth review of the 2020 budgets, annual operating plans and strategic objectives with the Executive Directors. Prior to the acquisition of Impact Innovations, Inc. the Board spent three days in Memphis, USA in August 2018 visiting the senior management, receiving presentations as to the company's history and vision for the future and the proposed integration into the Group.

The Audit Committee met three times and the Remuneration Committee met four times, all were fully attended.

The Group appointed Joy Laws as Group General Counsel and Company Secretary in June 2018. She plays an important role in the governance and administration of the Group advising the Board on procedures, corporate governance, changes in legislation, strategy and decision making.

Independence

Anders Hedlund, who founded our Group, is a Nominee Non-Executive Director. Anders Hedlund is considered not to be 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.

Following a review by the Board, all of the other Non-Executive Directors are considered to be independent.

Principle 6:

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is kept informed on an ongoing basis by the Company Secretary about their duties and any update in relation to legal and governance requirements for the Group.

In addition, the Board has access to the Deloitte Academy which gives each Director (Executive and Non-Executive) access to a wide-ranging programme of technical briefings, education, bespoke training and peer-to-peer networking opportunities. This is a useful resource to ensure that they keep abreast of market trends in board governance, legislative reform and keep their skills up to date.

The Board is keen to obtain external, specialist advice when necessary. An example of this is when the Remuneration Committee recently appointed Deloitte LLP to provide remuneration advice in relation to employee benefit schemes.

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW
CONTINUED

Principle 7:
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

In November 2018 the Remuneration Committee conducted a self-assessment based on an external template which was adapted to incorporate the guidance contained in the QCA Remuneration Committee Guide. Members were asked to rate the performance of the Remuneration Committee based on their own perceptions of the committee as a whole.

Topics covered were: a) roles and responsibilities; b) terms of reference and planning; c) meetings – content and running of; d) skill set of members; and e) shareholder interaction.

Responses were collated and reviewed and no significant concerns were raised.

In January 2019 the Board conducted a self-assessment. The questionnaire was split into ten sections with each section based on the principles set out in the QCA Corporate Governance Code. There was an additional section allowing the Directors to give their thoughts on areas such as the main achievements of the Board over the previous three years, and the main strengths and weaknesses of the Board. Following completion of the questionnaire, the Chairman held one-to-one meetings with each Director and the Company Secretary.

The Chairman concluded the evaluation by highlighting the mix of skills which exist on the Board. Key observations and actions arising from the evaluation were:

- a reminder that the agenda should retain its strategic focus whilst empowering the Executive Committee to deliver the strategy; and
- the members to look into training opportunities.

The Nomination Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise as well as putting in place plans for succession for Directors and Senior Executives, in particular with respect to the Chairman and the CEO.

Principle 8:
Promote a corporate culture that is based on ethical values and behaviours

The Board helps to 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 the Group.

Our performance management systems and processes are designed to direct and influence behaviours. Our Senior Executives cascade our ethical values down throughout the wider organisation.

Feedback from all stakeholders in the business, as set out in Principle 3, allows the Board to assess the state of its corporate culture, as well as performance against the Group's internal targets.

This year we created a Group-wide Code of Business Conduct in recognition of our growing size and the need for consistent behaviours across the Group. This has been rolled out to the senior management teams across the businesses with an all-employee roll out to follow in the first quarter of the financial year ending March 2020.

The Board recognised that the principles contained in the Code of Business Conduct were underpinned by a set of values already present within the Group.

The Group Values Statement is as follows:

Our Values

- To strive for excellence in all we do
- To behave ethically and with integrity
- To focus on our customers and to ‘go the extra mile’
- To be open to feedback, ideas and to positive change and promote fulfilment and fun
- To be good ‘citizens’ within our communities and take responsibility for our impact on our planet
- To be innovative and entrepreneurial
- To treat everyone with dignity and respect
- To be a team that succeeds together and aims to be an ‘employer of choice’

And, for our corporate policies and practices to be consistent with these values.

We encourage our employees to get involved in local community initiatives – see pages 17 for some great examples.

Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

There is a distinct and defined division of responsibilities between the Chairman and the CEO.

The Chairman is primarily responsible for the effective working of the Board in conjunction with management, and the CEO is responsible for the operational management of the business and for the implementation of the strategy agreed by the Board.

The Board is responsible for setting the vision and strategy for the Company, working closely with the executive management team to deliver a successful business model for our shareholders and other stakeholders.

The Group Delegation of Authority policy sets out the matters that are reserved to the Board for approval. These include:

- Matters relating to the Company’s legal purpose and position and its status as a public listed company;
- Changes in governance, strategy and significant changes in internal controls; and
- Significant financial or contractual commitments and decisions.

The Board has three committees – Remuneration, Audit and Nomination. Each of these committees comprises the Non-Executive Chairman and our two independent Non-Executive Directors; Elaine Bond and Mark Tentori. Elaine chairs the Remuneration Committee, Mark the Audit Committee, and John Charlton the Nomination Committee.

The Nomination 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. Further detail about the activities undertaken by the Audit Committee this year can be found on pages 51 to 53.

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. Further detail about the activities undertaken by the Remuneration Committee this year can be found on pages 54 and 55.

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW CONTINUED

Principle 9: continued

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Terms of Reference for each committee were reviewed and updated this year and can be found on our website.

In addition to the main Board and committees, the Executive Committee was established in 2017. This consists of the Managing Directors of the main Group businesses across the world plus the Group CEO and Group CFO. It plays an important role in both feeding key matters to the Board to enable well-informed decision making and cascading Board initiatives to the wider businesses. It meets four times a year to discuss matters such as agreeing policy guidelines for business divisions based on an approved Group strategy, recommending objectives and strategy for the Group, and ensuring the control, co-ordination and monitoring within the Group of risk and internal controls, to name a few.

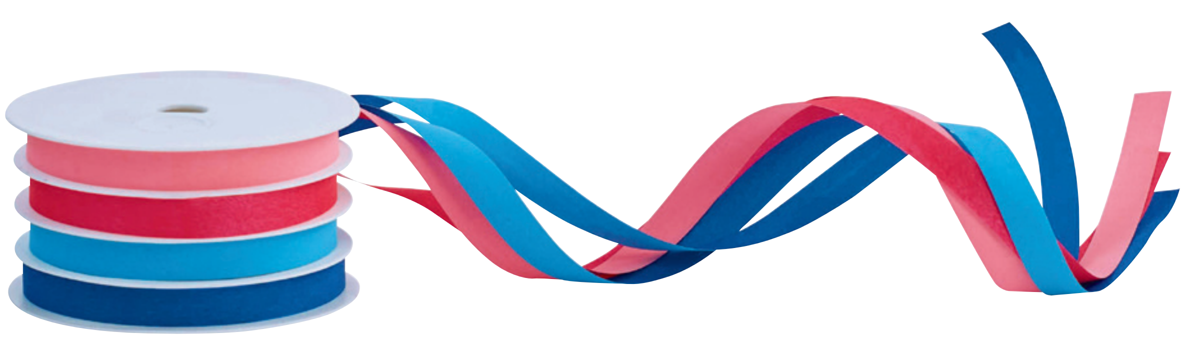
The Board keeps all aspects of corporate governance under review, with the governance framework developing further as the Group continues to grow.

Principle 10:

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

During 2019, the Board (itself or via the Board committees) worked hard to strike that essential balance between achieving the Group's short-term objectives and longer-term growth and development. Key activities included:

- monitoring and review of the financial performance of the Group on an ongoing basis including capital expenditure proposals and significant projects;
- review of the interim and annual results including supplementary papers;
- review of the effectiveness of the Group's internal financial controls, general internal controls and risk management systems;
- monitoring and review of the effectiveness of the Business Assurance function;
- overseeing the relationship with the external auditor;
- approval of the strategy, three year plans and budget;
- review of the Group risk register;
- approval of changes to remuneration for Chairman, CEO and CEO direct reports;
- approval of LTIP Scheme for 2018-21;
- approval of annual bonus payments and targets for the following financial year;
- appointing Joy Laws as Group General Counsel & Company Secretary; and
- assessing and approving the acquisition of Impact Innovations, Inc.



AUDIT COMMITTEE REPORT

I am pleased to present our first Audit Committee report.

Mark Tentori
Chair of the Audit Committee

Dear Shareholder,

On behalf of the Board I am pleased to present the Audit Committee report for the year ending 31 March 2019.

The role of the Audit Committee is to assist the Board in fulfilling its corporate governance responsibilities in relation to the Group's financial reporting, internal control and risk management systems as well as internal and external audit functions. The Committee also provides advice to the Board as to whether the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

The Committee is made up of Non-Executive Directors: me, as the Chair, with Elaine Bond and John Charlton. We regularly invite the CEO and CFO to attend our meetings as well as the external auditor (KPMG LLP). Over the year we all met on three occasions.

The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a chartered accountant, qualifying at PWC and am currently Portfolio Partner at Charterhouse Capital Partners LLP.

The main duties of the Committee include:

- providing oversight and challenge to the financial reporting;
- ensuring the Group operates within the correct internal controls and adopts appropriate risk management systems;
- ensuring the Group has suitable arrangements and policies in place to prevent fraud, bribery and other compliance concerns (and to enable employees to report such matters);
- monitoring and reviewing the effectiveness of the Group's Internal Audit (Business Assurance) function in the context of the Group's overall risk management framework; and
- overseeing the relationship with the external auditor including their appointment, remuneration, terms of engagement, and annual audit plan.

The Terms of Reference set out the duties in more detail and can be found on our website. These were updated this year to reflect the adoption of the QCA Corporate Governance Code. This report highlights the key discussions, decisions and actions that have taken place this year.

Mark Tentori
Chair of the Audit Committee
10 June 2019

AUDIT COMMITTEE REPORT
CONTINUED

Key activities and actions over the year:

Financial statements

The Audit Committee reviewed and approved the unaudited interim financial statements for the period ending 30 September 2018 and the full year audited statements for the period ending 31 March 2019. In reviewing the financial statements the Committee considered reports from the Group finance function as well as the external auditor.

Significant accounting matters

The significant reporting matters and judgements the Committee considered during the year included:

1) The acquisition accounting for Impact Innovations under IFRS 3 Business Combinations, which has created both intangibles in relation to the customer lists, as well as goodwill. As part of our considerations this year, the carrying value of these, as well as already existing intangibles and goodwill, has been assessed to determine whether there is any impairment. The Committee has concluded, based on appropriate assumptions on future cash flows, discount rates used and long-term growth rates, there is sufficient headroom available resulting in no impairment requirement.

2) The use of alternative performance measures ('APMs') to present adjusted profit alongside its statutory counterpart. This involved the exclusion of costs that are considered by the business to skew the reader of the financial accounts' perception of the performance of the underlying business.

   These included costs that are considered to be material and exceptional in nature and share-based payment costs (also known as LTIP costs) and the amortisation of acquisition intangibles. The Committee is satisfied that this is an appropriate approach, and gives a clear and more balanced view of the underlying performance. It is also comfortable that this is a consistent approach that the Group has adopted for a number of years in respect of exceptional and LTIP costs. Previously the acquisition amortisation relating to the Lang and Biscay acquisitions had not been excluded from our APMs, however, following the transformational acquisition of Impact this year, the APMs have been updated to exclude the amortisation of acquisition intangibles given this is now a significant charge. In addition, the rationale and explanations behind the use of APMs is clearly disclosed.

3) The adoption of new accounting standards and ensuring the Group's compliance with the standards. This year the Group adopted two new accounting standards (IFRS 9 and IFRS 15) neither of which has a material impact on the Group's financial position. From 1 April 2019, IFRS 16 Leases will be adopted. As per the detail on page 79 of our accounting policies note, and as has been seen amongst all adopters, this is thought to have a significant impact for the Group. The Committee has reviewed and understood the approach taken in respect of the assessment of the impact of the standard and agree with the decision of the business in respect of the methodology of adoption being 'modified retrospective'.

Internal controls

The Committee continually reviews the effectiveness of the Group's internal controls. As a decentralised business, our Business Units each have a finance function, who are responsible for determining their own processes and procedures, including financial controls and accounting policies. However, the Group function dictates a set of minimum financial controls that we expect all Business Units to adhere to, along with Group accounting policies that each Business Unit should be aligning to. This forms part of the Group's financial control framework.

Each Business Unit confirms, with every monthly accounts submission, that they are adhering to the minimum set of controls. Bi-annually we also request a more comprehensive Self-Assessment checklist to be completed by each Business Unit. This provides the Group finance function, and therefore the Committee, with comfort that appropriate financial controls are in place around the Group.

To gain further comfort, although the Group does not have an internal audit function, we outsource this role to Mazars LLP ('Mazars'). They have undertaken baseline control reviews around each of the Business Units (with the exception of Impact given its recent addition to the Group), identifying areas of weakness, that subsequently have been addressed with oversight from the Group function.

This year has seen the commencement of an additional layer of review by the Group finance function, being detailed balance sheet and working capital reviews for each of the Business Units. The reviews have been onsite visits by the Group team, including understanding the Business Units' approach to balance sheet reconciliations as well as a detailed review of the working capital process.

Internal Audit/ Business Assurance

Mazars continue to operate our Business Assurance function, and this year the Mazars team carried out a series of Business Assurance reviews around different Business Units and reported back to the Committee on their findings.

One such review was undertaken during the month of July and focused on IG Design Group Americas' readiness for the planned ERP software implementation in October 2018. The review that was conducted was a very useful tool that helped support the project team's alignment on key areas of risk and confirm there were no issues beyond those previously identified by the project team. It was also a good mechanism to ensure business expectations were set appropriately.

External audit

The Audit Committee monitors the Company's relationship with the external auditor, KPMG, to ensure that external independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor.

KPMG LLP have provided audit services to the Group since 2016. Following the end of this financial year, it was felt prudent in light of the Group's growing size and complexity to re-tender the external audit work to ensure the Group is getting the best service and value for money. The outcome of the tender will be notified to shareholders prior to the AGM.

Code of Business Conduct and Anti-bribery and Corruption Policy

In recognising the growing size and complexity of the Group, the Audit Committee oversaw the roll out of a Group-wide Code of Business Conduct. This contains a shared set of principles which we all agree to follow and which underpin our operations, decision-making and general conduct. This ensures that we are all focused on operating to the same standards and know what behaviours to expect from our colleagues across the world.

The Committee also took the opportunity to review and update the Group Anti-bribery & Corruption Policy and the Whistleblowing Policy. The latter included the launch of a Group-wide whistleblowing hotline complementing the subsidiaries' existing employee-reporting tools.

DIRECTORS' REMUNERATION REPORT

This report sets out the remuneration of IG Design Group Directors for the year to March 2019.

Elaine Bond
Chair of the Remuneration Committee

Dear Shareholder,

On behalf of the Board I am pleased to present to you the Remuneration Committee's report for the year ended 31 March 2019.

The Committee is chaired by me and the other members are Mark Tentori and John Charlton. We met four times formally during the year, with full attendance by the members.

Part 1: Overview of the year – Chair statement

Company performance

As detailed in the strategic report, the Group has made significant progress and delivered strong results in the year. The key financial objectives were profit growth and the associated increase in earnings per share alongside cash generation.

As can be seen in the strategic report, the Group uses adjusted measures to review the underlying performance of the business and the Remuneration Committee also uses adjusted measures to determine the Executive Directors' annual bonus along with the Long Term Incentive Plan ('LTIP') performance criteria based off earnings per share growth over three years.

Decisions on remuneration taken during 2019

Annual bonus

The bonus opportunity for Executive Directors during the last year was based on the achievement of the following targets:

- 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.

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.

This year's results for profit before tax, LTIP charges and Board approved exceptional items, net cash and earnings per share before LTIP charges and Board approved exceptional items will result in annual bonuses for the Executive Directors of 78% of the stretch award. See Part 3 for a full breakdown per Director.

LTIP awards 2018-2021

In September 2018 provisional share awards totalling 133,579 shares were issued to 17 members of the leadership teams across the Group. The performance condition applied was compound annual growth rate ('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.

In November 2018, following a benchmarking analysis performed by Deloitte, the Remuneration Committee approved the introduction of a separate 2018-2021 award for the Executive Directors and two members of the Executive Committee. The performance condition was in line with the above award with the introduction of a 'super stretch' target (with an effective cap of 1.5 as a multiplier on the whole award) and the requirement to hold the shares on vesting for a period of two years. For more details on the performance conditions of both awards see note 25.

In June 2019 the Remuneration Committee approved the vesting of the 2016-2019 LTIP awards. The results achieved by the Group for the three year period have met all of the stretch performance conditions so maximum awards have vested. 723,632 shares (after adjusting for the effect of dividends and leavers) vested.

Executive Director salary reviews

For 2019, the Remuneration Committee agreed an increase in salary for:

- Giles Willits to £275k per annum from 1 April 2018, as per his employment contract; and
- Paul Fineman to £375k per annum from 1 April 2018. This reflected a benchmarking exercise completed by Deloitte.
- Lance Burn to £231k per annum from 1 April 2018 reflecting a 2.5% cost of living increase.

For 2020, the Remuneration Committee has agreed the following increases in salary/fees:

- Paul Fineman to £400k per annum reflecting the significant change in the size and scale of the Group following the acquisition of Impact Innovations Inc in August 2018;
- Giles Willits to £325k per annum – this reflects an increase of £25k over what had been previously agreed in his contract, following a benchmarking exercise undertaken by Deloitte; and
- Lance Burn to £240k per annum. This reflects his increased responsibilities for Far East sourcing and includes 2% inflation.

Other key activities of the Committee during the year

- Reviewed and updated the Committee's Terms of Reference to reflect the adoption of the QCA Corporate Governance Code
- Undertook a self-evaluation of the Committee. See page 48 for further detail
- Reviewed and agreed bonus targets and bonus awards
- Agreed LTIP scheme and LTIP awards
- Reviewed and agreed the salary and benefits of the CEO and his direct reports
- Reviewed the Business Expense Policy
- Reviewed training requirements of committee members
- Approved remuneration section of Company annual report and financial statements

Assistance to the Committee

During the period the Committee received input from the CEO, the CFO and the Company Secretary. In addition it engaged Deloitte LLP to provide remuneration advice in relation to the executive LTIP scheme.

Payments made to former Directors and payments for loss of office

No payments were made to former Directors during the year and no payments for loss of office were made.

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

Elaine Bond

Chair of Remuneration Committee

10 June 2019

DIRECTORS' REMUNERATION REPORT
CONTINUED

Part 2: Remuneration policy

Executive Directors

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 five main components of the Executive Directors' remuneration packages can be seen in the table below with a clear link to the Group's business model and strategy:

Reward	Link to business model and strategy	Operation and performance	Maximum opportunity
Base salary	'Working with the winners' extends to our employees – recruiting Executive Directors with the level of skills, talent and experience needed to execute our strategy.	Salaries are based on a number of factors including: • the skills and experience of the individual; • the size, responsibilities and complexity of the role; • external market data; and • inter-Group comparisons.	There is no maximum.
Annual bonus	The annual bonus encourages individuals to actively support and engage with the delivery of the Group strategy, with pay out directly based on Group performance.	The Remuneration Committee sets the performance measures and targets each year. Bonuses are paid in cash once the annual results have been audited and are subject to the approval of the Committee.	The maximum achievable is 120% of base salary.
LTIP	The primary purpose of the LTIP is to reward the individual for delivering the Group strategy and, in turn, increasing shareholder value.	LTIP awards are in the form of shares and are subject to performance conditions which are assessed over a three year period. The current performance condition is based on CAGR in fully diluted earnings per share (measured before LTIP charges and exceptional items).	For the CEO up to 175% of base salary and for the other Executive Directors up to 150% of base salary. Both then have an out performance element of up to 50% of the initial grant.
Pension	To assist in the recruitment strategy by enabling Directors to make long term provisions for their future retirement.	Pensions are provided in line with market practice and relevant statutory requirements.	Up to 15% of base salary for the CEO. Up to 10% of base salary for other Executive Directors.
Other benefits	The provision of additional benefits assists in the Group's recruitment strategy and gives the employee comfort and assistance in carrying out their roles effectively.	Benefits can include: Life assurance/private medical insurance/car allowance.	Not applicable.

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.

Non-Executive Directors

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 recommended by the Executive Directors and approved by the Remuneration Committee (with no Director being involved in any decision relating to their own remuneration).

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.

2020

No additional significant changes to the remuneration policy are envisaged for 2020 however, the Remuneration Committee will continue to regularly review the policy to ensure it remains appropriate to the business.

Part 3: Annual report on remuneration

Directors' remuneration[(a)]

The summary of Directors' remuneration is as follows:

	Aggregate for all Directors		Highest paid Director	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Remuneration	**1,835**	1,637	**716**	678
Pension contribution	**12**	9	**—**	—
Total remuneration	**1,847**	1,646	**716**	678

The remuneration in respect of the year ended 31 March 2019 to the Directors, by individual, was as follows:

Year ended 31 March 2019	Salary/fees £	Bonus £	Benefits[(b)] £	Subtotal £	Pension £	Total £
Executive Directors						
Lance Burn	254,987	25,000	3,049	283,036	11,571	294,607
Paul Fineman	448,050	292,500	12,749	753,299	—	753,299
Giles Willits	314,500	214,500	2,761	531,761	—	531,761
Total Executive	**1,017,537**	**532,000**	**18,559**	**1,568,096**	**11,571**	**1,579,667**
Non-Executive Directors						
Elaine Bond	40,192	—	2,311	42,503	—	42,503
John Charlton	76,242	—	8,345	84,587	—	84,587
Anders Hedlund	93,790	—	3,974	97,764	—	97,764
Mark Tentori	42,303	—	—	42,303	—	42,303
Total Non-Executive	**252,527**	**—**	**14,630**	**267,157**	**—**	**267,157**
Total Directors	**1,270,064**	**532,000**	**33,189**	**1,835,253**	**11,571**	**1,846,824**

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

The bonuses are the expected amounts based on the results for the current year and are expected to be paid in June/July 2019 once the year-end statutory accounts have been approved.

The highest paid Director is Paul Fineman (2018: Paul Fineman).

The Group operated a Group personal pension plan to which the Group contributed for one Director (2018: one) and provides death in service life assurance to the value of between four and six times pensionable salary.

An expense of £1,721,000 has been recognised in the year in respect of share-based payments relating to Directors in respect of the Long Term Incentive Plan (2018: £1,353,000).

DIRECTORS' REMUNERATION REPORT
CONTINUED

Part 3: Annual report on remuneration continued

Directors' remuneration[a] continued

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.

Long Term Incentive Plan[a]

Annual awards to Executive Directors who served during the year are as follows:

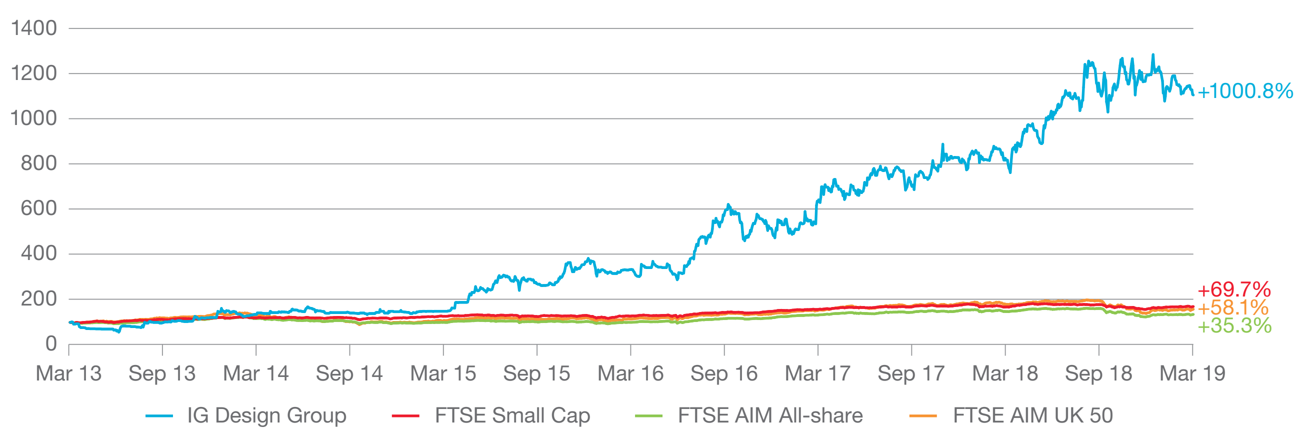
	LTIP vested 2014-2017	LTIP vested 2015-2018	LTIP vested[b] 2016-2019	LTIP not yet vested 2017-2020	LTIP not yet vested 2018-2021
Lance Burn	133,678	192,963	111,882	62,296	108,264
Paul Fineman	—	312,916	226,791	132,442	204,675
Giles Willits	—	—	—	172,454	128,654

(a) Audited.
(b) All of these formally vest on 5 June 2019 following the Remuneration and Audit Committees' approval of the results for the year ended 31 March 2019.

No Directors exercised any options during the year. For further details including performance conditions see note 25.

Cumulative total shareholder return (dividend reinvested) vs. selected indices

The graph below shows the percentage change in total shareholder return for the last six years compared to the FTSE Small Cap, FTSE AIM All-share and the FTSE AIM UK 50.



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 2019.

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
- Mark Tentori
- Giles Willits

Results and dividends

Results for the year ended 31 March 2019 are set out in the consolidated income statement on page 66. The Directors are recommending a final dividend of 6.00p per share which, if approved at the AGM, will result in a full year dividend of 8.5p per share for 2019.

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 only 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 25 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 of 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 2019, 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)]	27.97%
Octopus	8.15%
Milton	5.05%
Schroders Plc	4.52%
BlackRock	3.99%
Close Brothers AM	3.97%
Polar Capital	3.37%
Paul Fineman[(b)]	3.25%

(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 1.47% 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. In total the Hedlund family is interested in 22,818,994 ordinary shares, representing 29.12% 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 5 September 2018, 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 6,494,839 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 principal risks and uncertainties section on pages 36 to 39. The Board manages internal risk through the ongoing review of the Group's risk register and the Board manages external risk through monitoring of the economic and regulatory environment and market conditions.

Brexit

The Group continues to keep the potential implications of Brexit for the Group under review. The risk associated with Brexit is relatively limited for the Group as it is mainly applicable to our UK business which represents less than 30% of the Group. We consider the main impact on the Group will be the effect of Brexit on the strength of the sterling and FX rates. We have significant visibility of our supply chain and depending on the nature of the exit from the European Union will depend on the level of impact for us as a Group. We have workstreams in place and mitigation of the risks of Brexit are underway. We are currently fully prepared for a soft Brexit. A no deal Brexit will increase the overall impact on our UK business with the need to adjust to World Trade Organisation terms, however this is not expected to have a material effect on the Group.

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.

DIRECTORS' REPORT
CONTINUED

Post balance sheet events

See note 32 for details.

Political donations

No political donations were made during the period under review.

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:

Interest in ordinary shares at the end of the year	2019	2018
Elaine Bond	**19,301**	15,816
Lance Burn	**—**	—
John Charlton[(a)]	**619,616**	619,616
Paul Fineman[(b)]	**2,369,334**	4,453,534
Anders Hedlund[(c)]	**488**	488
Mark Tentori	**11,111**	7,404
Giles Willits	**93,573**	93,573

In addition to the above holdings:

(a) 37,500 (2018: 37,500) shares are held by the wife of John Charlton.

(b) Paul Fineman owns a non-beneficial interest in 174,608 (2018: 174,608) ordinary shares of 5p each.

(c) 16,642,640 (2018: 17,142,640) and 5,275,116 (2018: 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 1.47% 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. In total the Hedlund family has interests in 22,818,994 ordinary shares, representing 29.12% of the current issued share capital of the Company.

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.

Approval of the strategic report and Directors' report

The strategic report and Directors' report were approved by the Board on 10 June 2019.

Joy Laws

Company Secretary

10 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT AND 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. Under 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 they 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 2019 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 to the consolidated financial statements and note 1 to the company financial statements.

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 2019 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.

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 were as follows:

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit New risk Refer to page 38 (principal risks and uncertainties) and page 59 (directors' report)	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular the valuation of identified intangibles on acquisition of Impact Innovations Inc, the recoverability of parent Company investment below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on going concern, we considered all of the Brexit related disclosures together, including those in the strategic report and the directors' report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Revenue recognition Risk vs 2018: ◀▶ Refer to page 76 (accounting policy) and page 82 (financial disclosures)	**Accounting application** The majority of the revenue of the Group is derived through the provision of goods to customers during the year. There is a risk of fraud relating to revenue recognised around the year end, which requires special audit consideration because of the nature of the risk and the potential for misstatement in relation to the completeness and accuracy of revenue.	Our procedures included: **Tests of detail:** Selected 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 appropriate period. Inspected a sample of credit notes raised post year end to determine whether they related to revenue recognised in the year.
Identified intangibles on acquisition of Impact Innovations Inc New risk (£19.0 million) Refer to page 74 and 75 (accounting policy) and page 110 (financial disclosures)	**Forecast based valuation** On 31 August 2018, the Group acquired the entire share capital of Impact Innovations Inc for total consideration of £82.2 million. We identified the identification of intangible assets and the valuation of the customer relationships and the trade names intangible assets as a risk because of the inherent complexity due to the judgements and assumptions applied by the directors in assessing the fair value of the intangible asset, and because of the size of the acquisition. The effect of this matter is that, as part of our risk assessment, we determined that the valuation of intangible assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: **Our valuation expertise:** Used our own valuation specialists to assess the appropriateness of the valuation methodology applied. **Benchmarking assumptions:** Compared the Group's assumptions to externally derived data in relation to key inputs such as revenue growth rates, customer attrition rate and discount rates. **Assessing transparency:** Assessed whether the Group's disclosures relating to the valuation of acquired intangibles are appropriate.
Parent: Recoverability of parent Company investment in subsidiaries and intra group debtors Risk vs 2018: ◀▶ (£72.5 million; 2018: £56.7 million) Refer to page 115 (accounting policy) and page 119 (financial disclosures)	**Low risk, high value** The carrying amount of the parent Company's investments in the subsidiary companies held at cost less impairment and the carrying amount of the intra-group debtor balance together represents 54.2% (2018: 81.4%) 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: **Tests of detail:** Compared 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 91.7% of intra group debtors to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making **Assessing subsidiary audits:** Assessed 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. **Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, compared the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit.

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 £0.91 million, determined with reference to a benchmark of Group profit before tax normalised to exclude certain costs, of which materiality represents 4.4%. The Group team performed procedures on the items excluded from normalised group profit before tax. In 2018 materiality for the Group financial statements as a whole was set at £0.8 million, determined in that year with reference to a benchmark of Group profit of £19.7 million, of which it represented 4.1%.

Materiality for the parent Company financial statements as a whole was set at £0.85 million (2018: £0.70 million), determined with reference to a benchmark of Company net assets of £128.2 million (2018: £64.8 million), of which it represents 0.7% (2018: 1.1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £45,500 (2018: £37,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's fourteen (2018: fourteen) reporting components, which includes the parent Company, we subjected ten (2018: eight) to full scope audits for Group purposes. The components within the scope of our work accounted for 96.1% (2018: 88.9%) of total Group revenue, 92.9% (2018: 98.2%) of Group profit before tax and 98.2% (2018: 88.6%) of total Group net assets. The remaining 3.9% (2018: 11.1%) of total Group revenue, 7.1% (2018: 1.8%) of Group profit before tax and 1.8% (2018: 11.4%) of total Group net assets is represented by four (2018: five plus one component where we performed specific risk procedures) 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 £0.25 million to £0.48 million (2018: £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 five of the fourteen in scope components (2018: two 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 seven (2018: eight) 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the parent Company will continue in operation.

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's and parent Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and parent Company's available financial resources over this period was the impact of a significant business continuity issues affecting a number of the Group's key customers.

As this was the risk that could potentially cast significant doubt on the Group's and the parent Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of a disorderly Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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 61, 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
Milton Keynes
MK9 1NE

10 June 2019

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2019

	Note	2019 £000	2018 £000
Revenue	4	**448,362**	327,516
Cost of sales		**(365,533)**	(257,532)
Gross profit		**82,829**	69,984
Selling expenses		**(23,095)**	(20,005)
Administration expenses		**(40,596)**	(30,346)
Other operating income	7	**620**	1,477
Operating profit	5	**19,758**	21,110
Finance expenses	8	**(2,476)**	(1,392)
Profit before tax		**17,282**	19,718
Income tax charge	9	**(4,031)**	(5,384)
Profit for the year		**13,251**	14,334
Attributable to:			
Owners of the Parent Company		**11,925**	13,545
Non-controlling interests		**1,326**	789

Operating profit analysed as:			
Adjusted operating profit		**32,646**	23,199
Exceptional items	10	**(8,274)**	539
Acquisition amortisation	12	**(1,609)**	(371)
LTIP charges	25	**(3,005)**	(2,257)
Operating profit		**19,758**	21,110

Finance expenses analysed as:			
Adjusted finance expenses		**(2,318)**	(1,392)
Exceptional items	10	**(158)**	—
Finance expenses		**(2,476)**	(1,392)

Earnings per ordinary share

		2019		2018	
	Note	Diluted pence	Basic pence	Diluted pence	Basic pence
Earnings per share	23	**16.0**	**16.2**	20.5	21.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2019

	2019 £000	2018 £000
Profit for the year	13,251	14,334
Other comprehensive income:		
Exchange difference on translation of foreign operations (net of tax)	240	(1,632)
Transfer to profit and loss on maturing cash flow hedges (net of tax)	27	(271)
Net gain/(loss) on cash flow hedges (net of tax)	118	(27)
Other comprehensive income for period, net of tax items which may be reclassified to profit and loss in subsequent periods	385	(1,930)
Total comprehensive income for the year, net of tax	13,636	12,404
Attributable to:		
Owners of the Parent Company	12,372	12,001
Non-controlling interests	1,264	403
	13,636	12,404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2019

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 31 March 2017	3,132	9,769	17,164	271	2,551	53,330	86,217	3,833	90,050
Profit for the 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)
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
Profit for the year	**—**	**—**	**—**	**—**	**—**	**11,925**	**11,925**	**1,326**	**13,251**
Other comprehensive income	**—**	**—**	**—**	**145**	**302**	**—**	**447**	**(62)**	**385**
Total comprehensive income for the year	**—**	**—**	**—**	**145**	**302**	**11,925**	**12,372**	**1,264**	**13,636**
Equity-settled share-based payment (note 25)	**—**	**—**	**—**	**—**	**—**	**2,333**	**2,333**	**—**	**2,333**
Tax on equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**764**	**764**	**—**	**764**
Shares issued	**641**	**63,065**	**—**	**—**	**—**	**—**	**63,706**	**—**	**63,706**
Recognition of non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**311**	**311**
Disposal of minority interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(110)**	**(110)**
Options exercised (note 22)	**83**	**18**	**—**	**—**	**—**	**(72)**	**29**	**—**	**29**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**(4,553)**	**(4,553)**	**(1,075)**	**(5,628)**
At 31 March 2019	**3,918**	**72,898**	**17,164**	**118**	**1,607**	**75,801**	**171,506**	**4,051**	**175,557**

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 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	11	**39,835**	35,499
Intangible assets	12	**83,690**	36,547
Deferred tax assets	13	**3,610**	2,663
Total non-current assets		**127,135**	74,709
Current assets			
Inventory	14	**69,571**	49,311
Trade and other receivables	15	**45,405**	37,369
Derivative financial assets	26	**129**	113
Cash and cash equivalents	16	**19,458**	9,031
Total current assets		**134,563**	95,824
Total assets		**261,698**	170,533
Equity			
Share capital	22	**3,918**	3,194
Share premium		**71,558**	8,475
Capital redemption reserve		**1,340**	1,340
Reserves		**18,889**	18,442
Retained earnings		**75,801**	65,404
Equity attributable to owners of the Parent Company		**171,506**	96,855
Non-controlling interests		**4,051**	3,661
Total equity		**175,557**	100,516
Non-current liabilities			
Loans and borrowings	17	**1,421**	3,781
Deferred income	18	**751**	998
Provisions	19	**2,671**	894
Other financial liabilities	20	**1,817**	1,440
Deferred tax liability	13	**692**	373
Total non-current liabilities		**7,352**	7,486
Current liabilities			
Loans and borrowings	17	**953**	894
Deferred income	18	**99**	99
Provisions	19	**1,090**	429
Income tax payable		**3,370**	3,364
Trade and other payables	21	**58,563**	38,757
Other financial liabilities	20	**14,714**	18,988
Total current liabilities		**78,789**	62,531
Total liabilities	4	**86,141**	70,017
Total equity and liabilities	4	**261,698**	170,533

These financial statements were approved by the Board of Directors on 10 June 2019 and were signed on its behalf by:

Paul Fineman
Director

Giles Willits
Director

The notes on pages 71 to 111 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the year		13,251	14,334
Adjustments for:			
Depreciation	11	5,328	4,345
Amortisation of intangible assets	12	2,309	818
Impairment of goodwill	12	—	36
Finance expenses	8	2,476	1,392
Income tax charge	9	4,031	5,384
Profit on sales of property, plant and equipment		(6)	(1,953)
Loss on disposal of intangible fixed assets		331	1
Equity-settled share-based payment	25	3,005	2,257
Operating profit after adjustments for non-cash items		30,725	26,614
Change in trade and other receivables		25,616	(9,133)
Change in inventory		6,508	819
Change in trade and other payables		(17,949)	3,612
Change in provisions and deferred income		(137)	(199)
Cash generated from operations		44,763	21,713
Tax paid		(3,694)	(3,099)
Interest and similar charges paid		(2,053)	(1,483)
Net cash inflow from operating activities		39,016	17,131
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		5,312	2,596
Acquisition of businesses	31	(66,809)	(5,145)
Cash acquired with acquisition		1,208	—
Acquisition of intangible assets	12	(2,190)	(1,377)
Acquisition of property, plant and equipment	11	(5,699)	(7,992)
Receipt of government grants		—	15
Net cash outflow from investing activities		(68,178)	(11,903)
Cash flows from financing activities			
Proceeds from issue of share capital	22	48,348	71
Repayment of secured borrowings		(2,350)	(165)
Payment of finance lease liabilities		—	(46)
New bank loans raised		—	5,108
Loan arrangement fees		(30)	(111)
Equity dividends paid	24	(4,553)	(3,000)
Dividends paid to non-controlling interests		(1,075)	(575)
Net cash inflow from financing activities		40,340	1,282
Net increase in cash and cash equivalents		11,178	6,510
Cash and cash equivalents at beginning of period		9,031	2,743
Effect of exchange rate fluctuations on cash held		(751)	(222)
Cash and cash equivalents at end of the period	16	19,458	9,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2019

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.

On 5 June 2019, to meet the funding requirements, the business has refinanced with a banking group comprising HSBC, NatWest, BNP Paribas, Sun Trust and PNC Bank as part of a three year deal.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. 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 majority of 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 2018 with the exception of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) which were new accounting standards adopted for the first time in these financial statements with IFRS 15 being adopted retrospectively. Accounting policies have been updated to reflect the new standards although there was no material impact of adopting either standard.

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 2019

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.

Financial instruments (policy adopted from 1 April 2018)

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus, for an item not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price less attributable transaction costs.

(ii) Classification and subsequent measurement

Financial assets

a) Classification

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost are measured at FVTPL. This includes all derivative financial assets. Investments in subsidiaries are carried at cost less impairment in accordance with IFRS 9.

b) Subsequent measurement and gains and losses

Financial assets at FVTPL – these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost – These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Classification of financial instruments issued by the Group

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Trade and other receivables

The Group have trade receivables without significant financing components. These assets are recognised initially at transaction price less attributable transaction costs. Trade and other receivables 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).

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.

Impairment of financial instruments

The Company recognises loss allowances for expected credit losses ('ECLs') on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as twelve-month ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. twelve-month ECLs are the portion of ECLs that result from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

1 Accounting policies continued

Impairment of financial instruments continued

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

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 its useful life.

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 lives are as follows:

- Computer software 3-5 years
- Trade names 3-5 years
- Customer lists 3-15 years

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

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 of non-financial assets excluding inventories and deferred tax

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

1 Accounting policies continued

Revenue recognition

During the year, as required by IFRS, a new accounting standard has been adopted retrospectively – IFRS 15 Revenue from Contracts with Customers. This introduces the concept of a performance obligation which is effectively a written or unwritten contract for a good or a service.

The Group recognise revenue on sales of Celebration, Stationery and creative play, Giftware and 'Not-for-resale' consumable products across four geographical segments. Typically the products that we supply form the only performance obligations within a customer agreement, and although the Group can provide ancillary services such as merchandising, these are not separately identifiable obligations. Revenue recognised in respect of these obligations 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.

Revenue is generated solely from contracts with customers and is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good to a customer.

We evaluate our Revenue with customers based on the five-step model under IFRS 15 Revenue from Contracts with Customers: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied.

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. Revenue is only recognised when highly probable that a significant reversal in the amount of cumulative revenue will not be required.

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.

The Group disaggregates its revenue across four geographical segments. Geographical information about revenues from external customers can be found in note 4.

Government grants

Government grants for specific expenses are recognised in the profit and loss in the same period as the relevant expense or when there is reasonable assurance that the Company will comply with the conditions attached to it and that the grant will be received. Capital-based government grants (i.e. those relating to depreciable assets) are usually included within other financial liabilities in the balance sheet and recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised.

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, amortisation of capitalised fees, 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.

Own shares held by Employee Benefit Trust

Transactions of the Group-sponsored 'International Greetings Employee Benefit Trust' are included in the Group financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

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. Other borrowing costs which can include costs associated with the extension of existing facilities 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 2019

1 Accounting policies continued

Use of non-GAAP measures

These financial statements include alternative performance measures ('APMs') that are presented in addition to the standard GAAP metrics.
The Directors believe that these APMs provide important additional information regarding the underlying performance of the business including trends, performance and position of the Group. APMs are used to enhance the comparability of information between reporting periods and segmental business units by adjusting for exceptional or uncontrollable factors which affect IFRS measures, to aid the understanding of the Group's performance. Consequently, APMs are used by the Directors and management for strategic and performance analysis, planning, reporting and reward setting. The APMs are adjusted profit, adjusted EBITDA, adjusted operating profit and adjusted EPS. The adjustments made to these adjusted results are:

Exceptional items

These include acquisition related costs and reorganisation and restructuring costs. These items are excluded to present the performance of the business in a consistent manner and in line with how the business is managed and measured on a day-to-day basis. They are typically gains or costs associated with events that are not considered to form part of the core operations, or are considered to be a 'non-recurring' event (although they may span several accounting periods). Further detail can be seen in note 10 to the financial statements.

Acquisition related costs

Costs directly associated with acquisitions, including legal and advisory fees on deals, form part of our reported results on an IFRS basis. These costs however, in our view, form part of the capital transaction, and as they are not attributed to investment value under IFRS 3, they are excluded from our adjusted measures for the purposes of reporting underlying results. Similarly, where acquisitions have employee related payments (exclusive of LTIPs) which lock in and incentivise legacy talent, we have also excluded these costs. As these costs are employment linked, they are treated as an expense and form part of the IFRS results, however, as with transaction costs, we do not consider these to form part of the underlying results of the business. In accordance with IFRS 3, on acquisition, businesses need to be fair valued, which can result in an uplift to stock on hand relating to sales orders already attached to the acquired stock. This uplift will distort the margins associated with the stock, and typically unwinds quickly as stock is sold soon after acquisition. The unwind of the stock uplift is excluded from our adjusted results as we deem this to be a cost of the acquisition.

Reorganisation and restructuring costs

In order to maximise efficiencies as well as recognise synergies from acquisitions, certain projects are undertaken to achieve these.

These are projects outside of the normal operations of the business and typically are very sizeable in terms of costs. This is particularly relevant during a large scale restructuring that can result in some disruption to the normal business (for example manufacturing patterns) leading to operational inefficiencies occurring in this time frame.

If we deem this to be the case, we will present the details and associated costs of the projects separately in our financial statements and exclude them from our adjusted measures.

IFRS 2 (LTIP) costs

As part of our senior management remuneration, the Group operate a Long Term Incentive Plan ('LTIP') in the form of options for ordinary shares of the Group. In accordance with accounting principles, despite this plan not being a cash cost to the business, a share-based payments charge is taken to the income statement. We consider that these charges do not form part of the underlying operational costs and therefore exclude them from our adjusted measures.

Acquisition amortisation costs

Under IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer lists and brand which form part of the intangible value of the acquired business but are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over an appropriately judged period. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. As such we exclude them from the underlying results of the business. 2019 is the first year that these costs have been included given the significant acquisition of Impact Innovations, Inc.

Like-for-like comparators

Figures quoted at like-for-like exchange rates are calculated by retranslating the previous year's figures at the current year's 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 or amended EU endorsed accounting standards

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018. The standard has not had a material effect on the Group's financial statements.

The Group has adopted IFRS 9 Financial Instruments. The standard sets out a single impairment model to ensure expected credit losses on financial instruments are always recognised as soon as they are forecast.

The Group has assessed the credit risk around the financial instruments and expected credit losses under IFRS 9 compared the credit loss provisioning method formerly used under IAS 39 Financial Instruments: Recognition and Measurement and has not found a material difference. As a result prior year balances have not been restated and there has been no material impact on the Group's Income statement, Balance sheet and Cash flow statement.

New accounting standards not yet adopted

IFRS 16 Leases

IFRS 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019 and replaces IAS 17 Leases. The Group will adopt IFRS 16 from 1 April 2019. For lessees, the new standard requires leases to be recognised on the balance sheet as a right-of-use asset (representing the right to use the leased item) and a liability, representing the obligation to make future lease payments. Under IFRS 16, the operating lease expense will be replaced with a depreciation charge for the right-of-use asset and interest expense on the lease liability.

The Group plans on adopting the modified retrospective approach. The estimated impact to profit before tax for the 2020 financial year is a reduction of between £nil and £1.0 million. Non-current assets are expected to increase by £31.0 million and gross liabilities are expected to increase by £35.0 million. The Group has elected not to recognise right of use assets and lease liabilities for short-term leases or low-value assets and will continue to expense the lease payments associated with these leases on a straight-line basis over the term of the lease.

New and amended accounting standards endorsed by the EU	Effective date	To be adopted by the Group
IFRS 16 Leases	1 Jan 2019	1 Apr 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 Jan 2019	1 Apr 2019
Prepayment features with Negative Compensation (Amendments to IFRS 9)	1 Jan 2019	1 Apr 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 Jan 2019	1 Apr 2019
Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRSs 3 & 11, IASs 12 & 23)	1 Jan 2019	1 Apr 2019

No other standards, interpretations or amendments, other than IFRS 16, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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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.

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 the Group has provisions of £8,827,000 (2018: £7,757,000) over the total inventory value.

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 36 to 39 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, seasonal décor, design-led giftware, and 'not-for-resale' consumables.

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. The Group has a China factory and Asian procurement operations which are overseen by our UK operational management team and we therefore continue to include UK owned and managed Asian operations within the internal reporting of the UK operations, comprising one operating segment.

Since the acquisition of Impact Innovations, Inc. the Group now has a second China factory (wholly owned) and Asian procurement which form part of Impact's operations and therefore is included in the overall US segment.

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

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

Segment assets are all non-current and current assets, excluding deferred tax and income tax, which are shown in the eliminations column. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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4 Segmental information continued

	UK[a] £000	Europe £000	USA[a] £000	Australia £000	Central & eliminations £000	Group £000
Year ended 31 March 2019						
Revenue – external	123,006	63,188	223,101	39,067	—	448,362
– inter segment	4,112	1,377	—	—	(5,489)	—
Total segment revenue	127,118	64,565	223,101	39,067	(5,489)	448,362
Segment result before exceptional items, acquisition amortisation, LTIP charges and management recharge	8,073	8,871	15,522	4,278	(4,098)	32,646
Exceptional items						(8,274)
Acquisition amortisation						(1,609)
LTIP charges						(3,005)
Operating profit						19,758
Finance expenses						(2,318)
Finance expense treated as exceptional						(158)
Income tax						(4,031)
Profit for the year ended 31 March 2019						13,251
Balances at 31 March 2019						
Segment assets	188,766	19,240	36,306	13,776	3,610	261,698
Segment liabilities	(28,295)	(10,457)	(35,931)	(7,396)	(4,062)	(86,141)
Capital expenditure additions						
– property, plant and equipment	2,635	901	1,780	383	—	5,699
– property, plant and equipment on acquisition of business	—	—	9,313	—	—	9,313
– intangible assets	285	12	1,893	—	—	2,190
– intangible assets on acquisition of business	—	—	47,042	—	—	47,042
Depreciation	2,333	920	1,452	623	—	5,328
Amortisation	167	35	1,781	326	—	2,309

(a) Including Asian manufacturing and sourcing.

	UK[(a)] £000	Europe £000	USA £000	Australia £000	Central & 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, acquisition amortisation, LTIP charges and management recharge	7,899	6,697	9,608	2,998	(4,003)	23,199
Exceptional items						539
Acquisition amortisation						(371)
LTIP charges						(2,257)
Operating profit						21,110
Net finance expenses						(1,392)
Income tax						(5,384)
Profit for 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	795	—	7,992
– property, plant and equipment on acquisition of business	—	—	—	798	—	798
– intangible assets	109	50	1,218	—	—	1,377
– intangible assets on acquisition of business	—	—	—	2,624	—	2,624
Depreciation	2,229	722	871	523	—	4,345
Amortisation	219	27	474	98	—	818

(a) Including Asian manufacturing and sourcing.

- Capital expenditure consists of additions of property, plant and equipment, intangible assets and goodwill.
- The Group has one customer that accounts for 18% of the total Group revenues. In the year ended 31 March 2019 total sales to that customer were £79,138,000 (2018: £15,978,000). This customer falls solely within the USA operating segment above. No other 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 £3,160,000 (2018: £2,663,000), income tax payable of £3,370,000 (2018: £3,364,000) and deferred tax liability £692,000 (2018: £373,000).

Geographical information

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

	Non-current assets 2019 £000	Non-current assets 2018 £000
UK and Asia	**40,539**	40,126
USA	**61,559**	9,076
Europe	**16,350**	16,610
Australia	**5,077**	6,234
	123,525	72,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

4 Segmental information continued
Revenue by customer destination

	2019 £000	2018 £000	2019 %	2018 %
UK	97,260	89,292	22	27
USA	235,092	136,782	53	42
Europe	68,314	58,080	15	18
Australia	37,707	36,972	8	11
Rest of the world	9,989	6,390	2	2
	448,362	327,516	100	100

All revenue arose from the sale of goods.

5 Expenses and auditor's remuneration
Included in profit are the following charges/(credits):

	Note	2019 £000	2018 £000
Depreciation	11	5,328	4,345
Loss on sales of property, plant and equipment and intangible assets		325	17
Release of deferred grant income	7	(247)	(99)
Amortisation of intangible assets	12	2,309	818
Operating lease payment – minimum lease payment	27	4,865	5,289
Sub-lease rental income	7	(583)	(710)
Write down of inventories to net realisable value	14	4,173	5,491
Reversal of previous write downs on inventory	14	(478)	(197)
Loss on foreign exchange		814	373

Auditor's remuneration:

	2019 £000	2018 £000
Amounts receivable by auditor and its associates in respect of:		
Audit of these financial statements	90	37
Audit of financial statements of subsidiaries pursuant to legislation		
– Overseas subsidiaries	326	184
– UK subsidiaries	66	51
Tax services	40	31
Services relating to corporate finance transactions	—	54
Other services	10	5

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 2019	Number of employees 2018
Selling and administration	**641**	520
Production and distribution	**1,723**	1,434
	2,364	1,954

The aggregate payroll costs of these persons were as follows:

	Note	2019 £000	2018 £000
Wages and salaries		**62,083**	51,283
Share-based payments – Long Term Incentive Plan	25	**3,005**	2,257
Social security costs		**4,795**	3,950
Other pension costs		**3,532**	3,634
		73,415	61,124

For information on Directors' remuneration please refer to the section titled 'Directors' remuneration' within the Directors' remuneration report (pages 57 and 58) and Long Term Incentive Plan (page 58), which form part of these audited financial statements.

7 Other operating income

		2019 £000	2018 £000
Grant income received		**247**	99
Sub-lease rentals credited to the income statement		**583**	710
Other		**(210)**	(424)
		620	385
Exceptional items	10	**—**	1,092
		620	1,477

8 Finance expenses

	2019 £000	2018 £000
Interest payable on bank loans and overdrafts	**2,334**	946
Other similar charges	**(74)**	332
Finance charges in respect of finance leases	**—**	2
Unwinding of fair value discounts	**86**	80
Interest payable under the effective interest method	**2,346**	1,360
Derivative financial instruments at fair value through the income statement	**(28)**	32
	2,318	1,392
Exceptional items	**158**	—
	2,476	1,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

9 Taxation
Recognised in the income statement

	2019 £000	2018 £000
Current tax charge		
Current year	4,770	3,355
Adjustments for previous periods	38	128
	4,808	3,483
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	(617)	1,986
Adjustments in respect of previous periods	(160)	(85)
	(777)	1,901
Total tax in income statement	4,031	5,384
Total tax charge/(credit) on adjusted items		
Total tax on profit before exceptional items, acquisition amortisation and LTIP costs	7,094	6,188
Total tax on exceptional items	(2,038)	(238)
Total tax on acquisition amortisation	(847)	(121)
Total tax on LTIP costs	(178)	(445)
Total tax in income statement	4,031	5,384

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit before tax	17,282	19,718
Profit before tax multiplied by the standard rate of corporation tax rate of 19% in the UK (2018: 19%)	3,284	3,746
Effects of:		
Income not taxable	(88)	(502)
Expenses not deductible for tax purposes	208	249
Movement in unrecognised tax assets	296	270
Effect of tax rate changes	33	593
Differences between UK and overseas tax rates	1,053	1,637
Movement in uncertain tax provision	(408)	(400)
Local tax incentives	(100)	(108)
Other items	(125)	(90)
Adjustments in respect of previous periods	(122)	(11)
Total tax in income statement	4,031	5,384

10 Exceptional items

These include acquisition related costs and reorganisation and restructuring costs. These items are excluded to present the performance of the business in a consistent manner and in line with how the business is managed and measured on a day-to-day basis. They are typically gains or costs associated with events that are not considered to form part of the core operations, or are considered to be a 'non-recurring' event (although they may span several accounting periods).

Acquisition related costs

Costs associated with acquisitions, including legal and advisory fees on deals, form part of our reported results on an IFRS basis. These costs, however, in our view form part of the capital transaction and as they are not attributed to investment value under IFRS 3, they are excluded from our adjusted measures for the purposes of reporting underlying results. Similarly, where acquisitions have employee related payments (exclusive of LTIPs) which lock in and incentivise legacy talent, we have also excluded these costs. As these costs are employment linked, they are treated as an expense and form part of the IFRS results, however, as with transaction costs, we do not consider these to form part of the underlying results of the business. In accordance with IFRS 3, on acquisition, businesses need to be fair valued, which can result in an uplift to stock on hand relating to sales orders already attached to the acquired stock. This uplift will distort the margins associated with the stock, and typically unwinds quickly as stock is sold soon after acquisition. The unwind of the stock uplift is excluded from our adjusted results as we deem this to be a cost of the acquisition.

Reorganisation and restructuring costs

In order to maximise efficiencies, as well as recognise synergies from acquisitions, certain projects are undertaken to achieve these. These are projects outside of the normal operations of the business and typically are very sizeable in terms of costs. This is particularly relevant during a large scale restructuring that can result in some disruption to the normal business (for example manufacturing patterns) leading to operational inefficiencies occurring in this time frame. If we deem this to be the case, we will present the details and associated costs of the projects separately in our financial statements and exclude them from our adjusted measures.

Year ended 31 March 2019	Cost of sales £000	Selling expenses £000	Admin expenses £000	Other finance expenses £000	Total £000
Transaction costs[a]	—	—	(2,254)	(158)	(2,412)
UK unification[b]	—	—	(428)	—	(428)
US restructure[c]	(1,748)	(222)	(3,622)	—	(5,592)
Total before tax	(1,748)	(222)	(6,304)	(158)	(8,432)
Income tax credit					2,038
Exceptional items after tax					(6,394)

(a) Transaction costs relating predominantly to the acquisition of Impact Innovations Inc.

(b) Remaining unification cost associated with relocating a part of our UK business to another site and associated redundancies with the move.

(c) The restructure of our US operations including the profit on sale of our manufacturing facility in Midway and closure costs. The cost of relocating equipment and personnel to Memphis, Tennessee along with manufacturing inefficiencies associated with the start up of converting operations. The charge relating to the unwind of the inventory fair value adjustment arising on acquisition and final charges in relation to the Lang integration.

Year ended 31 March 2018	Admin expenses £000	Other operating income £000	Total £000
Transaction costs[d]	(553)	—	(553)
Sale of Hirwaun property[e]	—	1,092	1,092
Total before tax	(553)	1,092	539
Income tax credit			238
Exceptional items after tax			777

(d) 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.

(e) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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10 Exceptional items continued

The cash flow effect on exceptional items

There was £287,000 net outflow on the current year's cash flow (2018: £1,637,000 inflow) which included £473,000 (2018: £350,000) of outflow deferred from last year.

11 Property, plant and equipment

	Land and buildings					
	Freehold £000	Leasehold £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
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 to computer software	—	—	—	294	—	294
Effect of movements in foreign exchange	174	(1,006)	(963)	(128)	(60)	(1,983)
Balance at 1 April 2018	20,096	9,633	50,073	4,241	1,254	85,297
Additions	1,078	126	3,712	550	233	5,699
Disposals	(405)	(8,252)	(352)	(285)	(351)	(9,645)
Additions on acquisition of business	462	—	8,851	—	—	9,313
Transfers between fixed asset categories	(57)	83	(43)	17	—	—
Transfers to computer software	—	—	(620)	—	—	(620)
Effect of movements in foreign exchange	(127)	636	351	62	(8)	914
Balance at 31 March 2019	**21,047**	**2,226**	**61,972**	**4,585**	**1,128**	**90,958**
Depreciation and impairment						
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 to computer software	—	—	—	(239)	—	(239)
Effect of movements in foreign exchange	(67)	447	544	76	18	1,018
Balance at 1 April 2018	(10,978)	(5,059)	(30,235)	(2,922)	(604)	(49,798)
Depreciation charge for the year	(769)	(414)	(3,478)	(502)	(165)	(5,328)
Disposals	152	3,769	86	248	84	4,339
Transfers between fixed asset categories	6	—	35	(41)	—	—
Transfers to computer software	—	—	170	—	—	170
Effect of movements in foreign exchange	57	(301)	(224)	(44)	6	(506)
Balance at 31 March 2019	**(11,532)**	**(2,005)**	**(33,646)**	**(3,261)**	**(679)**	**(51,123)**
Net book value						
Balance at 31 March 2019	**9,515**	**221**	**28,326**	**1,324**	**449**	**39,835**
At 31 March 2018	9,118	4,574	19,838	1,319	650	35,499

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.

Security

All freehold properties are subject to a fixed charge.

12 Intangible assets

	Goodwill £000	Computer software £000	Trade names £000	Customer lists £000	Other intangibles £000	Total £000
Cost						
Balance at 1 April 2017	42,474	4,151	320	680	133	47,758
Additions	—	1,377	—	—	—	1,377
Additions on acquisition of businesses	1,703	—	197	724	—	2,624
Transfer from fixed assets	—	(294)	—	—	—	(294)
Disposals	—	(40)	—	—	—	(40)
Effect of movements in foreign exchange	(809)	(325)	(44)	(110)	—	(1,288)
Balance at 1 April 2018	43,368	4,869	473	1,294	133	50,137
Additions	—	2,190	—	—	—	2,190
Additions on acquisition of businesses	28,042	—	1,846	17,154	—	47,042
Transfer from fixed assets	—	620	—	—	—	620
Disposals	(33)	(940)	—	—	—	(973)
Effect of movements in foreign exchange	404	246	20	44	—	714
Balance at 31 March 2019	**71,781**	**6,985**	**2,339**	**18,492**	**133**	**99,730**
Amortisation and impairment						
Balance at 1 April 2017	(10,443)	(3,204)	(80)	(260)	(90)	(14,077)
Amortisation for the year	—	(447)	(120)	(233)	(18)	(818)
Impairments	(36)	—	—	—	—	(36)
Transfers from fixed assets	—	239	—	—	—	239
Disposals	—	39	—	—	—	39
Effect of movements in foreign exchange	785	228	14	36	—	1,063
Balance at 1 April 2018	(9,694)	(3,145)	(186)	(457)	(108)	(13,590)
Amortisation for the year	—	(700)	(392)	(1,214)	(3)	(2,309)
Transfers from fixed assets	—	(170)	—	—	—	(170)
Disposals	33	609	—	—	—	642
Effect of movements in foreign exchange	(475)	(101)	(11)	(26)	—	(613)
Balance at 31 March 2019	**(10,136)**	**(3,507)**	**(589)**	**(1,697)**	**(111)**	**(16,040)**
Net book value						
Balance at 31 March 2019	**61,645**	**3,478**	**1,750**	**16,795**	**22**	**83,690**
At 31 March 2018	33,674	1,724	287	837	25	36,547

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

	2019 £000	2018 £000
UK and Asia	25,600	25,600
Europe	5,248	5,329
USA	28,042	—
Australia	2,755	2,745
Total	61,645	33,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

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 89), 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 five years plus a terminal value based on a conservative estimate of market growth of 0.5% (2018: between 0.5% and 2.0%).

Generally the Group's post tax weighted average cost of capital ('WACC') is 8% and this has been compared to other similar companies and is felt to be appropriate.

The cash-generating units used the following pre-tax discount rates which are derived from an estimate of the Group's future WACC adjusted to reflect the market assessment of the risks specific to the current estimated cash flows over the same period.

Pre-tax discount rates used were:

	2019	2018
UK and Asia	**10.9%**	10.4%
Europe	**11.7%**	10.7%
USA	**12.5%**	—
Australia	**13.4%**	12.4%

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, 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 3% movement in the discount rate and a flat budget growth rate assumption in their sensitivity 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:

	Property, plant and equipment	Tax losses carried forward	Share-based payments	Other timing differences[a]	Total
At 1 April 2018	(1,137)	584	1,943	900	2,290
(Charge)/credit to income statement	(2,653)	1,103	1,004	1,325	779
(Charge)/credit to equity	(115)	187	(358)	135	(151)
At 31 March 2019	**(3,905)**	**1,874**	**2,589**	**2,360**	**2,918**
Deferred tax liabilities	(4,159)	—	—	(205)	(4,364)
Deferred tax assets	254	1,874	2,589	2,565	7,282
	(3,905)	**1,874**	**2,589**	**2,360**	**2,918**

	Property, plant and equipment	Tax losses carried forward	Share-based payments	Other timing differences[a]	Total
At 1 April 2017	(1,173)	1,794	1,949	2,303	4,873
(Charge)/credit to income statement	75	(1,152)	150	(974)	(1,901)
(Charge)/credit to equity	(39)	(58)	(156)	(216)	(469)
Acquisitions	—	—	—	(213)	(213)
At 31 March 2018	(1,137)	584	1,943	900	2,290
Deferred tax liabilities	(1,318)	—	—	(140)	(1,458)
Deferred tax assets	181	584	1,943	1,040	3,748
	(1,137)	584	1,943	900	2,290

(a) Other timing differences include a closing balance of £905,000 (2018: £819,000) in respect of provision for doubtful debts and £1,851,000 (2018: £1,086,000) provision for inventory.

Deferred tax is presented net on the balance sheet in so far as a right of offset exists. The net deferred tax asset is £3,610,000 (2018: £2,663,000) and the net deferred tax liability is £692,000 (2018: £373,000).

The deferred tax asset in respect of tax losses carried forward at 31 March 2019 of £1,874,000 (2018: £584,000) comprises UK tax losses of £991,000 (2018: £440,000) and US losses of £883,000 (2018: £144,000). The majority of the US tax losses carried forward will become irrecoverable in March 2029. 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 £574,000 (2018: £310,000), £369,000 (2018: £490,000) in respect of China, and £235,000 (2018: £221,000) in respect of Asia.

A deferred tax liability of £237,000 (2018: £153,000) 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.

Included within current tax liabilities is £1,263,000 (2018: £1,670,000) in respect of uncertain tax positions. This consists of various tax risks which individually are not material. These risks arise because the Group operates in a complex multinational tax environment. The position is reviewed on an ongoing basis and generally these tax positions are released at the end of the relevant territories' statute of limitations.

A total tax credit of £764,000 has been recognised through the statement of changes in equity in respect of share-based payments (consisting of a deferred tax debit and current tax credit of (£358,000) and £1,122,000 respectively).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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14 Inventory

	2019 £000	2018 £000
Raw materials and consumables	19,242	6,325
Work in progress	7,818	8,927
Finished goods	42,511	34,059
	69,571	49,311

Of the £69,571,000 (2018: £49,311,000) stock value £63,001,000 (2018: £46,984,000) is held at cost and £6,570,000 (2018: £2,327,000) is held at net realisable value. The write down in the year of inventories to net realisable value amounted to £4,173,000 (2018: £5,491,000). The reversal of previous write downs amounted to £478,000 (2018: £197,000). 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 £323,486,000 (2018: £228,776,000).

15 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	39,778	32,490
Prepayments and accrued income	4,822	1,553
Other receivables	171	3,015
VAT receivable	634	311
	45,405	37,369

The Group had receivable financing arrangements in the UK, Europe, the US and Hong Kong. None of this facility was drawn at 31 March 2019 (2018: £nil).

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

There are no trade receivables in the current year (2018: £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

	2019 £000	2018 £000
Cash and cash equivalents per cash flow statement	19,458	9,031

Net cash

	Note	2019 £000	2018 £000
Cash and cash equivalents		19,458	9,031
Bank loans and overdrafts	17	(2,405)	(4,780)
Loan arrangement fees		31	105
Net cash as used in the financial review		17,084	4,356

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.

	2019 £000	2018 £000
Non-current liabilities		
Secured bank loans (see page 94)	**1,421**	3,791
Loan arrangement fees	**—**	(10)
	1,421	3,781
Current liabilities		
Current portion of secured bank loans (see page 94)	**984**	989
Loan arrangement fees	**(31)**	(95)
	953	894

Terms and debt repayment schedule

	2019 £000	2018 £000
Due within one year:		
Bank loans and borrowings (see page 94)	**984**	989
Due between one and two years:		
Secured bank loans (see page 94)	**984**	989
Due between two and five years:		
Secured bank loans (see page 94)	**437**	2,802
	2,405	4,780

Changes in liabilities from financing activities

	Loans and borrowings £000	Loan arrangement fees £000
Balance at 1 April 2017	—	(271)
Changes from financing cash flows		
New bank loans raised	5,108	—
Repayment of borrowings	(165)	—
New loan arrangement fees	—	(111)
Other changes		
Amortisation of loan arrangement fees	—	277
Effect of movements in foreign exchange	(163)	
Balance at 1 April 2018	4,780	(105)
Changes from financing cash flows		
Repayment of borrowings	(2,350)	—
New loan arrangement fees	—	(30)
Other changes		
Amortisation of loan arrangement fees	—	104
Effect of movements in foreign exchange	(25)	—
Balance at 31 March 2019	**2,405**	**(31)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

17 Loans and borrowings continued

Secured bank loans

The wholly owned Group during the year was funded by HSBC. The facilities comprise:

- a three-year revolving credit facility ('RCF') for £28 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 £139.0 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.

There are financial covenants, tested quarterly, attached to the existing 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 (AU$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. £2,350,000 was repaid during the year which, along with £25,000 exchange movement results in a balance at 31 March 2019 of £2,405,000 (AU$4,400,000).

On 5 June we entered into a new three year Group facility with a club of five banks chosen to reflect and support the geographical spread of the Group. HSBC continue to be significant partner and have been joined in the new facility by NatWest, BNP Paribas, Sun Trust and PNC.

The new Group facilities, which run to May 2022, comprises of:

- a revolving credit facility ('RCF A') of $80.0 million;
- a further flexible revolving credit facility ('RCF B') with availability varying from month to month of up to £85.0 million. This RCF is flexed to meet our working capital requirements during those months when inventory is being built within our annual business cycle and is nil when not required, minimising carry costs; and
- the existing invoice financing arrangements in Hong Kong which will remain in place for a minimum of the first year.

In total, the available facilities at approximately £160 million are more than sufficient to cover our peak requirements. Being partially framed in US dollars they provide a hedge against currency movements. The facilities, which do not amortise with time, include an additional uncommitted amount to finance potential acquisitions.

See pages 33 and 34 of the executive review for further details.

18 Deferred income

	2019 £000	2018 £000
Included within non-current liabilities		
Deferred grant income	**751**	998
Included within current liabilities		
Deferred grant income	**99**	99

The deferred grant income is in respect of government grants relating to the development of the site in Wales.

19 Provisions

	Property £000	Other £000	Total £000
Balance at 1 April 2018	986	337	1,323
Additions on acquisition of business	2,197	—	2,197
Reclassified from other creditors	180	—	180
Provisions made in the year	67	335	402
Provisions released during the year	(9)	(340)	(349)
Unwinding of fair value discounts	86	—	86
Provisions utilised during the year	(71)	—	(71)
Effect of movements in foreign exchange	(2)	(5)	(7)
Balance at 31 March 2019	**3,434**	**327**	**3,761**

	2019 £000	2018 £000
Non-current	**2,671**	894
Current	**1,090**	429
	3,761	1,323

The property provision represents the estimated reinstatement cost of six of the Group's leasehold properties under fully repairing leases and a 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. £935,000 (2018: £882,000) of the non-current balance relates to a lease expiring in 2036; the balance relates to items between one 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

	2019 £000	2018 £000
Included within non-current liabilities		
Other creditors and accruals	**1,817**	1,440
Included within current liabilities		
Other creditors and accruals	**14,712**	18,832
Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	**—**	40
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	**2**	116
	14,714	18,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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21 Trade and other payables

	2019 £000	2018 £000
Trade payables	57,336	37,056
Other payables including income taxes and social security	947	817
VAT payable	280	884
	58,563	38,757

22 Share capital

Authorised share capital at 31 March 2019 and 2018 was £6,047,443 divided into 120,948,860 ordinary shares of 5p each.

	Ordinary shares	
In thousands of shares	2019	2018
In issue at 1 April	63,890	62,642
Options exercised during the year	1,655	1,248
Share issue as part of the consideration for Impact Innovations, Inc.	3,017	—
Share placing	9,804	—
In issue at 31 March – fully paid	78,366	63,890

	2019 £000	2018 £000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each	3,918	3,194

Of the 78,366,000 shares in the Company, 31,000 (2018: 31,000) are held by the International Greetings Employee Benefit Trust.

Share options exercised during the year resulted in 200,000 ordinary shares being issued (2018: 510,000) which generated cash proceeds of £28,000 (2018: £71,000).

LTIP options exercised during the year resulted in 1,455,000 ordinary shares being issued at nil cost (2018: 738,000 ordinary shares being issued at nil cost).

On 31 August 2018, the Group acquired Impact Innovations, Inc. Part of the consideration was settled by 3,017,000 shares.

On 29 August 2018, the Group raised £31,926,000 (before expenses) by way of a share placing of 6,260,000 new ordinary shares at a price of £5.10 per share. On 19 September 2018, the Group raised an additional £18,074,000 (before expenses) by way of a share placing of 3,544,000 new ordinary shares at a price of £5.10 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

	2019 Diluted pence	2019 Basic pence	2018 Diluted pence	2018 Basic pence
Adjusted earnings per share excluding exceptional items, acquisition amortisation and LTIP charges[(a)]	29.3	29.6	22.1	22.7
Cost per share on exceptional items	(8.6)	(8.7)	1.4	1.4
Adjusted earnings per share excluding acquisition amortisation and LTIP charges[(b)]	20.7	20.9	23.5	24.1
Cost per share on acquisition amortisation	(0.9)	(0.9)	(0.3)	(0.2)
Adjusted earnings per share excluding LTIP charges[(c)]	19.8	20.0	23.2	23.9
Cost per share on LTIP charge	(3.8)	(3.8)	(2.7)	(2.8)
Earnings per share[(d)]	16.0	16.2	20.5	21.1

(a) Excludes exceptional items, acquisition amortisation and LTIP charges of £12,891,000 (2018: £1,889,000) and tax relief attributable to those items of £3,016,000 (2018: £765,000), to give adjusted profit (including the effect of non-controlling interest) of £21,800,000 (2018: £14,669,000).

(b) Excludes acquisition amortisation and LTIP charges of £4,459,000 (2018: £2,589,000) and tax relief attributable to those items of £978,000 (2018: £554,000), to give adjusted profit (including the effect of non-controlling interest) of £15,406,000 (2018: £15,580,000).

(c) Excludes LTIP charges of £3,005,000 (2018: £2,257,000) and tax relief attributable to those items of £178,000 (2018: £445,000), to give adjusted profit (including the effect of non-controlling interest) of £14,752,000 (2018: £15,357,000).

(d) The basic earnings per share is based on the profit attributable to equity holders of the Company of £11,925,000 (2018: £13,545,000) and the weighted average number of ordinary shares in issue of 73,661,000 (2018: 64,538,000) calculated as follows:

In thousands of shares	2019	2018
Issued ordinary shares at 1 April	63,890	62,642
Shares held by Employee Benefit Trust	(31)	(31)
Shares relating to share options	2,506	1,927
Shares issued as part of the consideration for Impact	1,752	—
Shares issued in respect of share placing	5,544	—
Weighted average number of shares at 31 March	73,661	64,538

Diluted earnings per share

The average number of share options under the Executive share options 2008 scheme outstanding in the year is nil (2018: 612,795 at an average exercise price of 14p). The average number of share options under the LTIP scheme outstanding in the year is 1,366,118 (2018: 1,371,743) 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 723,632 share options. At 31 March 2019 the diluted number of shares was 74,385,000 (2018: 66,358,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

24 Dividends paid and proposed

A final dividend for year ending 31 March 2018 of 4.00p (for year ending 31 March 2017: 2.75p) was paid on 6 September 2018. An interim dividend of 2.50p was paid on 18 January 2019 (2018: 2.00p). The Directors are recommending a final dividend of 6.00p per share in respect of the year ended 31 March 2019 (2018: 4.00p). If approved it will be paid in September 2019 to shareholders on the register at the close of business on 2 August 2019.

	2019		2018	
	Pence per share	£000	Pence per share	£000
Final equity dividend for prior year	4.00	2,597	2.75	1,734
Interim equity dividend for current year	2.50	1,956	2.00	1,266
Dividends paid in the year		**4,553**		3,000

	2019		2018	
Proposed for approval at Annual General Meeting	Pence per share	£000	Pence per share	£000
Final equity dividend for the current year	6.00	4,702	4.00	2,556

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 2019 there were no approved options outstanding (2018: 200,000) with a weighted average contractual life of 0 years (2018: 0.7 years). No share options were granted under this scheme during the year (2018: nil).

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

	2019		2018	
	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	200,000	14.00	710,000
Exercised during the period	14.00	(200,000)	14.00	(510,000)
Outstanding at the end of the period	14.00	—	14.00	200,000
Exercisable at the end of the period	14.00	—	14.00	200,000

The weighted average share price at the date of exercise of share options exercised during the period was 547.8p (2018: 376.0p).

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 not be more than 325% in value of the relevant employee's salary base. The maximum opportunity available is up to 175% for the CEO and for other Executive Directors up to 150% of base salary. For the 2018-21 scheme grant B there is an outperformance element of up to 50% of the initial grant.

Vested LTIP schemes – outstanding options

	Number of ordinary shares	Exercise price pence	Exercise dates
2014-2017 LTIP scheme	273,921	nil	June 2017-August 2024
2015-2018 LTIP scheme	577,832	nil	June 2018-January 2028
2016-2019 LTIP scheme[(a)]	723,632	nil	June 2019-January 2028
	1,575,385		

All performance criteria have been met for the above schemes.

	2019		2018	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	**nil**	**2,306,034**	nil	1,830,351
Options vesting during the period[(a)]	**nil**	**723,632**	nil	1,213,794
Exercised during the period	**nil**	**(1,454,281)**	nil	(738,111)
Outstanding at the end of the period	**nil**	**1,575,385**	nil	2,306,034
Exercisable at the end of the period	**nil**	**1,575,385**	nil	2,306,034

(a) The shares relating to the 2016-2019 scheme formally vest on 5 June 2019 following the Remuneration Committee and Audit Committee approval of the results of the year ended 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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25 Share-based payments continued

Scheme details for LTIPs in vesting periods during the year

During the financial year to 31 March 2019 there were three LTIP schemes still within their vesting periods (2018: three). The award and performance targets for these are in the tables below.

Awards

	2016-2019		2017-2020		2018-2021	
	Grant A	Grant B	Grant A	Grant B	Grant A	Grant B
Fair value per share (£)	1.82	4.04	3.71	4.04	5.55	5.56
Number of participants awarded	23	1	24	2	20	5
Initial award	827,220	72,885	347,101	297,844	151,859	633,372
Dividend shares awarded	23,283	2,714	7,097	7,053	575	2,708
Lapses and forfeitures	(202,470)	—	(48,797)	—	(18,280)	—
Expected to vest as at 31 March 2019	**648,033**	**75,599**	**305,401**	**304,897**	**134,154**	**636,080**
Expected to vest as at 31 March 2018	720,395	75,582	347,278	304,829	—	—

The LTIP awards 'Grant A' were made in 2017, 2018 and 2019 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. There was also a 'Grant B' award in respect of the 2018-2021 scheme to Paul Fineman, Giles Willits, Lance Burn and the other two member of the Executive Committee in November 2018.

The grant date fair value of the options granted in the year assuming they are to vest in full is £4,364,000 (2018: £3,191,000). 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[a] target for the 2016-2019 scheme is the sole exception to this: the threshold of 7.5% CAGR[b] pays out at 0%, with the award vesting straight-line from here to 100% at stretch.

The 'Grant B' of the 2018-2021 scheme also includes a super stretch target which will vest in accordance with the following bands relating to CAGR[b] in EPS[a]:

- more than 17% but not more than 20%: 10% x number of shares in respect of which the base award vests;
- more than 20% but not more than 22.5%: 22% x number of shares in respect of which the base award vests;
- more than 22.5% but not more than 25%: 35% x number of shares in respect of which the base award vests; and
- more than 25%: 50% x number of shares in respect of which the base award vests.

	Weighting	Threshold	Stretch	Super stretch
2016-19 scheme				
EPS[a]	60%	CAGR[b] 7.5%	CAGR[a] 17.5%	
PBT[a]	40%	CAGR[b] 10%	CAGR[a] 17.5%	
2017-20 scheme				
EPS[a]	100%	CAGR[b] 10%	CAGR[a] 17.5%	
2018-21 scheme				
EPS[a]	100%	CAGR[b] 10%	CAGR[a] 17.0%	CAGR[a] 25.0%

(a) EPS before LTIP charges and Board approved exceptional items.

(b) CAGR = compound annual growth rate.

Share-based payments charges

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

	2019 £000	2018 £000
Charge in relation to the 2015-2018 LTIP scheme	—	913
Charge in relation to the 2016-2019 LTIP scheme	637	473
Charge in relation to the 2017-2020 LTIP scheme	1,083	291
Charge in relation to the 2018-2021 LTIP scheme	613	—
Equity-settled share-based payments	2,333	1,677
Social security charge on 2008 executive share option awards	—	29
Social security charge on LTIP awards	672	551
Total equity-settled share-based payments	3,005	2,257

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 £1,088,000 (2018: £1,197,000).

26 Financial instruments

Derivative financial assets

	2019 £000	2018 £000
Financial assets designated at fair value through the income statement	129	113

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 2019, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of £129,000 (2018: £113,000) and a liability of £2,000 (2018: £156,000).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

26 Financial instruments continued
Derivative financial assets continued
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 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 £59,536,000 (2018: £44,649,000) 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:

	2019 £000	2018 £000
UK and Asia	8,998	10,685
USA	21,614	12,863
Europe	5,303	4,549
Australia	3,863	4,393
	39,778	32,490

Credit quality of financial assets and impairment losses
There was no change to the level of provision for doubtful debts upon the adoption of IFRS 9.

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

	2019			2018		
	Expected loss rate %	Gross £000	Provisions for doubtful debts £000	Expected loss rate %	Gross £000	Provisions for doubtful debts £000
Not past due	0.6	31,666	(200)	—	19,786	—
Past due 0-60 days	5.4	6,854	(369)	1.0	10,404	(100)
61-90 days	18.4	1,601	(295)	14.8	628	(93)
More than 90 days	90.9	5,727	(5,206)	24.7	2,476	(611)
	13.2	45,848	(6,070)	2.4	33,294	(804)

There were no unimpaired balances outstanding at 31 March 2019 (2018: £nil) where the Group had renegotiated the terms of the trade receivable.

The provisions for doubtful debts more than 90 days include £3,700,000 relating to doubtful debts in the opening balance sheet of Impact Innovations, Inc.

Expected credit loss assessment

For the Group's trade receivables, expected credit losses are measured using a provisioning matrix based on the reason the trade receivable is past due. The provision matrix rates are based on actual credit loss experience over the past three years and adjusted, when required, to take into account current macro-economic factors. The Group applies experienced credit judgement that is determined to be predictive of the risk of loss to assess the expected credit loss, taking into account external ratings, financial statements and other available information.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2019 £000	2018 £000
Balance at 1 April	804	822
Charge for the year	1,697	434
Unused amounts reversed	(51)	(237)
Acquisition of businesses	3,724	—
Amounts written off	(407)	(149)
Effects of movement in foreign exchange	303	(66)
Balance at 31 March	6,070	804

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 2019 are set out in note 17.

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

31 March 2019	Note	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)]		2,405	(2,532)	(1,069)	(1,023)	(440)	—
Other financial liabilities[(b)]	20	16,529	(16,529)	(14,712)	(373)	(171)	(1,273)
Trade payables[(b)]	21	57,336	(57,336)	(57,336)	—	—	—
Other payables[(b)]	21	1,227	(1,227)	(1,227)	—	—	—
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the hedging reserve[(b)]		2	(248)	(248)	—	—	—
		77,499	(77,872)	(74,592)	(1,396)	(611)	(1,273)

(a) Nominal interest rate 4.49%.

(b) Measured at Level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

26 Financial instruments continued
Derivative financial assets continued
c) Liquidity risk continued
Financial risk management continued

31 March 2018	Note	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]		40	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve[b]		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.

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

	31 March 2019				31 March 2018			
	Carrying amount £000	**Facility used contractual cash flows £000**	**Facility unused £000**	**Total facility £000**	Carrying amount £000	Facility used contractual cash flows £000	Facility unused £000	Total facility £000
Secured bank loans	**2,405**	**(2,532)**	**—**	**(2,532)**	4,780	(5,242)	—	(5,242)
Corporate revolving credit facilities	**—**	**—**	**(29,602)**	**(29,602)**	—	—	(19,622)	(19,622)
Receivables financing	**—**	**—**	**(15,967)**	**(15,967)**	—	—	(17,981)	(17,981)
Bank overdraft	**—**	**—**	**(3,249)**	**(3,249)**	—	—	(3,654)	(3,654)
	2,405	**(2,532)**	**(48,818)**	**(51,350)**	4,780	(5,242)	(41,257)	(46,499)

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 with the major bank was £139.0 million (2018: £127.9 million).

At 31 March 2019 the facility amounted to £45.6 million (2018: £37.6 million).

Additional facilities were available at other banks of £3.2 million (2018: £3.7 million).

On 5 June 2019 we entered into a new three year Group banking facility, see note 17 for more information.

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 2019	Carrying amount £000	Contractual cash flows £000	One year or less £000
Forward exchange contracts:			
Liabilities	2	(248)	(248)

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

The Group has forward currency hedging contracts outstanding at 31 March 2019 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 2020 were assessed to be highly effective and as at 31 March 2019 a net unrealised gain of £118,000 (2018: £27,000 loss) with related deferred tax credit of £nil (2018: £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 2019	Notes	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	16	65,845	(4,617)	(46,596)	4,826	19,458
Trade receivables	15	7,731	5,403	22,793	3,851	39,778
Other receivables		966	22	1,651	40	2,679
Financial assets at fair value through the income statement		110	—	—	19	129
Secured bank loans	17	—	—	—	(2,405)	(2,405)
Loan arrangement fees	17	31	—	—	—	31
Trade payables	21	(10,494)	(7,013)	(30,378)	(9,451)	(57,336)
Other payables	21	(541)	(409)	—	(277)	(1,227)
Balance sheet exposure		63,648	(6,614)	(52,530)	(3,397)	1,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

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

31 March 2018	Note	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)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	**2019**	2018
Euro	**1.13**	1.14	**1.16**	1.14
US dollar	**1.31**	1.34	**1.30**	1.40

Sensitivity analysis
A 10% weakening of the following currencies against sterling at 31 March 2019 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 2018.

	Equity		Profit/(loss)	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Euro	**601**	118	**6**	(879)
US dollar	**4,775**	(146)	**883**	(521)

On the basis of the same assumptions, a 10% strengthening of the above currencies against sterling at 31 March 2019 would have affected equity and profit or loss by the following amounts:

	Equity		Profit/(loss)	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Euro	**(735)**	(144)	**(8)**	1,075
US dollar	**(5,837)**	178	**(1,079)**	637

Profile

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

	Note	2019 £000	2018 £000
Variable rate instruments			
Financial assets		**19,458**	9,031
Financial liabilities		**(2,405)**	(4,780)
Loan arrangement fees		**31**	105
Net debt	16	**17,084**	4,356

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 2018.

Sensitivity analysis

	2019 £000	2018 £000
Equity		
Increase	**85**	21
Decrease	**—**	—
Profit or loss		
Increase	**85**	21
Decrease	**—**	—

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 borrowings 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	2019 £000	2018 £000
Net assets attributable to owners of the Parent Company		**171,506**	96,855
Net cash	16	**(17,084)**	(4,356)
Trading capital		**154,422**	92,499

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 CFO and CFO 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, acquisition amortisation and LTIP charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

27 Operating leases
Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	5,236	5,108
Between one and five years	10,257	9,925
More than five years	16,443	17,807
	31,936	32,840

Non-cancellable operating leases are receivable as follows:

	2019 £000	2018 £000
Between one and five years	837	1,728

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 £583,000 (2018: £710,000) were received during the financial year.

During the year, £4,865,000 was recognised as an expense in the income statement in respect of operating leases (2018: £5,289,000).

28 Capital commitments
At 31 March 2019, the Group had outstanding authorised capital commitments to purchase plant and equipment for £2,647,000 (2018: £551,000).

29 Related parties

	2019 £000	2018 £000
Sale of goods:		
Hedlunds Pappers Industri AB	69	172
Festive Productions Ltd	12	24
Hedlund Import AB	2,955	2,718
S A Greetings (South African Greetings)	126	91
	3,162	3,005
Purchase of goods:		
Mattr Media Ltd	56	62
	56	62
Receivables		
Hedlund Import AB	29	17
S A Greetings (South African Greetings)	31	—
Balance at 31 March	60	17

Identity of related parties and trading

Hedlund Import AB and AB Alrick-Hedlund are under the ultimate control of the Hedlund family who are a major shareholder in the Company. 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 and Elaine Bond is a shareholder.

During the year the Company paid £56,000 (2018: £62,000) 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 34% (2018: 45%) of the voting shares of the Company. The shareholdings of Directors and changes during the year are shown in the Directors' report on page 60.

See the Directors' remuneration report on pages 57 to 58 for more detail.

30 Subsidiary with significant non-controlling interest

The Company has two subsidiary companies which have a material non-controlling interest, IG Design Group Australia Pty Ltd ('Australia') and Anker Play Products LLC ('APP'). Summary financial information in relation to Australia and APP is shown below.

	2019			2018
Non-controlling interest – balance sheet as at 31 March	Australia £000	APP £000	Total £000	Australia £000
Non-current assets	4,582	16	4,598	5,538
Current assets	10,052	3,219	13,271	7,637
Current liabilities	(6,755)	(2,600)	(9,355)	(5,604)
Non-current liabilities	(143)	—	(143)	(45)

	2019			2018
Non-controlling interest – comprehensive income for the year ended 31 March	Australia £000	APP £000	Total £000	Australia £000
Revenue	39,067	11,078	50,145	36,972
Profit after tax	2,434	531	2,965	1,265
Total comprehensive income	2,229	531	2,760	1,345

	2019			2018
Non-controlling interest – cash flow for the year ended 31 March	Australia £000	APP £000	Total £000	Australia £000
Net increase/(decrease) in cash and cash equivalents	444	(35)	409	550

	2019			2018
Non-controlling interest	Australia £000	APP £000	Total £000	Australia £000
1 April	3,661	—	3,661	3,833
Share of profits for the year	1,326	—	1,326	789
Other comprehensive income	(10)	—	(10)	40
Recognition of non-controlling interest	—	311	311	—
Disposal of Urban Dollar	(110)	—	(110)	—
Dividend paid to the non-controlling interest	(1,075)	—	(1,075)	(575)
Currency translation	(52)	—	(52)	(426)
31 March	3,740	311	4,051	3,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

31 Acquisitions of subsidiaries
Acquisitions in the current period
Impact Innovations Inc.

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

The acquisition, made through a wholly owned subsidiary of IG Design Group plc, IG Design Group Americas Inc., was satisfied by total consideration of £82.2 million ($107.2 million), £66.8 million paid in cash and the remaining £15.4 million settled in shares in IG Design Group plc. The consideration (excluding the working capital adjustment) represents 4.9 times underlying EBITDA multiple.

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

The Directors believe that the acquisition will:

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

In the period from acquisition to 31 March 2019, Impact contributed sales of £88,693,000 to the consolidated Group revenue for the period ended 31 March 2019. If the acquisition had occurred on 1 April 2018, Group revenue would have been £489,756,000. Following the restructuring of the US business to combine manufacturing facilities into one operation, it is no longer possible to separately disclose the profit of the Impact business.

Effect of acquisition of Impact

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

	Recognised fair values on acquisition £000
Property, plant and equipment	9,313
Intangible assets	19,000
Inventories	26,295
Trade and other receivables	31,966
Cash	1,208
Trade and other payables	(31,433)
Provisions	(2,197)
Net identifiable assets and liabilities	54,152
Consideration paid in shares	15,385
Consideration paid in cash	66,809
Total consideration	82,194
Goodwill	28,042

Fair value adjustments were made to trade names, customer relationships and inventory.

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.

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, the increase in scale, significant synergies and the future growth opportunities that the business provide to the Group's operations. The goodwill recognised arises in the USA and is deductible for tax purposes (capitalised and written down over 15 years).

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 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 £5.1 million (AU$8.9 million) using local debt facilities. The consideration represented 2.7x EBITDA for the year ended 30 June 2017 although an injection of working capital of up to £1.7 million (AU$3.0 million) might 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 for the year ended 31 March 2018 would have been £334,854,000. The trade of Biscay has been incorporated into that of IG Design Group Australia Pty Limited and therefore it is not possible to disclose separately the profit of the Biscay business.

Effect of acquisition of Biscay

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

There has been no adjustment to the fair value relating to the Biscay acquisition.

32 Non-adjusting post balance sheet events

On 5 June 2019 we entered into a new three year Group facility with a club of five banks chosen to reflect and support the geographical spread of the Group. HSBC continue to be significant partner and have been joined in the new facility by NatWest, BNP Paribas, Sun Trust and PNC. See note 17 for further details.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets – software	3	—	26
Tangible assets	4	2	25
Investments	5	44,630	27,972
Total non-current assets		44,632	28,023
Current assets			
Debtors – due within one year	6	1,973	2,105
Debtors – due after more than one year	7	28,847	28,618
Derivative financial assets	8	110	34
Cash at bank and in hand	10	58,093	10,807
		89,023	41,564
Creditors: amounts falling due within one year	11	(5,369)	(4,655)
Net current assets		83,654	36,909
Creditors: amounts falling due after more than one year	12	—	10
Provisions for liabilities – other provisions	14	(115)	(104)
Net assets		128,171	64,838
Capital and reserves			
Called up share capital	15	3,918	3,194
Share premium account		71,558	8,475
Capital redemption reserve		1,340	1,340
Merger reserve		17,164	17,164
Hedging reserve		110	(91)
Profit and loss account		34,081	34,756
Equity shareholders' funds		128,171	64,838

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

These financial statements were approved by the Board of Directors on 10 June 2019 and were signed on its behalf by:

Paul Fineman
Director

Giles Willits
Director

The notes on pages 115 to 124 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2019

	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 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
Profit for the year	—	—	—	—	—	1,160	1,160
Other comprehensive income for the period	—	—	—	—	201	—	201
Options exercised	83	18	—	—	—	(72)	29
Equity-settled share-based payments	—	—	—	—	—	1,478	1,478
Tax on equity-settled share-based payments	—	—	—	—	—	457	457
Share options charge relating to subsidiary employees	—	—	—	—	—	855	855
Shares issued	641	63,065	—	—	—	—	63,706
Equity dividend paid	—	—	—	—	—	(4,553)	(4,553)
At 31 March 2019	3,918	71,558	1,340	17,164	110	34,081	128,171

Within the profit and loss account is a cumulative amount of £2,776,000 (2018: £1,909,000) which is unrealised in respect of share options granted to subsidiary employees. See the consolidated statement of changes in equity for descriptions of reserve.

COMPANY CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the year		1,160	3,017
Adjustments for:			
Depreciation and amortisation	3, 4	62	42
Foreign exchange (gains)/losses		(418)	572
Interest receivable and similar income		(1,186)	(1,064)
Interest payable and similar charges		(668)	367
Dividends received from Group undertakings		(2,834)	(5,884)
Equity-settled share-based payment expenses		2,064	1,502
Taxation		228	(144)
Operating loss after adjustments for non-cash items		(1,592)	(1,592)
Decrease/(increase) in trade and other debtors		4	(12)
(Increase)/decrease in trade and other creditors		(948)	387
Decrease in amounts owed by Group undertakings		1,287	6,229
Increase in provisions		(64)	(72)
Cash (used in)/generated from operations		(1,313)	4,940
Interest received		1,983	2,673
Net cash from operating activities		670	7,613
Cash flows from investing activities			
Dividends received		2,834	5,884
Acquisition of tangible fixed assets	4	(13)	—
Net cash from investing activities		2,821	5,884
Cash flows from financing activities			
Net proceeds from the issue of share capital[a]		48,348	71
Equity dividends paid	2	(4,553)	(3,000)
Net cash from financing activities		43,795	(2,929)
Net increase/(decrease) in cash and cash equivalents		47,286	10,568
Cash and cash equivalents at beginning of period		10,807	239
Cash and cash equivalents at 31 March 2019	10	58,093	10,807

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2019

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 20.

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 71. 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 at least twelve months from the date of signing these financial statements. 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 2019

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.

Own shares held by Employee Benefit Trust

Transactions of the Group-sponsored 'International Greetings Employee Benefit Trust' are included in the Group financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

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 2019

2 Dividends paid and proposed

A final dividend for year ending 31 March 2018 of 4.00p (for year ending 31 March 2017: 2.75p) was paid on 6 September 2018. An interim dividend of 2.50p was paid on 18 January 2019 (2018: 2.00p). The Directors are recommending a final dividend in respect of the year ended 31 March 2019 of 6.00p per share (2018: 4.00p). If approved, it will be paid in September 2019 to shareholders on the register at the close of business on 2 August 2019.

	2019		2018	
Dividends paid in the year	Pence per share	£000	Pence per share	£000
Final equity dividend for prior year	4.00	2,597	2.75	1,734
Interim equity dividend for current year	2.50	1,956	2.00	1,266
Dividends paid in the year		4,553		3,000

	2019		2018	
Proposed for approval at Annual General Meeting	Pence per share	£000	Pence per share	£000
Final equity dividend for current year	6.00	4,702	4.00	2,556

3 Intangible assets – software

	Software £000
Cost	
Balance at 1 April 2018 and 31 March 2019	86
Depreciation and impairment	
Balance at 1 April 2018	(60)
Amortisation charge for the year	(26)
Balance at 31 March 2019	(86)
Net book value	
At 31 March 2019	–
At 31 March 2018	26

4 Tangible assets

	Fixtures and fittings £000
Cost	
Balance at 1 April 2018	165
Additions	13
Balance at 31 March 2019	**178**
Depreciation and impairment	
Balance as at 1 April 2018	(140)
Depreciation charge for the year	(36)
Balance at 31 March 2019	**(176)**
Net book value	
At 31 March 2019	**2**
At 31 March 2018	25

5 Investments

	Shares in Group undertakings £000	Loans to Group undertakings £000	Total £000
Cost			
At 1 April 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
Additions – share option charge relating to subsidiary employees	855	—	855
Additions – investment in subsidiary	15,386	—	15,386
Effects of movement in foreign exchange	—	417	417
At 31 March 2019	**41,445**	**5,845**	**47,290**
Provisions			
At 31 March 2018 and 2019	**(2,660)**	**—**	**(2,660)**
Net book value			
At 31 March 2019	**38,785**	**5,845**	**44,630**
At 31 March 2018	22,544	5,248	27,972

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

5 Investments continued

The Company has the following investments in subsidiaries:

	Country of incorporation	Percentage of ordinary shares held 2019	Percentage of ordinary shares held 2018
Trading companies			
IG Design Group UK Ltd[c]	Great Britain	100[b]	100[b]
IG Design Group Americas Inc[d]	US	100	100
Impact Innovations, Inc.[e]	US	100[a]	—
Impact Innovations Asia Ltd[f]	Hong Kong	100[a]	—
Zhejiang Shaoxing Royal Arts and Crafts Co., Ltd[g]	China	100[a]	—
The Lang Companies Inc[d]	US	100[a]	100[a]
Anker Play Products, LLC[d]	US	50[a]	50[a]
International Greetings Asia Ltd[h]	Hong Kong	100	100
The Huizhou Gift International Greetings Company Limited[i]	China	100[a]	100[a]
Greetings Ningbo Business Consulting Ltd (formerly IG Design (Ningbo) Ltd)[j]	China	100[a]	100[a]
IG Design Group BV (formerly Hoomark BV)[k]	Netherlands	100[a]	100[a]
Anchor International BV[l]	Netherlands	100[a]	100[a]
IG Design Group S.p.z.o.o (formerly Hoomark S.p.z.o.o)[m]	Poland	100[a]	100[a]
IG Design Group Australia Pty Ltd[n]	Australia	50	50
Non-trading and 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	99[a]	99[a]
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[b]	100[b]
Impact Paper Products, LLC[e]	US	100[a]	—
Impact Paper Hong Kong Ltd[f]	Hong Kong	100[a]	—
Polaris Plastics Ltd[c]	Great Britain	100[a]	100[a]
Santa's Collection Shaoxing Co., Ltd[o]	China	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[b]	100[b]
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]
Variety Accessories, LLC[e]	US	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: 233 SE 1st Avenue, Clara City, Minnesota 5622, USA.
(f) Registered office: Flat 11A, Eldex Industrial Building, 21 Ma Tam Wai Road, To Kwa Wan Kowloon, Hong Kong.
(g) Registered office: Floor 2, A Zone, Floor 1, Building 3, Northeast Corner of Sanjiang Road and Tanggong Road, Paojiang Shaoxing Zhejiang, China.
(h) Registered office: 21F, 69 Jervois Street, Sheung Wan, Hong Kong.
(i) Registered office: Fuda industrial Zone, Futian Town, Bolao, Huizho City, Guangdong, China
(j) Registered office: 13-8, Building 003, No 3, 5 and 6 of Century Oriental Business Plaza, Yinzhou, Ningbo, China.
(k) Registered office: Industrieweg 62, 7903 AK Hoogeveen, The Netherlands.
(l) Registered office: Voltastraat 12, 3281 NG Numansdorp, The Netherlands.
(m) Registered office: Jędrzychowice 116A, 59-900 Zgorzelec, Poland.
(n) Registered office: 121 Rayhur Street, Clayton, South Victoria 3169, Australia.
(o) Registered office: 3 Sanjiang Road West, Paojiang Ind Zone, Paojiang Shaoxing Zhejiang, China.

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

	2019 £000	2018 £000
Trade debtors	17	—
Amounts owed by Group undertakings	1,065	1,892
Other debtors	757	58
Prepayments	134	155
	1,973	2,105

7 Debtors – due after more than one year

	Note	2019 £000	2018 £000
Amounts owed by Group undertakings[a]		26,849	26,849
Deferred tax assets	9	1,998	1,769
		28,847	28,618

(a) Attracts interest at market rate and is repayable on 31 July 2020.

8 Derivative financial assets

	2019 £000	2018 £000
Financial assets designated at fair value through profit and loss	—	10
Financial assets designated at fair value through hedging reserve	110	24
	110	34

9 Deferred tax asset

	2019 £000	2018 £000
Accelerated capital allowances	81	88
Tax loss carried forward	760	264
Other timing differences	1,157	1,417
	1,998	1,769

10 Cash and cash equivalents/bank overdrafts

	2019 £000	2018 £000
Cash at bank and in hand	58,093	10,807

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

11 Creditors: amounts falling due within one year

	Note	2019 £000	2018 £000
Loan arrangement fees		(31)	(95)
Trade creditors		130	462
Amounts owed to undertakings		1,533	398
Other taxes and social security		203	187
Other creditors and accruals		3,534	3,550
Other financial liabilities	13	—	153
		5,369	4,655

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

	2019 £000	2018 £000
Loan arrangement fees	—	(10)

13 Other financial liabilities falling due within one year

	2019 £000	2018 £000
Financial liabilities designated as fair value through profit and loss	—	38
Financial liabilities designated as fair value through hedging reserve	—	115
	—	153

14 Provisions

	2019 £000	2018 £000
Balance at 1 April	104	149
Reclassified from other creditors	43	—
Provisions made in the year	7	—
Provisions used during the year	(71)	(72)
Unwinding of discounted amount	32	27
	115	104

The provisions represent a provision for an onerous lease and dilapidations provision. The dilapidations provision relates to a property lease that expires in August 2021. The onerous lease expires in November 2019 and the provision will be fully utilised at that point.

15 Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
78,365,046 (2018: 63,889,942) ordinary shares of 5p each	3,918	3,194

Of the 78,365,046 shares in the Company, 31,208 (2018: 31,208) are held by the International Greetings Employee Benefit Trust.

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

Refer to 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:

	2019 £000	2018 £000
Assets measured at fair value through profit or loss	—	10
Assets measured at fair value through the hedging reserve	110	24
Assets measured at amortised cost	86,781	39,606
Liabilities measured at fair value through profit or loss	—	(38)
Liabilities measured at fair value through the hedging reserve	—	(115)
Liabilities measured at amortised cost	(1,663)	(860)
	85,228	38,627

(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.

(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.

	2019			2018		
	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	110	5,799	5,799	24	2,405	2,405
Liabilities	—	—	—	(115)	6,317	6,317
	110	5,799	5,799	(91)	8,722	8,722

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 2019 was £110,000 asset (2018: £91,000 liability) recognised in other comprehensive income.

The amount recognised in the profit and loss account for the year was £nil (2018: £28,000 charge).

(d) Fair values

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

	Fair value 2019 £000	Fair value 2018 £000
Forward exchange contracts:		
Assets – forward exchange contracts	110	34
Liabilities – forward exchange contracts	—	(153)
Total liability	110	(119)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2019

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. At 31 March 2019, the Company had cash of £58.7 million which offset net borrowings elsewhere in the Group of £44.7 million. Therefore, the total of this guarantee at the year end, in relation to the Company only, was £44.7 million (2018: £20.1 million).

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 (£1.0 million), the USA $84.5 million (£65.0 million) and in Hong Kong $18.5 million (£14.2 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;
- Impact Innovations Inc;
- Lang Companies Inc;
- International Greetings Asia Ltd;
- The Huizhou Gift International Greetings Company Ltd;
- IG Design Group BV;
- Anchor International BV;
- IG Design Group S.p.z.o.o; and
- IG Design Group Australia Pty Ltd.

Transactions with key management personnel – total compensation (made up solely of short-term benefits) of key management personnel (the Directors) in the year amounted to £1,867,000 (2018: £2,999,000). For further details see the Directors' remuneration report (pages 54 to 58).

Related party transactions – transactions with Group undertakings

	2019 £000	2018 £000
Management recharges	2,613	2,546
Receivables outstanding	27,914	28,741
Creditors outstanding	(1,533)	(398)

During the year the Company paid £56,000 (2018: £62,000) 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 accounting estimates or judgements other than those showing in note 2 to the Group financial statements.

21 Non-adjusting post balance sheet event

On 5 June 2019 we entered into a new three year Group facility with a club of five banks chosen to reflect and support the geographical spread of the Group. HSBC continue to be significant partner and have been joined in the new facility by NatWest, BNP Paribas, Sun Trust and PNC. See note 17 of the Group's financial statements for further details.

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AWARDS

Design Group was delighted that Impact Innovations, acquired in August 2018, have been awarded Walmart's Celebration and Seasonal 'Supplier of the Year' award for 2019.

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