IG Design Group plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

2021

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.

Governance

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

Financials – Group

The Group's consolidated financial statements and comprehensive notes covering the year ended 31 March 2021.

Financials – Company

The Company's financial statements and comprehensive notes covering the year ended 31 March 2021.

We are Design Group

Our purpose is to help people create and celebrate the good things in life

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, enable us to compete profitably and share our passion for design and innovation

Investors

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

DELIVERING OUR COMMITMENT TO SHAREHOLDERS

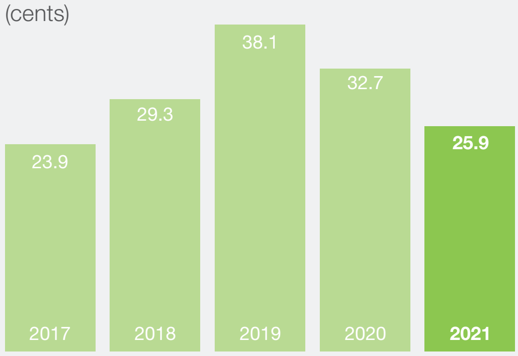
Delivering growth

Adjusted earnings per share

Aim to deliver double-digit three year compound annual growth

Through organic growth and acquisitions

Adjusted earnings per share[a]
(cents)



2021 reported diluted earnings per share 8.4c (2020: 19.8c)

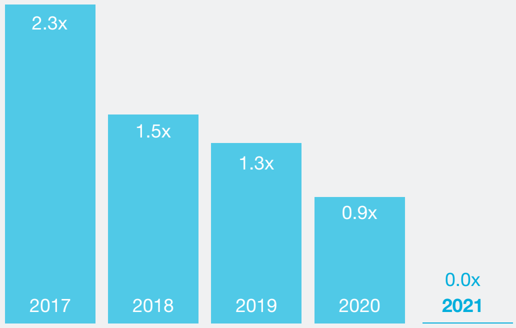
Generating cash

Average leverage

Sustain long-term average leverage below 2.0x

Provides capacity for future investment

Average leverage[a]



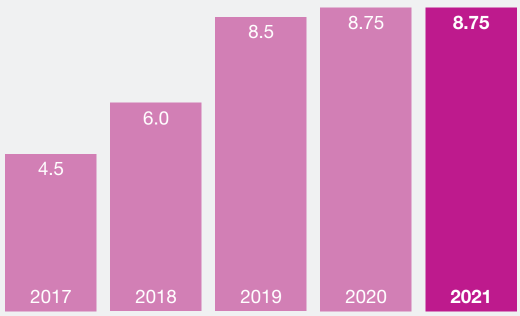
Improving returns

Dividend

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

Increased shareholder distributions

Dividends
(pence)



Alternative performance measures (APMs): 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 provide a more meaningful comparison of how the business is managed and measured day-to-day. The definition of adjusted measures, along with a full reconciliation between our reported and adjusted results, is provided in our alternative performance measures section on page 31. In order to show when such measures have been used, the APMs are highlighted in blue throughout the CEO and CFO reviews.

KPIs

Revenue

$873.2m +40%

2020: $624.3m

Adjusted profit before tax[a]

$37.0m +4%

2020: $35.4m

Reported profit/(loss) before tax

$14.7m

2020: $(0.9)m

Adjusted EBITDA[a]

$77.5m +30%

2020: $59.5m

Average bank debt

$2.2m

2020: $43.6m

Cash conversion[a]

88.7%

2020: 91.1%

Return on capital employed[a]

17.6%

2020: 20.3%

(a) For definitions please refer to detailed financial review on page 31.

AT A GLANCE

We're all around the world

Revenue by customer destination

Americas

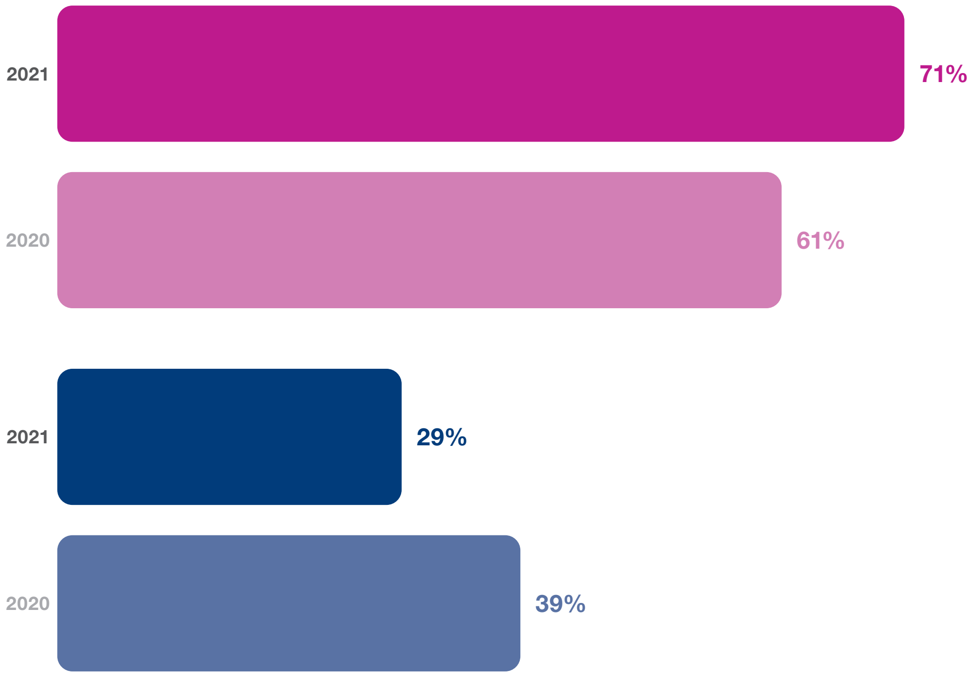
$621.7m

2020: $382.9m

International

$251.5m

2020: $241.4m



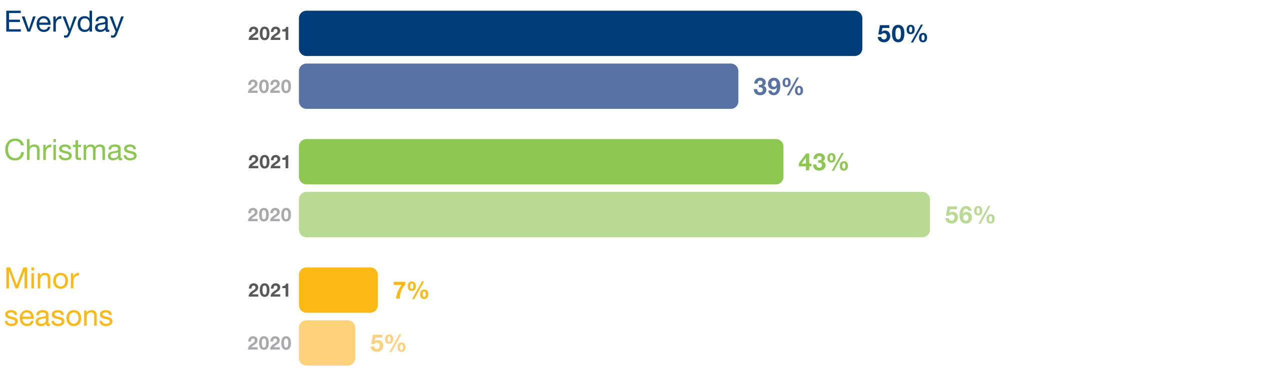
We have more than **11,000** customers worldwide

Products sold across **210,000** stores

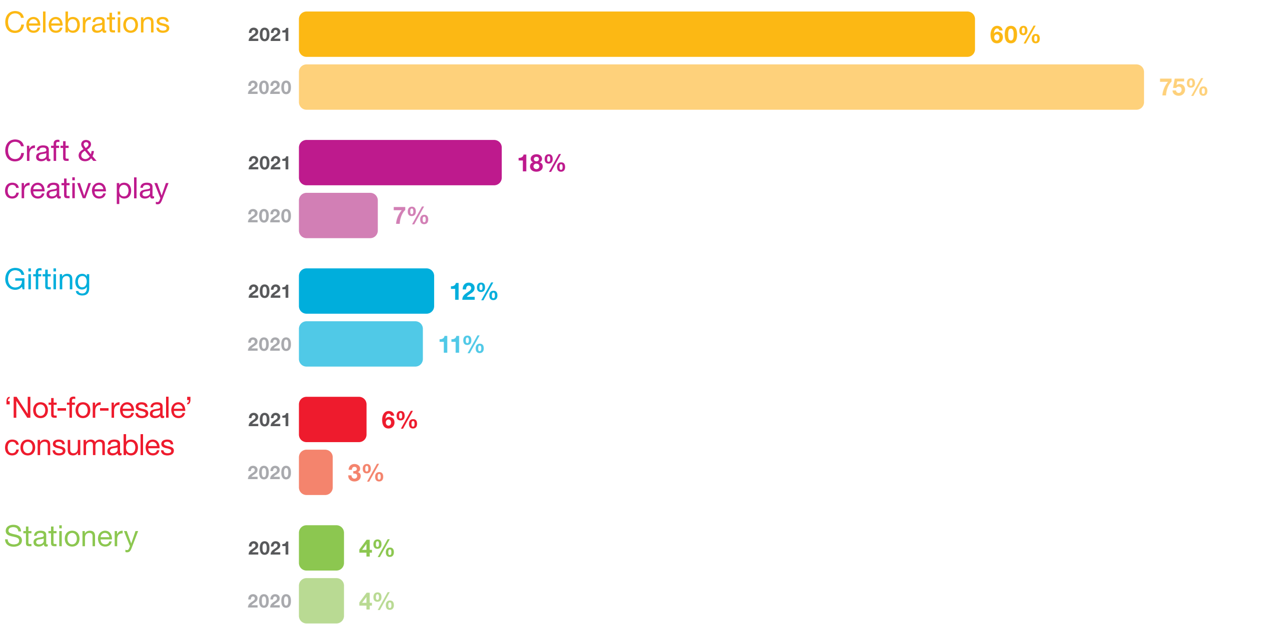
We operate in more than **80** countries

We benefit from considerable market presence around the world.

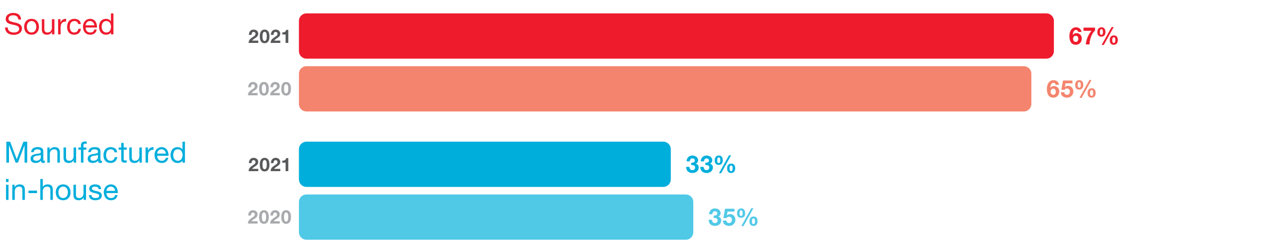
Revenue by season



Revenue by product



Revenue by source



BUSINESS MODEL

Designed to succeed

Our key inputs

1 Our people:
A passionate, skilled, diverse and innovative team

2 Our products:
Trusted brands and a broad portfolio of products

3 Our relationships:
Strong and trusted relationships with our customers and suppliers

4 Our financial strength:
Strong resilient balance sheet

What we do

Innovative product design & development
Over 230 designers, across four continents, producing thousands of designs a year

Responsible sourcing and manufacturing
Over 100,000 SKUs manufactured and sourced annually

Distribution and fulfilment
Delivering over 1 billion units annually to customers through optimised channels

Our values

Our values underpin all we do

- To strive for excellence in everything we do
- To behave ethically and with integrity
- To focus on our customers and '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'

What makes us different

Award winning service

Walmart seasonal supplier of the year

Geographic diversity

Sales in **82** countries

Broad range of products across 5 core categories, delivering a 'one-stop-shop' to our customers

- Celebrations
- Craft & creative play
- Gifting
- 'Not-for-resale' consumables
- Stationery

Creating shared value

Shareholders

Long-term growth in dividends and share price

8.75p

Dividend

Employees

Training and development, strong teams and relationships

4,093

Number of direct employees

Customers

Innovative and trusted brands at the best prices across the globe

11,000+

Number of customers

Environment

Recognising the need to reduce our impact

16% lower

UK CO_2 emissions

Communities

Local initiatives supporting local communities and national charities

$0.2m

Amount raised for charity

OUR STRATEGY

Our strategy

Our strategy is built on leveraging our core strengths and focusing on market opportunities. This year we have launched our Growth Plan targeting driving revenues above $1.5 billion and more than doubling Adjusted EBITDA.

DRIVERS

Working with the winners

Design & innovation

Efficiency & scale

TARGETS

Grow revenue to

$1.5bn

Double Adjusted EBITDA to

$150m

Working with the winners

Increasing revenue through growth with the winning retailers of now and the future, in the growing channels and product categories.

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.

How do we deliver on this?

We always aim to be our customers' partner of choice and to be part of their success story. The retail market is dynamic and as it evolves we work closely with all of our customers to ensure we are right by their side as a trusted supplier.

To ensure we are at the forefront of our customers' minds, it is imperative that we have a diverse offering of products, in the form of a 'one-stop-shop', and ensure we have the capabilities as a manufacturer as well as leveraging our ever improving sourcing processes.

Our businesses invest significant time in making themselves experts in their local markets and developing strong relationships with each of our winning customers.

Our key performance indicators

Level of business with our top 20 customers (% of total revenue)

Definition: Percentage of Group revenue from our top 20 global customers

Why chosen: We pride ourselves on having long-lasting cross-category relationships with the world's leading retailers, and nurturing and maintaining these relationships allows us to grow alongside them

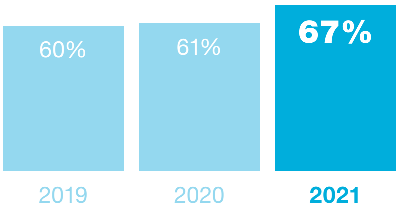
Sales by channel (%)

Definition: Growing our revenues across different sales channels

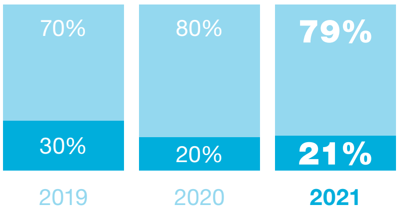
Why chosen: Our 'winners' are a broad range of customers across various sales channels including national and regional mass and discount retailers, craft and e-commerce specialists

Progress in 2021

Level of business with our top 20 customers
(% of total revenue)



Sales by channel
(%)



Value, mass, grocer, craft and online
Other

This year more than ever has seen our working with the winners strategy help ensure the resilience and sustainability of our business. Our winning partnerships with key retailers around the globe translated to a robust performance for the Group during one of the toughest years for all businesses.

Whilst our priorities remained on driving our business with our top 20 customers alongside growing our sales in winning channels, an additional priority has also been the focus on the resilience of our business.

Growth Plan priorities

Our key priorities as part of our Growth Plan include:

- Further growing revenues with our top retail partners as their 'one-stop' partner for all things celebration, gift and craft
- Extending our footprint across new regions and channels
- Focusing on generating significant growth through e-commerce opportunities

OUR STRATEGY
CONTINUED

Design & innovation

Developing in new channels and adjacent product categories while increasing our share in the growing number of events celebrated throughout the year.

Why is this important?

Design and innovation are our lifeblood and are key to the success of the Group going forward. Consumers are constantly looking for exciting new products while our customers seek new, innovative ways to sell. Our design teams are focused on providing fresh, new ideas to enjoy our products in exciting retail environments.

How do we deliver on this?

Consumers want retailers to merchandise products that are high quality and on trend, whilst still being value for money. As such, our customers look to us to help them access the products that their customers want. These expectations continue to grow and product design and innovation is critical in this regard and we pride ourselves on developing the best designs for innovative and quality products.

We also focus on developing new and adjacent products and our designers are some of the best in the industry, constantly developing ideas to stay ahead of the latest trends.

Innovation also extends to how we as a business can develop and enhance ways in which we reduce our impact on the environment and this is a key area of focus for our teams.

Our key performance indicators

Product diversity (%)

Definition: The growth of adjacent product categories year-on-year

Why chosen: It is important to innovate and introduce new segments outside of our Celebrations range and products that complement our existing ranges. This helps the Group grow by diversifying our offering

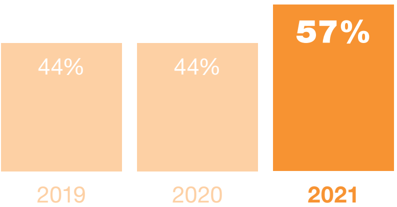
Diversifying revenue (%)

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 minor seasons and everyday parts of our business

Progress in 2021

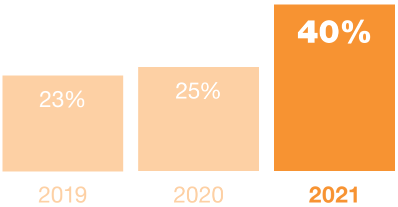
Diversifying revenue
(% of total revenue)



Non-Christmas revenues

As expected, the acquisition of CSS has helped to grow our non-seasonal sales significantly over the last financial year. Our non-Christmas segment of revenues for the Group has increased 80% year-on-year as a result of CSS everyday products.

Product diversity
(% of total revenue)



Adjacent product categories

Product diversity has also improved with 40% of our sales representing products that fall outside of our Celebrations category.

Growth Plan priorities

Our key priorities as part of our Growth Plan include:

- Extending our offering in existing and adjacent categories including Home Accessories, Gift, Party, Cards, Craft & creative play and Toys
- Refreshing and re-energising our Craft brands and product ranges
- Developing brands to support growth both with retail customers and online
- Investing in our development of new sustainable product ranges

Efficiency & scale

Driving up margins through investment in process and people while bringing in new product categories and unlocking synergies through acquisition.

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.

How do we deliver on this?

Investment in people and processes as well as unlocking synergies following acquisitions are an important focus as we continue to seek to increase operating margins.

Our ability to remain responsive to our customers' needs requires us to remain competitive through investment in state-of-the-art manufacturing capabilities. Alongside this, investment in the teams around the globe ensures we have the right people operating our businesses on the ground.

We actively review potential acquisitions on a regular basis. We look to combine our business with those we know will strengthen our business in the form of increasing adjacent product categories, accessing customer relationships, increasing our global scale and bringing the best people into the Design Group family.

Our key performance indicators

Adjusted EBITDA margin (% of total revenue)

Definition: Adjusted EBITDA 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

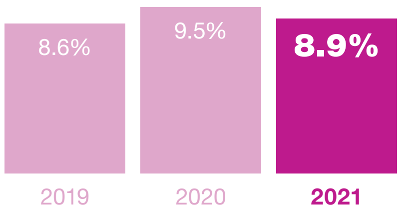
M&A and investment ($m)

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

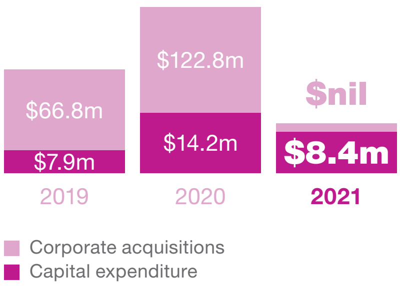
Progress in 2021

Adjusted EBITDA margin
(% of total revenue)



The CSS acquisition has been a key focus for the year, and accelerating the unlocking of identified synergies as well as understanding where other potential synergies could exist. So far, synergies of c.$10 million have been unlocked.

M&A and investment
($m)



Due to Covid-19, this year has also seen a deliberate decision to carefully manage our capital investment programme. Despite this, prior year investment in people and operations has supported our 2021 performance and as anticipated has helped establish a resilient platform on which the business can build in the future.

Growth Plan priorities

Our key priorities as part of our Growth Plan include:

- Acquiring companies or brands in adjacent categories or channels, unlocking synergies
- Ensuring we have the right people and teams to fully benefit from the opportunities ahead of us
- Investing in capital projects that improve manufacturing efficiencies
- Optimising SKU numbers to maximise profitability by category
- Leveraging scale for improved sourcing

CHIEF EXECUTIVE OFFICER'S REVIEW

Paul Fineman
Chief Executive Officer

The Group is well positioned to deliver future growth

Overview

As was the case with many businesses, 2021 has been a challenging year for the Group, but we have successfully adapted our working practices and our short-term priorities to accommodate for the impact of Covid-19. In addition, despite the pandemic, the Group has continued to make progress in relation to developing new strategic targets while focusing on our growth drivers including new product and channel development, our sustainability agenda and the integration of the transformational acquisition of CSS Industries, Inc. ('CSS').

The impact of Covid-19 at the beginning of the 2021 financial year saw the Group initially focus on strengthening operationally and financially for the volatile period ahead. Our initial priority was to ensure that our teams were operating in safe environments across the world while working closely with our trading partners to maintain the supply of product to our customers.

Throughout the financial year, most of our office-based teams have worked remotely, while our operational teams in manufacturing and warehousing successfully maintained operations – following a short period of initial closure – despite more restricted working practices.

Financially we have delivered in line with our upgraded expectations with strong revenue growth, up 40%, driven by the addition of CSS to the Group. This has in turn driven good growth in our Adjusted and reported profits. In addition, we have strengthened our balance sheet, having successfully navigated our peak working capital period, finishing the year with $76.5 million net cash balance and zero average leverage, which leaves us well positioned to pursue further growth opportunities.

We have continued to move forward and during the year have reset our strategic ambitions to double the size of the Group. Key strategic achievements in the year have included working with our customers to develop new brands and new sustainable product ranges, the completion of our common printing platform across the UK, EU and US which leverages our scale, reaching over one billion of units of product outsourced and enhancing our existing e-commerce platform for the anticipated growth in this channel. Front of mind has been our focus on the sustainability agenda and 2021 saw the launch of our new People, Product, Planet framework which marks the next stage in our Environmental, Social and corporate Governance journey.

2021 has also demonstrated the resilience and strength of our teams around the world. Our teams' commitment and ability to deliver in the most challenging of circumstances has helped ensure the Group ends the financial year safer and stronger, and the Board extends its gratitude to every individual at Design Group for their positive attitude during the past twelve months. The Group would also like to sincerely thank John Charlton, our Chairman, who retires in September 2021, for all his support and commitment over his tenure and the legacy he leaves behind. We wish John well in his future endeavours and will announce his successor in due course.

Outlook

Looking ahead, whilst the Group continues to remain cautious about the ongoing effect of Covid-19 and its associated impact on raw material and freight pricing, we are extremely encouraged by the resilience of our diverse customer base and our broad product portfolio, with our order book for the 2022 financial year already over 60% of our 2022 forecast. Assuming the current progress is maintained in the 'reopening' of regional economies in which our businesses operate, the Board expects to deliver significant year-on-year growth in both revenues and earnings in the 2022 financial year, in line with current management expectations.

Summary 2021 financial results

This year the Group has changed its reporting currency following the CSS acquisition, with results now reported in US dollars (formerly pound sterling). **Revenue** increased by 40% to $873.2 million (2020: $624.3 million) reflecting the full year effect from the CSS acquisition which was completed in March 2020. Like-for-like revenues of the Group (excluding CSS) for the financial year were down 5%, with proforma CSS revenues year-on-year down 1%, reflecting the impact of Covid-19. The lower like-for-like sales volumes and the associated change in customer and product mix, alongside reduced overhead absorption into inventory, reduced **Adjusted gross margins**, while the impact of operational deleverage further reduced **Adjusted operating margins** to 4.8% (2020: 6.6%). As a result, **Adjusted profit before tax** was up only 4.4% year-on-year to $37.0 million (2020: $35.4 million).

Adjusted earnings per share reduced to 25.9 cents (2020: 32.7 cents), primarily reflecting the increase in the number of shares in issue following the equity raise relating to the CSS acquisition in the final quarter of the 2020 financial year.

The Group finished the year with a net cash balance of $76.5 million (2020: $52.4 million) with **Average leverage** for the year at 0.0 times (2020: 0.9 times) reflecting the effective focus on cash management during the year especially during the businesses' peak working capital period. Furthermore, the Group was pleased in May 2021 to extend the existing banking facilities for a further twelve months to June 2023.

Adjusting items in 2021, which primarily related to the integration and restructuring costs associated with the CSS acquisition, were $14.0 million lower than the prior year at $22.3 million (2020: $36.3 million). The Group has separately identified incremental costs of $1.5 million directly associated with Covid-19 and has included these in Adjusting items. During the year the business has incurred other inefficiencies and expenditure because of the pandemic and these costs are partially offset by government assistance received of $3.6 million (primarily in Australia), both of which are included in **Adjusted profit**.

The Group finished the year with a **profit before tax** up $15.6 million year-on-year at $14.7 million (2020: loss of $0.9 million) but despite this increase **diluted earnings per share** were down at 8.4 cents (2020: 19.8 cents) reflecting the impact of the one-time CSS tax benefit in the 2020 financial year alongside the increased number of shares in issue in 2021 following the CSS equity raise in 2020.

The Board is pleased to recommend a final dividend of 5.75p reflecting the strong financial position of the Group. This delivers a full year dividend of 8.75p in line with the prior year.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

Our strategy

The success of the Group over recent years has been possible due to our focus on the three drivers that underpin our strategy: **working with the winners, design & innovation** and **efficiency & scale**, which together support our ability to deliver our commitments to shareholders, being:

- double-digit growth in **Adjusted earnings per share** on a three year CAGR basis;
- maintaining **Average leverage** below 2.0 times; and
- targeting dividend cover of 2.5 times **Adjusted earnings per share**.

Despite the impact of Covid-19 the Group has continued to deliver progress in relation to two of our shareholder commitments with **average leverage** reducing to 0.0 times and the Group maintaining its strong dividend record. However, the impact of the pandemic on earnings and the increase in the number of shares in issue following the CSS acquisition did result in a reduced year-on-year earnings per share performance.

The Board continues to believe in the importance of our commitments to shareholders and will continue to measure against these priorities. In addition, the Board is pleased to announce the Group's new Growth Plan targets.

Growth Plan

The Group is targeting to double EBITDA (on a post IFRS 16 basis) to over $150 million (2021: $77.5 million) through a mix of strong organic growth and M&A activity. We are focused on driving revenues beyond $1.5 billion (2021: $873.2 million) through c.30% organic growth, with the balance from M&A. We also aim to drive Adjusted EBITDA margins up through a focus on margin mix, efficiency and improved sourcing. To achieve these goals we will retain the same focus on our three strategic pillars as follows:

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 and omni-channel 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 will continue to work closely with our key customers with the aim of being their partner of choice going forward. Our top 20 customers now account for 67% of our global revenues (2020: 61%).

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

To continue our growth trajectory with our customers, we follow key market trends including the increase in consumer demand from mainstream mass and discount retailers, as well as specialist retailers in specific categories. In addition, technological development is a key part of this strategy and this extends to adapting to changes in consumer habits and being dynamic in providing new channels to purchase our products, and specifically e-commerce opportunities.

The CSS acquisition has resulted in a strengthening of our relationship with our largest customer, and the largest retailer in the world, Walmart, which now accounts for approximately 24% (2020: 22%) of the Group's revenue. We were proud to once again be awarded with Walmart's 'Supplier of the Year' for seasonal products, reflecting the cross-discipline achievements, innovation and standards delivered by our team despite the additional challenges presented by Covid-19.

Our key strategic initiatives to support our growth ambitions within this pillar are:

- Further growing revenues with our top retail partners as their 'one-stop' partner for all things celebration, gift and craft
- Extending our footprint across new regions and channels
- Focusing on generating significant growth through e-commerce opportunities

Design & innovation

Our customers look to us to be at the forefront of product design and innovation. This means we aim to develop innovative and quality products, while maintaining a focus on value and appealing designs.

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 CSS product categories has strengthened the Group's ability to offer a complete portfolio of products to customers, including ranges not previously forming part of the Group's portfolio, such as Craft. We aim to continue to diversify our product range by focusing on Everyday related occasions and Minor Seasons.

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 in line with our newly launched sustainability framework, detailed below. We believe this focus is not only the right strategy to help protect the environment but can also be a source of competitive advantage. Recent successes include the launch with the UK's largest retailer of our Eco Nature™ brand in the UK. 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.

Brands are increasingly an important differentiator both for existing customers but also as we look to grow our revenues online. As such, we are increasing our focus on developing both existing and new brands across multiple categories. We have recently launched our new NIQUEA.D cards brand in the US and are actively engaged in refreshing our key Craft brands in 2022.

Our key strategic initiatives to support our growth ambitions within this pillar are:

- Extending our offering in existing and adjacent categories including Home Accessories, Gift, Party, Cards, Craft & creative play and Toys
- Refreshing and re-energising our Craft brands and product ranges
- Developing brands to support growth both with retail customers and online
- Investing in our development of new sustainable product ranges

Efficiency & scale

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

We continue to see opportunities to invest in technology and manufacturing to further improve the competitive advantage we have already developed across our manufacturing facilities. However, where we see external sourcing opportunities being advantageous we will not hesitate to focus our efforts on building on our existing supplier relationships as well as further developing our network.

M&A is a significant driver for our growth plans and we focus our acquisition activities on targeting companies that sit within the broad categories of Celebrations, Craft & creative play and Gifting which will fit well alongside our existing product ranges and offer the opportunity to deliver to our customers the benefits of being part of the Design Group family of businesses. The Group is now the key industry consolidator, with a track record of successful acquisitions and integration, as well as a strong management team providing appropriate bandwidth in this area. We focus on companies of scale that have leading market positions in product categories that we believe it will be difficult for us to grow into organically and can demonstrate strong management with the potential upside of synergies.

We also look to acquire brands that can strengthen our product offering with customers or help differentiate our online proposition with consumers. We also recognise that businesses with established e-commerce activities could accelerate our online growth ambitions.

Our key strategic initiatives to support our growth ambitions within this pillar are:

- Acquiring companies or brands in adjacent categories or channels, unlocking synergies
- Ensuring we have the right people and teams to fully benefit from the opportunities ahead of us
- Investing in capital projects that improve manufacturing efficiencies
- Optimising SKU numbers to maximise profitability by category
- Leveraging scale for improved sourcing

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

Sustainability

As a Group with an ever-expanding reach, we understand that our impact and responsibilities extend beyond our immediate surroundings, into the lives of our employees, the environment, and our local and global communities. We take seriously these responsibilities and strive for the highest standards of ethical behaviour to protect and support our employees, our communities and our planet. We believe that every one of us has a shared responsibility to protect and preserve our planet and its environment, for this and future generations.

During the year we have developed a framework to help shape the Group's approach to sustainability, to help us manage the risks and challenges faced as well as seize the expected opportunities. Design Group's sustainability framework, 'helping design a better future', will work alongside our strategy of working with the winners, design & innovation and efficiency & scale. The framework will also enable us to demonstrate, monitor and improve our performance to drive our business forward sustainably. It is underpinned by the United Nations Sustainable Development Goals (SDGs) and has identified three key themes: people, product and planet.

People – The many talented individuals and teams within Design Group make us the successful business we are today. We understand the value and importance of creating an open, comfortable, fair and progressive working environment and to continue to invest in the people who give us so much. The communities where our Group businesses are based, and where many of our team members call home, are important to us. We aim to give back in all of the communities where Design Group is present, continuously taking actions and promoting initiatives to leave a positive impact.

Notable achievements in 2021 include the continued success of our 'Design Group Academy' which runs in Europe and the UK and promotes and encourages development of all their employees.

Similarly, in the US we run a tuition reimbursement programme helping our employees bolster their qualifications. Charitable donations around the Group this year have continued in the form of both monetary donations as well as products, including our US ribbons company continuing to donate ribbons to hospitals, homeless shelters, business, charities and individuals to make face coverings to protect against Covid-19.

Product – We recognise that the nature of many of our products make it even more important that we leverage our innovation to create sustainable collections to promote to our customers and beyond. As the world develops, populations are consuming more which becomes an issue when a large proportion of goods are not only single-use but also not recycled. This leads to more waste going to landfill and being burned, contributing to global warming and contamination of our oceans. Design Group are committed to promote positive change; to use sustainable sources, to design sustainable ranges and reduce the use of single-use plastics across both our products and their packaging.

Notable achievements in 2021 include plastic-free gift wrap packaging being rolled out to key customers in the UK, as well as the Group working with leading retailers of the world, such as Walmart, to reduce plastic packaging on our products in the US. The Group ensures our timber and timber products are legally harvested and sourced, and wherever possible, certified or recycled material is purchased. We are also making strides in transitioning to the sole use of certified paper in our products.

Planet – We believe we have a responsibility to protect and preserve our planet and its environment and that our success as a company significantly depends on it. The global climate change threat is a result of many years of unsustainable activity by the world's growing population. We have the ambition to reduce our impact on our surroundings to promote the longevity of the planet for future generations. This will be a journey for the Group as we learn of new methods to improve our operations resulting in reduction of greenhouse gas emissions as well as less waste sent to landfills.

Notable achievements in 2021 include the installation of our new printing press installed late last year in the US, which will save over 32,000 metric tonnes of CO_2 emissions over the next ten years. Our emissions in the UK are also 16% lower compared to 2020. The shift in our manufacturing sites to LED lighting, along with high-speed doors to segregate different parts of the factories and improve temperature regulation are ongoing across all of our active sites in the Group.

Over the next twelve months we will be working to refine the sustainability framework and finalise the specific KPIs that we will hold ourselves accountable to in the future.


Merry
Christmas

Regional highlights

Overall, the Group has seen growth in both **revenue** and **Adjusted operating profit**, which increased to $42.0 million (2020: $40.9 million) primarily because of the addition of CSS to the Group. The Group results are now presented as two reporting segments – DG Americas (including overseas operations for the DG Americas Group) and DG International (comprising UK and associated Asian operations, Europe and Australia) as follows;

			Segmental revenue			Adjusted operating profit			Adjusted operating margin	
% Group revenue			2021	2020	% growth	2021	2020	% growth	2021	2020
71%	DG Americas	$m	614.0	355.9	73%	21.0	20.1	5%	3.4%	5.6%
30%	DG International	$m	265.3	275.5	(4%)	25.8	24.9	4%	9.7%	9.0%
(1%)	Elims/Central costs	$m	(6.1)	(7.1)		(4.8)	(4.1)			
100%	Total	$m	873.2	624.3	40%	42.0	40.9	3%	4.8%	6.6%

Design Group Americas

The scale of our business in the US has been transformed with the acquisition of CSS, and the Americas business now accounts for over 70% of the Group's total revenues. **Revenue** has grown 73% year-on-year to $614.0 million (2020: $355.9 million), driven by the additional sales from CSS at $299.6 million (2020: $19.9 million). Like-for-like revenues, excluding CSS, fell 6.4% reflecting the impact of Covid-19 in the year. Proforma CSS revenues were 1% down year-on-year. Despite the revenue increase, the impact of Covid-19 resulted in **Adjusted operating profit** at $21.0 million marginally ahead of the prior year (2020: $20.1 million) and included a full year effect of CSS and the benefit of CSS synergies. Due to the nature of the CSS integration in the US it is not possible to accurately provide a like-for-like comparison year-on-year for profit performance split between the two businesses.

The newly integrated team in the US has focused on the following key areas during 2021:

Managing the business through Covid-19 – The pandemic significantly impacted the US business, resulting in a decline in like-for-like sales volumes alongside a change in the mix of sales between customers and product categories and operational deleverage including reduced absorption of overheads into inventory. All of which drove a decline in **Adjusted operating margin** from 5.6% in 2020 to 3.4% in 2021. During the financial year Covid-19 had an impact on our manufacturing and distribution facilities, which were closed for periods of time in the year impacting production efficiencies and overhead absorption rates, whilst many of our office-based teams, including the sales and design teams, have remained working from home for the entire year. The focus during this time remained on maximising commercial opportunities and on the delivery of customer orders on time and in full which was recognised once again by Walmart awarding the US team 'Supplier of the Year' in January 2021.

The US business benefitted during the year from the increased demand for Craft & creative play products as consumers stayed home, in particular our own brands such as Perler and Anker Play Products Kids Create which saw significantly increased volumes. However, this only partially offset the impact of both reduced order frequencies from those retailers who remained shut during lockdown and lower order quantities from some customers for seasonal product categories. One positive upside during this difficult trading period, particularly during the Christmas season, is that retailers experienced higher than normal sell through levels, which provides a positive tailwind in relation to the order book for the 2021 Christmas period.

Operationally, the US business has seen its first full year of the state-of-the-art printing press in Memphis, and despite the challenges presented by Covid-19 and the lower than expected volumes, over 300 million more linear feet of wrap was printed in-house year-on-year. The US team also expanded operations to a new site in Byhalia, Tennessee which enlarges the Americas group's converting and distribution capacity and is set to deliver further efficiencies in the future.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Regional highlights continued

Design Group Americas continued

The US Government Covid-19 Coronavirus Aid, Relief and Economic Security ('CARES') Act provided support to our workforce via direct payments to individuals as opposed to employees via the employer. As such, no government assistance relating to job retention has been received by the US business. Furthermore, an unintended consequence of the direct to individual assistance meant that additional costs have been incurred by the Group to encourage some members of our teams back into work rather than remaining at home receiving the government CARES package. This, alongside incremental cleaning costs and personal protection equipment expenditure, has added significant incremental cost to the running of our business this year and $1.4 million of these costs have been treated as Adjusting items in the year.

The Group has benefitted from the US Government's Covid-19 support package following the extension to the time period in which operating losses could be carried back for tax purposes, generating a substantial tax refund that the Group recognised at the end of the 2020 financial year totalling $17.3 million. The majority of this ($16.5 million), plus associated interest of $0.2 million, has been received during the 2021 year, generating a one-time cash inflow which helped substantially offset the CSS integration cash costs in the year.

Despite the general improvement in trading conditions as the Covid-19 vaccine programme rolls out across the US, our Americas business continues to experience challenging trading conditions as a result of some of the associated impacts from Covid-19 on raw material costs and freight charges. Although these headwinds only had a limited impact on 2021 it is expected that the 2022 financial year will be more challenging from a cost inflation perspective than initially expected although the business is focused on mitigating these pressures through a mix of product engineering, renegotiation and, in certain situations, price increases.

Integrating CSS and realising synergy opportunities – Immediately following the acquisition of CSS in March 2020, a new unified management structure was announced which created a new senior leadership team comprising of both CSS and Design Group executives and also combined all the functional teams across the US group. Alongside these changes an Americas Executive Committee was established which included Group executives who meet regularly with the senior US team to review progress. These changes facilitated the rapid implementation of the CSS integration plan, helping accelerate the delivery of synergies following the acquisition.

The first year of the integration plan has to date unlocked c.$10 million of cost savings and synergies from the acquisition, with more to achieve over the next three years. Specifically, savings have included workforce rationalisation, cost savings associated with no longer running CSS as a US listed business and the savings from physical integration of the two businesses which included consolidating our Midway facility into our Shorewood distribution centre, the closure of excess office sites in the US in Nashville, Budd Lake and Plymouth Meeting and the reduction in the number of Hong Kong sourcing offices. Further savings are due to be delivered in 2022 including additional site rationalisation and in 2023 with cross-selling opportunities.

Developing new product categories and expanding into e-commerce channels – During the year significant progress has been made in design and innovation, including the launch of our new card brand, NIQUEA.D, which targets the higher end of the card category, further expansion of our Impulse seasonal events and home accessories offering and the continued success of our creative play brand Anker Play Products. In addition, in the coming year, the business will see the relaunch of its e-commerce activities and a refresh to our approach to selling craft products and sewing patterns. All these initiatives, alongside the more general economic recovery following the pandemic, give us confidence that the Americas business is well set to deliver good revenue growth in 2022 and beyond.

Dealing with the IT incident – As previously communicated, in October 2020 the US business suffered from an IT security incident impacting operations and in particular the distribution centres that deal with daily replenishment of orders to customers. The business was impacted for a number of weeks which resulted in lost sales and costs associated with remediation. These remediation costs have been treated as an Adjusting item and it is anticipated that these costs and the lost profits associated with the incident are expected to be recovered via insurance claims to be made during 2022. Since the incident the Group has further enhanced its IT security controls and procedures, including the installation of upgraded, market-leading cyber security software.

Looking ahead, despite some cost headwinds expected, the business is well positioned to benefit from new trading opportunities and further efficiencies and synergies that together we expect will deliver a significant year-on-year revenue and profit uplift in the 2022 financial year.

Design Group International

During 2021 we restructured the business to create a new International division, led by the newly created executive position of CEO International. This combination of our UK, European and Australian businesses under one umbrella will allow the Group to benefit from an integrated management and operational structure, leveraging on each territory's strengths and skills, and positions the Group for future growth across this segment.

Revenues for the International business were down 4% on the prior year at $265.3 million (2020: $275.5 million) due to the impact of Covid-19. However, despite lower sales volumes which reduced cash margins, and resulted in lower overhead absorption into inventory and operational deleverage, alongside Covid-19 related manufacturing inefficiencies, **Adjusted operating profit** at $25.8 million was up 4% (2020: $24.9 million) as a result of the positive impact of favourable product mix and a focus on managing overhead costs down.

The impact of Covid-19 has varied across the territories within DG International; however, the common factor from lower sales was reduced production volumes within our manufacturing sites. In particular, this has resulted in lower margins as a result of the associated inefficiencies resulting from Covid-19. In order to ensure we have met customer orders on time and in full, manufacturing has continued throughout the year aside from the short periods when shutdowns were required due to government mandated lockdowns or Covid-19 outbreaks. In order to keep manufacturing sites open, we have had to make significant changes to the way in which we operate in order to ensure we comply with regulations and maintain employee safety on site. This has included shorter shifts to allow time for a full and thorough sanitising of our machinery and sites, as well as ensuring there is no crossover between shifts while each shift maintains a Covid-19 'bubble'.

Of these additional costs and inefficiencies, only the incremental health and safety related costs amounting to $0.1 million have been treated as Adjusting items during the year. Furthermore, the change in shift patterns resulted in sites having to catch up production, which incurred incremental labour costs, reducing Adjusted margins despite the benefit of government assistance payments. The International group reacted quickly to the pandemic and the resultant impact on the business and during the early part of the financial year delivered a workforce rationalisation, the costs of which have been treated as Adjusting items.

Around the DG International group, the UK was the most significantly impacted by Covid-19 with revenue down 14%, reflecting the relatively higher seasonal sales mix of the business, resulting in lower operating profit year-on-year as a result of the knock-on impact on margin performance. Despite this, the business delivered a strong service performance to customers who subsequently experienced excellent sell-through over the Christmas period. We have also grown our sustainable product ranges further with a focus on the Eco-Nature™ brand as well as the Kids Create 'recycle and create' arts and crafts ranges which will help support growth in the 2022 financial year. Australia, which of all our regions was the least impacted by Covid-19, delivered a robust trading performance with sales flat year-on-year and improved margins. This success has been supported by the release of new product ranges including scented candles and diamond art, as well as strong sales of partyware items, demonstrating our ability to respond quickly to our customers' needs during the pandemic. Europe has had another solid year with revenue broadly flat and operating profit marginally up despite the challenges of Covid-19 and many of our retail partners having been closed for periods of time during the year. This reflects both the growth of our winning retail partners but also the benefits of our investment in 'Robowrap', which despite the impact of lower volumes delivered improved productivity across the entire end-to-end gift wrap manufacturing process.

Parts of the DG International group have received government assistance, where available, to mitigate as much as possible the need to reduce the workforce across the Group. In total the International division received $3.6 million of government assistance in the period (the majority of which was in our Australia business) which has helped offset the additional costs and lost profit across the whole Group.

CHIEF EXECUTIVE OFFICER'S REVIEW
CONTINUED

Our products, brands and channels

This year has seen the Group deliver good progress in diversifying our product portfolio, further enhancing our position as a 'Supplier of choice' for our retail partners.

Revenue by product category		2021		2020
Celebrations	**60%**	**$521.6m**	75%	$469.3m
Craft & creative play	**18%**	**$155.3m**	7%	$37.9m
Stationery	**4%**	**$34.6m**	4%	$26.9m
Gifting	**12%**	**$104.8m**	11%	$69.4m
'Not-for-resale' consumables	**6%**	**$56.9m**	3%	$20.8m
Total		**$873.2m**		$624.3m

The acquisition of CSS significantly increased our sales in Craft & creative play, which was further heightened by the pandemic as consumers moved to buying craft related product during the various lockdowns around the world. In particular, the closure of schools over the past year has meant households have turned to products that will entertain families whilst at home, and crafting and creative play has featured heavily in their buying decisions. In addition, as many families have been spending more time in their homes, the sale of Home Accessories, which sits as part of our Gifting category, has also increased year-on-year.

However, although overall Celebrations sales have increased year-on-year reflecting the acquisition of CSS, on a like-for-like basis they declined 11% due to the impact of Covid-19 on group celebration events throughout the year and in particular lower seasonal orders from retailers in relation to Christmas 2020. This trend was also seen in the 'Not-for-resale' consumables category where, despite the addition of CSS which increased total revenues in the category year-on-year, the like-for-like result was negatively impacted as retail and wholesale customers remained closed for long periods during the year resulting in lower year-on-year orders.

Revenue by customer channel		2021		2020
Value & Mass	**56%**	**$492.0m**	64%	$398.6m
Grocer	**9%**	**$82.0m**	13%	$81.1m
Craft	**11%**	**$94.6m**	2%	$13.5m
Online	**3%**	**$22.6m**	1%	$5.6m
Other	**21%**	**$182.0m**	20%	$125.5m
Total		**$873.2m**		$624.3m

The CSS acquisition has not only broadened the product categories we sell but also the retailer channels we sell into, enhancing our Craft and Online channels. We have also strengthened our relationship with some of our biggest customers, including Walmart who now account for 24% of revenues. Overall, our top 20 customers now account for 67% of the Group's sales, compared to 61% in 2020.

Revenue by season		2021		2020
Christmas	**43%**	**$375.4m**	56%	$348.1m
Minor seasons	**7%**	**$59.7m**	5%	$32.4m
Everyday	**50%**	**$438.1m**	39%	$243.8m
Total		**$873.2m**		$624.3m

The Group has significantly changed the mix of its sales since the CSS acquisition, which has a profile much more balanced towards Everyday. As a result, the Group's earnings and working capital requirements are a lot less focused on the Christmas season.

Revenue by type	2021		2020	
Manufactured in-house	33%	$291.3m	35%	$222.1m
Sourced	67%	$581.9m	65%	$402.2m
Total		**$873.2m**		$624.3m

Despite CSS having higher levels of sales generated from manufacturing compared to the Group before the acquisition, the overall percentage mix of revenues in 2021 from manufacturing has not significantly changed year-on-year. This is the result of Covid-19 impacting those categories in which the Group manufactures, particularly seasonal Christmas product such as gift wrap. Year-on-year like-for-like revenues excluding CSS were in total 5% down but sales from products that were manufactured by the Group were 15% lower compared to revenues from products that we sourced being broadly flat. The higher decline in manufacturing volumes, as explained above, has a disproportionate impact on margin through lower absorption of costs into inventory and also operational deleverage.

Revenue by brand	2021		2020	
Licensed	12%	$104.8m	9%	$55.6m
Customer own brand/bespoke	48%	$418.1m	64%	$400.0m
Design Group/Generic brand	40%	$350.3m	27%	$168.7m
Total		**$873.2m**		$624.3m

A review of revenues by brand type highlights a positive shift for the Group which has been supported not only by the CSS acquisition, which has more generic brand products, but also by the focus of our teams on developing new and expanding existing generic brands within the Group. Overall, this focus has seen generic brand products increase to 40% of Group revenues, with licensed product sales increasing to 12%.

Paul Fineman
Chief Executive Officer

14 June 2021

CHIEF FINANCIAL OFFICER'S REVIEW

Giles Willits
Chief Financial Officer

The Group has delivered a robust financial performance with strong cash generation

Detailed financial review

The Group's results are presented in US dollars for the full year following the acquisition of CSS and the resulting increased concentration of the Group revenues and earnings in US dollars. Prior year comparatives throughout the financial statements have been presented in US dollars. Note 30 in the financial statements contains the relevant comparatives for the financial year 2020 in both US dollar and pound sterling denomination.

	2021			2020		
	Reported $m	Adjusting items $m	Adjusted $m	Reported $m	Adjusting items $m	Adjusted $m
Revenue	873.2	—	873.2	624.3	—	624.3
Gross profit	153.8	(1.0)	152.8	94.2	19.9	114.1
Overheads	(133.9)	23.1	(110.8)	(89.6)	16.4	(73.2)
Operating profit	19.9	22.1	42.0	4.6	36.3	40.9
Finance charges	(5.2)	0.2	(5.0)	(5.5)	—	(5.5)
Profit before tax	14.7	22.3	37.0	(0.9)	36.3	35.4
Tax	(4.3)	(5.1)	(9.4)	18.3	(25.4)	(7.1)
Profit after tax	10.4	17.2	27.6	17.4	10.9	28.3

Revenue for the year ended 31 March 2021 grew 40% to $873.2 million (2020: $624.3 million) driven primarily by the full year effect of CSS sales following its acquisition on 3 March 2020. Like-for-like revenues (excluding CSS) declined 5% reflecting the impact of Covid-19 on the Group during the 2021 financial year. Proforma CSS revenues were down just 1% year-on-year. Constant currency Group revenues grew 38% primarily reflecting the stronger pound sterling compared to the prior year. **Adjusted operating profit** increased by 3% to $42.0 million (2020: $40.9 million) reflecting the full year impact of CSS; however, **Adjusted gross margin** declined to 17.5% (2020: 18.3%) largely as a result of the impact of Covid-19 on customer and product mix alongside lower overhead absorption into inventory.

Adjusted overheads as a percentage of revenue increased to 12.7% (2020: 11.7%) representing the impact of Covid-19 related operational deleverage across the Group despite the success of delivering synergy related cost savings from the CSS integration which resulted in lower absolute proforma overheads year-on-year. As a result, **Adjusted operating margin** at 4.8% (2020: 6.6%) was down year-on-year. Overall **Adjusted profit before tax** was up 4.4% at $37.0 million (2020: $35.4 million) despite the impact of Covid-19. On a constant currency basis **Adjusted profit before tax** was $0.4m up at like-for-like exchange rates.

The Group finished the year with **profit before tax** of $14.7 million (2020: loss of $0.9 million) reflecting the increase in **Adjusted profit before tax** and the significant reduction in Adjusting items year-on-year which at $22.3 million were $14.0 million lower than the prior year. Further details of the Adjusting items are detailed below.

Adjusted profit after tax was $27.6 million (2020: $28.3 million) with **profit after tax** for the year at $10.4 million (2020: $17.4 million).

Finance expenses

Finance costs were marginally lower than the prior year at $5.2 million (2020: $5.5 million) including a $1.6 million increase in IFRS 16 related lease liability interest following the CSS acquisition from $2.1 million to $3.7 million. Excluding IFRS 16 lease liability interest, the underlying finance costs were down $1.9 million to $1.5 million (2020: $3.4 million) reflecting the successful reduction in debt throughout the year. **Adjusted interest cover** after stripping out IFRS 16 charges was 25.0 times in 2021 compared to 11.9 times in the prior year, reflecting the reduced finance charges. Interest income relating to the US tax refunds has been treated as income in Adjusting items.

Adjusting items

Adjusting items are material items of unusual or non-recurring nature which represent gains or losses which are separately presented by virtue of their nature, size and/or incidence. The Group's Adjusting items in the year to 31 March 2021 are $14.0 million lower than the prior year at $22.3 million (2020: $36.3 million). The significant movements relate to the increased costs associated with the CSS integration and restructuring and the IT incident in the US, offset by the release of surplus Covid-19 related impairments taken in the prior year and no adjustment for tariff costs in the year. In addition, as a result of the impact of Covid-19 on the Long Term Incentive Plan performance criteria there was a significantly lower share-based payment charge in the prior year. Details of all Adjusting items are included below:

Adjusting items	2021	2020
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses	$0.3m	$4.1m
Acquisition integration and restructuring costs	$15.4m	$12.1m
(Reversal of impairment)/impairment of assets	($5.8m)	$11.8m
Incremental Covid-19 costs	$1.5m	$0.6m
IT security incident costs	$2.2m	—
US tariffs	—	$4.4m
Amortisation of acquired intangibles	$4.5m	$3.6m
Share-based payment charge/(credit)	$4.2m	($0.3m)
Total	$22.3m	$36.3m

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Adjusting items continued

Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses – $0.3 million (2020: $4.1 million)

In the year, a charge of $0.3 million relating primarily to additional transaction costs associated with the disposal of Zhejiang Shaoxing Royal Arts and Crafts Co. Ltd has been incurred, along with expenditure relating to other potential acquisitions reviewed in the year.

Acquisition integration and restructuring costs – $15.4 million (2020: $12.1 million)

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

The main costs in the year relate to the integration of CSS into the enlarged DG Americas business. These include integration consultancy expenditure, severance and temporary labour costs, as the newly integrated team structures following the acquisition have been established, and the impact of the impairment of the lease assets and costs associated with the closure of excess sites. On acquisition the CSS business had a large portfolio of owned and leased sites, and as part of the integration sites in Nashville, Tennessee; Midway, Georgia; Budd Lake, New Jersey; and Hong Kong have been closed. In addition, costs associated with the consolidation of the Midway distribution operations into Shorewood are included.

Furthermore, in the UK and Australia, as a result of Covid-19, workforce restructuring costs were treated as Adjusting items.

(Reversal of impairment)/ impairment of assets – $(5.8) million (credit) (2020: $11.8 million)

In the prior year, in light of the unknown impact of Covid-19 on the business at the time, a review of inventory and trade receivables was undertaken, resulting in impairment charges in relation to inventories of $7.4 million and trade receivables of $3.8 million. As at 31 March 2021, $2.4 million of the trade receivables impairment has been reversed as it is no longer required and following a review of sell-through rates in respect of inventory $4.0 million was released. These releases are partially offset by $0.6 million of additional Covid-19 related impairment charges taken in the 2021 year.

Incremental Covid-19 costs – $1.5 million (2020: $0.6 million)

The Covid-19 outbreak developed rapidly in 2020 and continued into the first calendar quarter of 2021, with measures taken around the world to contain the virus affecting economic activity. The Group has been affected in every territory in which we operate and the impact on the general economic environment and the reduced demand of goods from our customers as well as the closures of our businesses has had a significant impact. Certain costs relating to direct labour costs that were incremental, equal to $0.9 million, were included in Adjusting items. The most significant element of these costs relates to additional 'hazard pay' labour costs across our manufacturing facilities in the USA and Mexico in order to ensure our employees have returned to work.

In addition, laws were passed in India and Mexico that meant no workforce reductions were allowed during closed/lockdown periods which meant higher employee costs were being incurred than ordinarily would have in that situation. This resulted in the business incurring direct incremental costs of labour whilst not producing anything and incurring periods of significant downtime. When employees returned to work post lockdown, labour costs were paid again once production started, effectively doubling the costs to produce.

US tariffs – $nil (2020: $4.4 million)

There is no adjustment for US tariff costs in the year ended 31 March 2021. In the year ended 31 March 2020 there was an adjustment of $4.4 million reflecting the rapid evolution of tariffs during that year with no advance warning. The timing of the introduction of tariffs meant a majority of our purchase orders had already been agreed with customers and suppliers, effectively creating a situation where the US business was locked into commitments that could not be renegotiated. This impact has not been repeated in the financial year ended 31 March 2021 as the business was able to better mitigate the effect of tariffs.

IT security incident costs – $2.2 million (2020: $nil)

The IT security incident which occurred in the Americas business in October/November 2020 resulted in one-off costs specifically in relation to crisis management, legal, forensic and data recovery costs including server/hardware repair and replacement. In addition, there were IT overtime costs, customer penalties from delayed shipments and expedited freight costs to avoid delays. These costs have been treated as an Adjusting item in 2021. The lost sales associated with the IT outage do not form part of the Adjusting items, however will form part of our claim under insurance policies which is currently in preparation.

Amortisation of acquired intangibles – $4.5 million (2020: $3.6 million)

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

In addition, in accordance with IFRS 3, on acquisition, businesses need to be fair valued, which can result in an uplift to stock on hand relating to sales orders already attached to the acquired stock. This uplift will distort the margins associated with the stock, and typically unwinds quickly as stock is sold soon after acquisition. The unwind of the stock uplift ($1.4 million) associated with the CSS acquisition is included as an Adjusting item, consistent with the treatment adopted with the Impact acquisition. This fully unwound as at 30 September 2020.

Share-based payment charge/ (credit) – $4.2 million (2020: ($0.3) million credit)

As part of our senior management remuneration, the Group operates a Long Term Incentive Plan (LTIP), including the newly created Value Creation Scheme (VCS), 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 (except for associated social security costs), a share-based payment charge or credit is taken to the income statement. We consider that these charges do not form part of the underlying operational costs and therefore include these as Adjusting items.

The share-based payment charge for the period is $4.2 million, which consists of a principal IFRS 2 charge of $3.7 million and an employer social security charge of $0.5 million. The principal charge relates only to those schemes that have not yet vested but are expected to achieve some or all of their vesting criteria. The social security charge relates to both unvested options (but as per the principal charge are expected to achieve their criteria) as well as vested but not yet exercised options and is driven by the share price.

The credit in the 2020 financial year of $0.3 million was driven by the impact of Covid-19 on the performance criteria of the 2018-2021 and 2019-2022 LTIP schemes which resulted in no charge for the 2019-2022 scheme and a reversal of the previous charge in relation to the 2018-2021 scheme. Following the review of performance criteria the full updated charge for the 2018-2021 LTIP scheme has been taken in 2021, alongside the first charge for the VCS, announced in January 2021. No charge has been taken in respect of the 2019-2022 scheme during the year as the performance metrics have not been met, however it is expected that a full charge in relation to the 2019-2022 scheme will be taken in 2022 once the Remuneration Committee has reviewed performance criteria.

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.

In the prior year, the Group had a tax credit (treated as an Adjusting item) of $17.3 million driven by the US CARES Act which came into effect on 25 March 2020 which, as part of the stimulus package, extended the time period for which Net Operating Losses (NOLs) could be carried back against profits in US businesses. As part of the acquisition of CSS, the Group inherited substantial NOLs in CSS which were then able to be carried back against historical profits.

During the year $16.5 million of the claim has been received along with $0.2 million of interest from the Inland Revenue Service in the USA. This has been treated as an Adjusting item cash inflow and is netted off against the other Adjusting items cash outflows within the cash flow summary statement below.

The effective tax rate on **Adjusted profit before tax** is 25.4% (2020: 20.1%) largely as a result of the concentration of Adjusted profits in the Americas attracting a c.24% tax rate at the Adjusted profit level. It is noted that following the recent announcement in relation to the US Covid-19 assistance package, US federal tax rates are expected to increase from 21% to up to 28%, potentially from the end of this calendar year. This, if enacted, is expected to increase the Group's effective tax rate in 2022. The effective tax rate on **reported profit before tax** is 28.8% largely due to the mix of profits in higher tax rate jurisdictions.

Excluding the NOL refund, overall tax paid was $3.8 million lower than the prior year at $2.2 million (2020: $6.0 million) resulting from tax refunds in Hong Kong and India from overpayments in prior years as well as lower anticipated profits in the Group's cash tax paying jurisdictions, in particular in Australia and Europe, for which catch-up payments will be made in the 2022 financial year.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Earnings per share

Adjusted earnings per share at 25.9 cents (2020: 32.7 cents) are lower year-on-year driven by marginally lower Adjusted earnings attributable to equity holders of the Company and as a result of the full year effect of the increased number of shares in issue following the equity raise in January 2020 to support the CSS acquisition. **Diluted earnings per share** are 8.4 cents (2020: 19.8 cents) reflecting the benefit of the one-time NOL tax refund in the prior year.

The reconciliation between **reported** and **Adjusted earnings per share** is shown below:

Earnings per share	2021	2020
Earnings attributable to equity holders of the Company	$8.2m	$16.5m
Adjustments		
Adjusting items (net of non-controlling interest effect)	$22.4m	$36.0m
Tax charge/(relief) on adjustments (net of non-controlling interest effect)	($5.2m)	($7.9m)
Adjusting item – tax credit (US tax loss carryback)	—	($17.3m)
Adjusted earnings	$25.4m	$27.3m
Weighted average number of shares		
Basic weighted average number of shares outstanding	97.7m	82.6m
Dilutive effect of employee share option plans	0.4m	0.5m
Diluted weighted average ordinary shares	98.1m	83.1m
Earnings per share		
Basic earnings per share	8.4c	19.9c
Adjustment	17.6c	12.9c
Basic adjusted earnings per share	26.0c	32.8c
Diluted earnings per share	8.4c	19.8c
Diluted adjusted earnings per share	25.9c	32.7c

Dividend

The Board is recommending a final dividend of 5.75p, reflecting the strong year-end financial position and outlook of the Group. This delivers a full year dividend of 8.75p, in line with the prior year (2020: 8.75p).

Return on capital employed

Improving the **return on capital employed** continues to be a key target for each of the business units. Overall, the Group saw the **return on capital employed** reduce year-on-year to 17.6% (2020: 20.3%) resulting from the impact of Covid-19 on the operating profits of the Group in a year that also saw a higher level of capital employed following the acquisition of CSS.

Cash flow and net cash

The Group ended the year with its net cash balance up $24.1 million to $76.5 million (2020: $52.4 million). The cash improvement reflects the year-on-year growth in EBITDA alongside reduced capital expenditure and a lower cash outflow year-on-year in relation to Adjusting items. **Cash conversion** was 88.7% (2020: 91.1%) with **Adjusted cash generated from operations** of $68.7 million (2020: $54.2 million).

Cash flow	2021	2020
Adjusted EBITDA	**$77.5m**	$59.5m
Movements in working capital	**($8.8m)**	($5.3m)
Adjusted cash generated from operations	**$68.7m**	$54.2m
Adjusting items	**($1.0m)**	($16.6m)
Cash generated from operations	**$67.7m**	$37.6m
Capital expenditure (net of disposals of property, plant and equipment)	**($8.1m)**	($13.7m)
Business acquired (including cash on acquisition)	**—**	($112.3m)
Tax received/(paid)	**($2.2m)**	($6.0m)
Interest paid (including Adjusting items)	**($4.3m)**	($5.1m)
Payments of lease liabilities	**($15.9m)**	($8.4m)
Dividends paid	**($11.3m)**	($9.0m)
Proceeds from issue of share capital	**—**	$152.5m
FX and other	**($1.8m)**	($5.4m)
Movement in net cash	**$24.1m**	$30.2m
Opening net cash	**$52.4m**	$22.2m
Closing net cash	**$76.5m**	$52.4m

Working capital

The working capital movement in the 2021 year reflects the first full year of trading in relation to CSS, delivering an outflow in the year of $8.8 million (2020: $5.3 million). In the 2020 year the timing of the acquisition in March 2020 resulted in a one-time inflow of $9.3 million in relation to CSS. The 2021 working capital outflow reflects the phasing of sales year-on-year which has seen higher sales in the last quarter in the Americas and inventory build which has started earlier than in previous years reflecting the proactive response taken to ensure customers are not impacted by transportation delays at ports.

In the current Covid-19 environment the Group continues to actively track debtors and credit risk profiles of all of our customers to mitigate as far as possible any additional exposure to credit risk. Doubtful debt write off in the year was less than 0.5% of revenue (2020: 0.3%), a testament to our continued proactive approach to dealing with credit risk.

Capital expenditure

As part of our Covid-19 plan to manage cash during the pandemic our investment in capital expenditure was managed carefully, resulting in a reduction of $5.8 million to $8.4 million (2020: $14.2 million). In addition, the prior year included two significant projects: the printing press in the US and the automated converting line project in the Netherlands. There were no significant capital projects in the year to 31 March 2021. Capital expenditure in 2022 is expected to return to more normal levels in the range $8.0-$10.0 million.

Average leverage

Average leverage is a key measure for the Group measuring the seasonality of our working capital demands across the business and the need to ensure the Group manages its peak funding requirements within its bank facility limits. The Group has a stated aim to maintain our average leverage below 2.0 times over the long term and over the past five years has made significant progress in reducing leverage beyond this point.

As at 31 March 2021 **Average leverage** was 0.0 times, down from 0.9 times in the prior year. This reflects an improvement in the **Adjusted EBITDA** compared to the prior year and a considerable reduction in average bank debt from $43.6 million in 2020 to $2.2 million in 2021. This reduction partly reflects the impact of the CSS acquisition across the year, which is less seasonal than the legacy Design Group business, but also the impact of the additional equity raise in January 2020 to fund the CSS transaction.

Our measure of **Average leverage** excludes the impact of IFRS 16 and as such we exclude lease liabilities from our measurement of debt and reduce **Adjusted EBITDA** for lease payments. This mirrors the approach taken by the banks in measuring leverage for the purposes of the banking facilities and therefore is considered the most relevant measure for management to adopt.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Banking facilities

The Group maintains its banking facility through a club of five banks chosen to reflect and support the geographical spread of the Group. The banks within the club are HSBC, NatWest, Citigroup (who replaced BNP Paribas), Truist Bank (as successor by merger to SunTrust Bank) and PNC. In May 2021, the facilities were extended for another year to June 2023.

The facilities comprise:

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

In total, the accessible facilities at approximately $290.0 million are considered more than sufficient to cover the Group's peak requirements. The facilities, which do not amortise with time, include an additional uncommitted amount to help finance potential acquisitions.

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.

There are financial covenants (measured on pre IFRS 16 accounting definitions), tested quarterly, attached to the existing facilities as follows:

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

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

We also have access to supplier financing arrangements from certain customers which we utilise at certain times of the year.

Foreign exchange exposure management

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

Translational FX exposure – This exposure is the result of the requirement for the Group to report its results in one currency. This necessitates the translation of our regional business units' local currency financial results into the Group's adopted reported currency. As of this financial year, the Group moved its reporting currency to US dollars in light of the fact that a significant proportion of the Group's revenues and profits are now in US dollars. This change aims to significantly reduce, although not eradicate, the potential exposure of the Group to translational currency movements going forward. There is still part of the business whose functional currency is something other than US dollar; however, the overall impact on revenue and profits from currency movements in 2021 when compared to 2020 is not significant relative to the balances. **Revenue** in 2020 would have been $10.6 million higher if translated at 2021 FX rates, with 2020 **Adjusted profit before tax** $1.2 million higher.

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

Financial position and going concern basis

The Group's net assets increased by $16.2 million to $392.0 million at 31 March 2021 (2020: $375.8 million) primarily reflecting the increased cash generated within the Group along with increased debtors at the year end following strong sales in the last quarter.

As at the 31 March 2021 balance sheet date, in light of the continued Covid-19 pandemic, the Directors have paid particularly close attention to their assessment of going concern in preparation of these financial statements. The Group is well capitalised at the year end with a net cash position of $75.7 million ($132.8 million of cash and $57.1 million of bank overdraft excluding loan arrangement fees).

Going concern forecasts have been produced using the Group's 2022 and 2023 budgets and plans. These forecasts, which have been produced and reviewed in detail by the Board, and take into account the seasonal working capital cycle of the business, have been sensitised to reflect severe but plausible adverse downturns in the current assumptions including the potential for a further Covid-19 related lockdown as well as another IT security incident in the Group. These forecasts and additional analysis demonstrated that the Group has sufficient excess headroom for the Group to meet its obligations as they fall due for a forecast period of more than twelve months beyond the date of signing these accounts and will also be compliant with covenants. As such, the Directors do not see any practical regulatory or legal restrictions which would limit their ability to fund the different regions of the business as required as the Group has sufficient resources.

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

Alternative performance measures

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

The APMs and the definitions used are listed below:

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

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

- **Average leverage** – Average bank debt (being average debt measured before lease liabilities) divided by Adjusted EBITDA reduced for lease payments
- **Cash conversion** – Adjusted cash generated from operations divided by Adjusted EBITDA
- **Adjusted operating margin** – Adjusted operating profit divided by revenue
- **Return on capital employed** – Adjusted operating profit divided by monthly average net capital employed (excluding cash and intangibles)
- **Adjusted interest cover** – Adjusted operating profit divided by finance charges (excluding IFRS 16 and one-time interest income)

Adjusting items

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

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

APM reconciliation	2021	2020
Adjusted EBITDA	**$77.5m**	$59.5m
Adjusting items	**($11.7m)**	($32.2m)
EBITDA	**$65.8m**	$27.3m
Adjusted operating profit	**$42.0m**	$40.9m
Adjusting items	**($22.1m)**	($36.3m)
Reported operating profit	**$19.9m**	$4.6m
Adjusted profit before tax	**$37.0m**	$35.4m
Adjusting items	**($22.3m)**	($36.3m)
Reported profit before tax	**$14.7m**	($0.9m)
Adjusted profit after tax	**$27.6m**	$28.3m
Adjusting items	**$(17.2)m**	($10.9m)
Reported profit after tax	**$10.4m**	$17.4m
Adjusted earnings per share	**25.9c**	32.7c
Adjusting items	**(17.5c)**	(12.9c)
Reported diluted earnings per share	**8.4c**	19.8c

Giles Willits
Chief Financial Officer

14 June 2021

SUSTAINABILITY

Helping design a better future

"The sustainability journey we are on is already making a difference. We are increasingly delivering great sustainable solutions to customers and will continue to further extend this in the future. During 2021, the Board launched our sustainability framework 'helping design a better future', which aims to ensure we continue our journey to become a more sustainable company".

Paul Fineman
Chief Executive Officer

As a Group with an ever-expanding reach, we understand that our impact and responsibilities extend beyond our immediate surroundings, into the lives of our employees, the environment, and our local and global communities. We take seriously these responsibilities and strive for the highest standards of ethical behaviour to protect and support our employees, our communities and our planet. We believe that every one of us has a shared responsibility to protect and preserve our planet and its environment, for this and future generations.

Despite making good progress in recent years we believe we are still early in our journey to minimise the impact we have on the environment and to drive positive change.

We also wish to create a working environment where our employees feel supported and valued, with their achievements recognised and rewarded. Though our Group operations are varied in many ways, each part of Design Group globally is committed to operating in a responsible and sustainable manner, with a focus on having a positive impact in every interaction we have.

During the year we have developed a framework to help shape the Group's approach to sustainability, manage the risks and challenges faced as well as seize the expected opportunities. The framework will also enable us to demonstrate, monitor and improve our performance to drive our business forward sustainably.

Our approach to sustainability is underpinned by the United Nations Sustainable Development Goals (SDGs). The 17 goals, along with the 169 targets that underpin them, were reviewed to identify those areas which Design Group can maximise our positive contribution.

The areas we have identified fall into three key themes which allow us to focus on a number of priority areas where we believe and are committed to making a positive difference.

People

People are at the heart of our success

- Employee engagement, talent and skills
- Health, safety and wellbeing
- Diversity, equality and fairness
- Giving back to our communities

Product

Sustainable by design

- Responsible sourcing
- Sustainable product and packaging
- Innovative designs and solutions

Planet

Innovating to reduce our footprint

- Reducing our environmental footprint

We recognise we are on a journey and aim over the coming year to further refine the sustainability framework, the priorities, KPIs and goals that we will hold ourselves accountable to in the future. We will also begin to track the progress of each of our key target areas and endeavour to report on these from next year onwards.

Link to strategy

Design Group's sustainability framework, 'helping design a better future', will work alongside our strategy. Adopting a holistic business-wide approach to sustainability is a significant driver of commercial advantage and links into our existing strategic pillars: working with the winners, design & innovation and efficiency & scale.

Working with the winners

We pride ourselves on working with the winning retailers of now and the future. We aim to promote our sustainability principles to all our customers and there are many who are already calling for sustainable solutions as climate change and sustainability is a more pertinent matter than ever. To uphold the highest standards attainable as a Group, it is our aim to foster the relationships we have with all of our stakeholders to continue building a considerate and sustainable company. This principle also extends to our suppliers, where we endeavour to source the most responsible materials that we can.

Design & innovation

In order to be our customers' partner of choice, our design teams are focused on providing fresh, new and on-trend ideas for our product ranges. This innovation is critical in designing and producing sustainable products and packaging. Increasing our sustainable product offering and continuing to develop and create new ranges are key in our efforts to promote sustainability. The packaging around our product is just as vital to focus on. We endeavour to reduce the amount of plastic, particularly non-recyclable plastic packaging, to reduce the waste contributing to landfills, as well as the pollution of our ecosystems and marine life.

Efficiency & scale

Capital investment and people investment help to drive efficiencies to strengthen our performance. This principle extends to sustainability whereby product design right through to operations and logistics are continually being improved, to reduce the impact we are having on the environment through reduced carbon emissions, as well as the amount of waste which is sent to landfill. Adapting our habits will drive positive change in relation to global warming, the pollution of our ecosystems as well as biodiversity.

Link to business model

This year we have also updated our business model to encompass the environment as one of our key stakeholders which we see as an integral part of our agenda going forwards.

Read more on pages 6 and 7

SUSTAINABILITY
CONTINUED

People

People are at the heart of our success

At Design Group we employ over 4,000 people across four continents in a variety of roles and operations. We value the hard work of all our teams and recognise that Design Group would not be who we are without their talent and dedication; this is true more so than ever in the challenging last twelve months the world has faced. We understand the value and importance of creating an open, comfortable and progressive working environment and to continue to invest in the people who give us so much.

We strive to create a working environment where our employees feel supported and valued, with their achievements recognised and rewarded. The communities where our Group businesses are based, and where many of our team members call home, are important to us. We aim to give back in all of the communities where Design Group is present, continuously taking actions and promoting initiatives that create a positive impact.

Australia have continued to support two incredibly worthy causes through donations of A$115,000: the Kmart Wishing Tree Appeal and the Salvation Army who provide support to those in need

Our US ribbons company continued to donate ribbons to hospitals, homeless shelters, businesses, charities and individuals to make face coverings to protect against Covid-19

SUSTAINABILITY
CONTINUED

People
CONTINUED

Employee engagement, talent and skills

We want to create an engaged and motivated workforce who enjoy coming to work, whilst giving them the chance to enhance their skills to realise their full potential. We want to create a Group with a talented workforce capable of meeting our challenging business needs.

We employ a great team with the attitude and aptitude to succeed and deliver within an environment where progression and development is encouraged and facilitated. The Design Group Academy programme which runs in the UK and Europe is a prime example of this, and similarly in the US we run a tuition reimbursement programme designed to help employees further their education by attaining degree level qualifications.

Proposed KPIs

- Employee turnover
- Training opportunities
- Employee engagement

Health, safety and wellbeing

We are committed to providing our employees with a safe and healthy working environment.

A key priority throughout the Covid-19 pandemic has been the health of the individuals that make up Design Group and their families. In light of this, wellbeing has been a focal point for our teams around the globe, with a number of initiatives communicated throughout the year to promote a healthy lifestyle and positive working environment. In 2020, our UK division started a wellbeing initiative with a different wellbeing campaign for each month of the year. For example, 'Time to Talk Day' aimed to start conversations about mental health; to talk, listen, change lives and help end the stigma. Additionally, the 'Fit for Feb' campaign involved teams competing against each other in a steps challenge to encourage physical activity whilst the UK was in its third lockdown.

Proposed KPIs

- Employee feedback
- Incident reporting and rates

Sarah Morris taking part in the UK Fit for Feb photo challenge

Group team Christmas charity evening raising money for MIND BLMK

Diversity, equality and fairness

Our international culture promotes diversity, equality and fairness and in line with our Group values, we strive to treat everybody with dignity and respect.

At Design Group we recognise that having a diverse workforce enables us to innovate and make better decisions and helps us meet the needs of our employees, customers, communities and shareholders. We strive for a workplace that has integrity, has safe working conditions, is fair and inclusive and upholds the highest standards of human rights. The Group's code of business conduct lays out our expectations in all these areas and every employee must sign up to this policy from the outset, as well as any supplier who represents the Group. Specifically, we aim to employ people who reflect the diverse nature of society and we value the contribution made by every colleague, irrespective of age, sex, disability, sexual orientation, race, colour, religion, ethnic origin or political belief and we make employment decisions on the basis of job-related skills, achievements and performance, using clearly defined and fair criteria.

We take human rights seriously and continuously strive to strengthen and protect the systems and management in this area. The Modern Slavery Act came into force in 2015 and we have taken steps to promote and improve our commitment to removing abuse and exploitation in the workplace. The Group is also an active SEDEX member in all major territories in which we operate, and we operate a Group-wide multi-lingual whistleblowing hotline with access for all our employees via the telephone as well as online reporting and during 2021 there have been no reports of human rights violations in our operations via this or any other reporting mechanism.

Proposed KPIs

Gender diversity

Giving back to our communities

In line with one of our key values, we endeavour to be good citizens and aspire to give back to the communities around us with the aim of building a more considerate and sustainable business.

In every region we have had another year of giving back to our local communities and charities around us.

The US have donated sample boxes to a number of not-for-profit organisations in our local communities such as the Girl Scout groups and Berwick police department who ran a 'Trunk or Treat' competition at Halloween.

For the third consecutive year, Tom Smith and the UK business have supported the Trussell Trust, a charity focused on ending the country's hunger and poverty crisis. The charity supports a nationwide network of food banks and provides emergency food to those in poverty whilst campaigning for change to end the need for food banks in the UK. For every sale of any cracker in our 2021 Tom Smith Cracker range, a charitable donation is made to the Trussell Trust, with £32,000 donated this year.

Acknowledging the nature of our products, we have also invested time and money in tree planting initiatives to help offset the impact of our business activities on our carbon footprint, the environment and native wildlife in the regions in which we have an impact.

Proposed KPIs

Cash, product and employee time donated

Presentation of a donation to Velindre Cancer Care Hospital

Product

Sustainable by design

We recognise that the nature of many of our products makes it even more important that we leverage our innovation to create sustainable collections to promote to our customers and beyond. As the world develops, populations are consuming more, which becomes an issue when a large proportion of goods are not only single-use but also not recycled.

This leads to more waste going to landfill and being burned, contributing to global warming and contamination of our oceans. Design Group are committed to promote positive change; to use sustainable sources, to design sustainable ranges and reduce the use of single-use plastics across both our products and their packaging.

All US black plastic ribbon spools are made with 100% internally recycled plastic waste

Plastic-free gift wrap packaging has been produced and rolled out to key customers in the UK

Our Renew Ribbon™ range is made entirely from recycled bottles and woven locally in the US

Each spool of ribbon is made from approximately 7 recycled bottles

Australia are set to reduce plastic waste by c.24 tonnes per year by removing cellophane wrap from their cards

SUSTAINABILITY
CONTINUED

Product
CONTINUED

Responsible sourcing

The integrity of our product starts with responsible sourcing from both an environmental context as well as a social one. As a business where paper is one of our largest raw materials, we are committed to ensuring that only sustainable sources of paper are used in the near future, to go beyond compliance and certify high standards of forest management. Further to this, our values extend to the fair working conditions and human rights at all stages in our supply chain.

Design Group are FSC accredited and the transition to the sole use of FSC paper in our products continues. The FSC ensures that our timber and timber products are legally harvested and sourced, and wherever possible, certified or recycled material is purchased.

Proposed KPIs

Use of FSC paper and other sustainably sourced materials

Fair working conditions and supplier conduct

Sustainable product and packaging

We are in a position where we can offer sustainable product ranges at a time where popularity and demand are only going to increase. Now is a key time for us to support the transition to a circular economy whereby not only are our products made from recycled raw materials, but they are also either reused, recycled or composted at the end of their lifecycle.

Around the Group we are championing the reduction in unsustainable packaging. We are creating more sustainable packaging, with more greetings card packaging than ever before becoming plastic free.

We are actively researching and designing ways to reduce the single-use plastic content of our products to reduce the waste and pollution that our business is responsible for. As well as the specific examples detailed over the page, our businesses globally have reduced plastic packaging content in many of their products, including gifting, wrapping paper and cards.

As part of the world's collective mission to become more sustainable, it is key that people are better informed so that they can consciously make better decisions. Communication and transparency of the sustainability and recyclability of products is becoming increasingly important to our customers. We are striving to increase the simplicity and clarity of this message further by referencing on the front of product packaging, in addition to the 'On-Pack Recycling Label' (OPRL) symbols on the back of packaging. We believe that education is paramount in our endeavours to promote environmentally friendly products and habits.

Proposed KPIs

Recycled paper content in products and packaging

Elimination of single-use plastics in packaging and single-use products

Innovative designs and solutions

We aim to leverage our design and innovation skills to continue to develop new, sustainable ideas to promote to our customers.

In various regions we are successfully designing, producing and selling eco-ranges. These are sustainable greetings collections which use 100% recycled paper amongst other environmentally friendly raw materials and only have recyclable packaging. By promoting these collections, we are encouraging a circular economy which reduces waste and the impacts of production, consumption and disposal on the environment.

Our priorities include:

- Focusing on the success of the Group's eco-ranges around the world to further leverage the talent of our designers, along with our trusted and valued relationships with our customers to promote the adoption of eco-ranges going into 2022 and beyond.
- Working with the leading retailers of the world, such as Walmart, to deliver more sustainable solutions with reduced packaging and to achieve reduced carbon footprint.

Proposed KPIs

Fully recyclable product ranges

SUSTAINABILITY
CONTINUED

Planet

Innovating to reduce our footprint

We believe we have a responsibility to protect and preserve our planet and its environment and that our success as a company significantly depends on it. The global climate change threat is a result of many years of unsustainable activity by the world's growing population.

We have the ambition to reduce our impact on our surroundings to promote the longevity of the planet for future generations. This will be a journey for the Group as we learn of new methods to improve our operations to reduce greenhouse gas emissions, as well as less waste sent to landfills.

Our European Gifting business has solar panels which power their offices, warehouse and 600 houses

Our printing press installed in the US in 2020 will save 32,000 metric tonnes of CO_2 over the next 10 years

All of our UK manufacturing sites use electricity which is entirely generated from renewable sources

Zero landfill waste at our Wales manufacturing site

SUSTAINABILITY
CONTINUED

Planet
CONTINUED

Reducing our environmental footprint

A large part of Group operations are manufacturing based, and our operational excellence continually drives efficiency improvements. We consider climate change in all of our activities and strive to reduce our environmental footprint.

Our carbon footprint is continually under review. This year we have continued to optimise packaging and processes to fit more products onto every truck, reducing the number of vehicles and journeys taken by the Group each year. This has already and will continue to lead to significant reductions in the carbon emissions released into the atmosphere due to our operations.

Our warehouse and operations teams are focused on putting into effect changes in our factories which will reduce our carbon emissions. We have continued to transition to LED lighting, as well as high speed doors to segregate the different areas of the factory to improve temperature regulation. Both of these reduce inefficiencies and therefore improve our carbon footprint.

As a Group we will continue to consider and approve investment in new machinery to improve our efficiency and capacity. This continues to have a positive effect on the environment by lowering waste, reducing the need to import from overseas and focusing on local suppliers for raw materials and services.

As part of our sustainability journey, we are setting goals and targets. Our first goal is to be a carbon neutral business for all in-house manufactured generic brands by 2030. The roadmap to achieving this goal will be developed over the coming months.

Proposed KPIs

CO_2 emissions

Waste sent to landfill

Locally manufactured product

Our distribution warehouse facility in Australia

Our state-of-the-art printing press in the Netherlands

UK environmental reporting

During 2021 we reviewed the UK businesses' total energy use and associated greenhouse gas emissions in accordance with the government's guidance on Streamlined Energy and Carbon Reporting. The results of this review, focusing on the combustion of gas, the consumption of fuel for transport, and electricity use were:

Fiscal year (April 2020-March 2021)

CO_2 emissions by source

	2021		2020 (restated)	
Source	Consumption	Tonnes CO_2e	Consumption	Tonnes CO_2e
Electricity	**6,966,444 kWh**	**1,624.16**	7,418,165 kWh	1,909.76
Gas	**7,365,080 kWh**	**1,354.22**	8,031,757 kWh	1,476.64
Diesel oil	**529,280 kWh**	**142.45**	785,850 kWh	172.11
LPG	**28,812 kg**	**84.67**	41,524 kg	121.95
Company vehicles	**91,904 miles**	**18.21**	606,531 miles	167.52
Total	**14,860,804 kWh**	**3,223.71**	16,235,772 kWh	3,847.98

Energy emissions ratio:

	2021	2020 (restated)
Total tonnes CO_2e / (1) million (£) annual turnover	**34.32**	35.51

Methodology: The CO_2e (carbon dioxide equivalent) emissions were calculated using available energy and mileage data collected for our Climate Change Agreement (CCA) and Energy Savings Opportunities Scheme (ESOS) reporting purposes and converted using current factors published by the Department for Business, Energy and Industrial Strategy.

In addition, we looked at ways in which we can become more energy efficient and have taken the following actions:

- Procuring more energy efficient machinery when required
- Changing light fittings to low energy use LED types throughout the business
- ESOS (Energy Savings Opportunities Scheme) activities
- Moving over to electric/hybrid company vehicles where possible
- Reducing waste to landfill activities
- General internal waste reduction activities
- ISO 14001 internal objectives

STAKEHOLDERS

We value strong and open relationships

Effective engagement with key stakeholders is vital to Design Group achieving its strategy. There is always room for improvement, but through ongoing, constructive dialogue with our stakeholders we are committed to ensuring that we all experience the benefits of Design Group's success.

Section 172 statement

As a Board, collectively and as individual Directors, we recognise our obligations under the Companies Act and, in particular, our duties as Directors.

Each Director is fully aware of their duty to promote the success of the Company for the benefit of its members as a whole, and in doing so each Director has regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

Below we highlight our key stakeholders, what they expect from us and how we benefit from them.

The following are some of the discussions and decisions taken by either the Board or its Committees during the year and the considerations given to stakeholder interests:

Employees

This year each business was focused on ensuring that its employees were safe during the pandemic. Recognising the difficulties and pressures that our employees faced, the Board received regular updates as to the safety and support measures being put in place to protect them. In addition, we introduced the Value Creation Scheme, enabling more employees than ever to benefit, alongside shareholders, in the growth of the Company's market capitalisation.

Customers and Suppliers

Our strong customer and supplier relationships have played a key role this year, enabling our businesses to anticipate and react swiftly to a global market which faced such high levels of uncertainty. The Board was regularly updated on how the businesses were collaborating with their customers and suppliers to meet the changing demand in products and to ensure their availability.

Communities

Our businesses are best placed to understand the needs within their local and national communities. This year the focus has been on helping those impacted by Covid-19 through initiatives such as providing ribbons and materials to those making protective masks and supporting local charities which care for those affected by hunger and poverty.

Shareholders

During a difficult year it was important for the Board to keep our shareholders regularly updated, through trading updates, online one-to-ones and in-person meetings where possible. Consideration of shareholders' views was particularly important this year due to the implementation of the Value Creation Scheme. Our Chairman and Remuneration Committee Chair met with a number of large shareholders to explain the scheme metrics and to discuss any concerns raised.

Across Design Group there are many examples of stakeholder engagement:

- Employees – see pages 16 and 34 to 37
- Shareholders – see page 59
- Customers – see pages 9 to 11 and 51
- Communities – see pages 35 to 37
- Suppliers – see pages 37, 40 and 52

RISK MANAGEMENT

Risk is an inherent part of business, especially as Design Group aim to continue delivering growth around the world. The Group actively monitors the risk related to its business and the environment in which it operates.

Our risk management framework

Governance

Design Group operates a well-established structure for the management of risk, where responsibilities and ownership are clearly defined:

The Board
- Ownership and monitoring of risk management
- Evaluates the most significant strategic risks and sets risk objectives
- Determines overall risk appetite for the Group

Audit Committee
- Responsible for advising the Board on risk exposures
- Risk analysis both top down and bottom up
- Review of internal controls that help manage risks

Executive Committee
- Responsible for the overview of management of key risks at business unit level
- Assessment of materiality of key risks

Business units
- Identification, assessment and mitigation associated with key risks
- Day-to-day management of risks within the business units with focus on considering risk as part of decision making and management of external relationships

Group risk function
- Monitoring and collation of risks and actions by business unit management from across the Group
- Review and oversight of the Group's risk management process

Risk strategy and appetite

- The risk management process is aligned to our Group strategy and each principal risk, as identified in the next few pages, is considered in the context of achieving the Group's Growth Plan targets.
- 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. Design Group's risk appetite has been set for each risk category at a Board level and ranges from minimal to open. Our risk appetite is set to balance opportunities for growth and increased return, whilst maintaining our reputation and robust risk mitigation strategies. Determining our risk appetite allows us to make consistent and informed decisions across the Group in relation to key risks and helps ensure that they are managed within our tolerated levels of risk.

Risk management approach

- Design Group operates a decentralised model where risk management is embedded within strategic and operational decision making. An overarching role is played by the Group team and the Board to ensure oversight in the risk management process.
- This year the Board worked with BDO LLP to refine the Group risk management framework with a focus on defining Group risk appetite along with revisiting the Group's principal risks and uncertainties. This will also help to shape the business assurance programme over the coming years.
- Design Group's approach to risk management is bottom up, with each of our business units maintaining standardised risk registers for their territories, identifying key risks, monitoring them and determining mitigation plans for their businesses, whilst measuring against the Group's risk tolerance level alongside their own tolerances.

- The risks are scored using a risk impact matrix which considers both financial and non-financial assessments to determine an overall score for each risk. Each principal risk is also evaluated against the Group's risk appetite and considered in the context of the Group's strategic objectives. All of this focuses the Group on where the higher risks sit and prioritises additional mitigation strategies that may be required.
- The Group's risk management framework operates within a 'three lines of defence' assurances model. The first line of defence lies with the operational owners and are the teams within the business managing and mitigating risks as part of their operational model. The second line of defence is internal and is corporate oversight, whereby individuals who are independent to the day-to-day operations perform a second layer review or verification of the mitigations and controls in place. The third line of defence is outsourced, providing the business with independent assurance over the management of risks around the Group.

Emerging risks

- Each year we review emerging risk areas in order to determine whether they should be considered as principal risks and be actively monitored as part of the risk management process going forward.
- This year we have identified climate change as an emerging risk from both a physical and transition risk perspective. The physical effects of climate change in the form of natural disasters is a risk of increasing significance. The increased severity of extreme weather events such as cyclones and floods, in addition to rising temperatures and sea levels, could lead to disruption to business, reduced revenues and increased operating costs. The climate-related legislation around the globe is also identified as a part of this emerging risk. The change in consumer preferences relating to sustainability is captured as part of the 'Consumer' risk and is also one of increasing significance. These concerns are being discussed and addressed through the launch of the Group's sustainability framework, 'helping design a better future', as can be seen on pages 32 to 45.

Covid-19

- The Covid-19 pandemic quickly emerged as a risk in the final quarter of 2020. The Group quickly reacted to mitigate the impact of the virus on our employees and the business, as we saw a rapid escalation of government enforcements including social distancing and non-essential business closures.
- The pervasive nature of Covid-19 has had an impact on many of our identified principal risks due to the increased uncertainty of the global market and economy. The Group is still managing the impact of Covid-19, and the risk will remain until the global economy recovers.
- Principal risks with heightened risk due to Covid-19 have been highlighted within the principal risks section. Risks, and business outlook, will continue to be actively monitored as the global economy recovers.

RISK MANAGEMENT
CONTINUED

Principal risks

Strategy

A lack of appropriate corporate strategy, including identifying and delivering acquisitions and/or organic growth could affect the attainment of the Group's growth ambitions

MITIGATION

- Maintain an active M&A pipeline and ongoing review of market opportunities and trends
- Annual strategic plan prepared along with monitoring of long-term key performance indicators
- Regular Executive Committee meetings to discuss business updates along with operational and strategic decisions

Pre-mitigation impact: **High** → Post-mitigation impact: **Medium**

CHANGE

Unchanged

Link to strategy:

Acquisition investment

A lack of post-acquisition integration management could affect the success of the Group's M&A strategy

MITIGATION

- Operate strict M&A evaluation criteria as well as appropriate modelling, sensitivity analysis and risk evaluation along with synergy target analysis
- Harmonisation plans for all acquisitions with regular reporting to a focused steering committee consisting of Executives alongside regular Board updates
- Investment in people and capital expenditure to realise synergies and harmonisation

Pre-mitigation impact: **High** → Post-mitigation impact: **Medium**

CHANGE

Unchanged

Link to strategy:

Financing capacity

An inability to raise funds through debt or share issues or a loss of support from our principal banking partners restricting our ability to deliver on our strategy

MITIGATION

- Continued ongoing communication with active shareholders as well as working with our brokers to extend investor base
- Expanding analyst coverage
- Maintaining strong relationships with existing banks
- Updated banking facility with multiple lending partners to enhance borrowing capabilities with a range of maturities sufficient to cover funding requirements
- Regular cash budgeting, forecasting and monitoring across the Group and by senior management

Pre-mitigation impact: **Medium** → Post-mitigation impact: **Low**

CHANGE

Unchanged

Link to strategy:

Key

Working with the winners | Design & innovation | Efficiency & scale | Covid-19 risk

Consumers

Inability to identify and adapt to changing consumer behaviours and demand, specifically sustainability and competition, resulting in reduction of revenue and margins

MITIGATION

- Continued focus on design, innovation, product quality and exceptional service including ongoing new product development to grow and improve sustainable product ranges
- Maintain a blended and diversified portfolio of products and customers, both by market segment and geography
- Close working relationship with key customers to be 'ahead of the curve' on trends they are implementing, as well as leveraging Group understanding of trends to share knowledge and ideas
- Annual budget and business review process including market developments
- Development of the e-commerce strategy for the Group

Pre-mitigation impact: **High** → Post-mitigation impact: **Medium**

CHANGE

Increased

Consumer habits have been affected by Covid-19

Link to strategy: Working with the winners, Design & innovation

Macroeconomic uncertainty

Global economic developments including political and social change may result in a significant impact on our business trading and operations which could affect our main costs areas of raw materials, freight and people

MITIGATION

- Diversification strategy in terms of regions and products
- Regular monitoring of the economic conditions in which we operate and impact analysis and response plans for significant changes to trade agreements utilising external specialists where necessary
- Innovation and product design to mitigate any increased costs of raw materials

Pre-mitigation impact: **High** → Post-mitigation impact: **Medium**

CHANGE

Unchanged

The global economy is still recovering from Covid-19 and still presents uncertainty

Link to strategy: Efficiency & scale, Working with the winners, Design & innovation

Manufacturing operations

An inability to deliver lowest cost manufacturing could restrict our competitive advantage

MITIGATION

- Monitor key operational performance indicators to give early indication of any disruption to plan
- Monitor and research to ensure best manufacturing or supply methods maintained
- Retaining high skilled staff with experience to manage any disruption
- Appropriate and regular maintenance and site risk assessments performed
- Group insurance policy for a range of operational risks

Pre-mitigation impact: **Medium** → Post-mitigation impact: **Low**

CHANGE

Unchanged

Covid-19 affected almost all of our operations around the world, with each business dynamically responding to the crisis

Link to strategy: Efficiency & scale, Working with the winners, Design & innovation

RISK MANAGEMENT
CONTINUED

Principal risks continued

Service and quality

Loss of revenue and margin from key customers due to poor quality or performance having a bigger impact due to customer concentration

MITIGATION

- Maintain strong relationships with customers alongside review and adherence to Service Level Agreements
- Ongoing rigour and tight controls in relation to product testing and compliance
- Maintain a diversified portfolio of products and customers with an additional focus on product innovation

Pre-mitigation impact: **High** → Post-mitigation impact: **Low**

CHANGE

Unchanged

Link to strategy:

Supply chain and sourcing

An inability to access the right terms, quality and compliance from our suppliers alongside a lack of a resilient supply chain could lead to a loss of revenue and margin

MITIGATION

- Working closely with suppliers to maintain good relationships and limit cost impact
- Expansion of supplier base
- Regular supplier evaluation, audits, and vendor due diligence, including commercial and legal risk review for new contracts
- Leveraging our sourcing offices in Asia to manage and maintain supply relationships

Pre-mitigation impact: **Medium** → Post-mitigation impact: **Low**

CHANGE

Unchanged

Link to strategy:

People

Inability to attract, retain and develop key personnel could affect the Group's ability to meet its strategic objectives

MITIGATION

- A focus on succession planning and building strong teams around key individuals in each business unit
- Appropriate review of executive and senior management remuneration packages
- 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 staff surveys, feedback and review meetings
- Implementation of cross-learning programmes to ensure all the senior management team understand other roles

Pre-mitigation impact: **High** → Post-mitigation impact: **Low**

CHANGE

Unchanged

Continued risk of disengagement and demotivation of staff due to Covid-19

Link to strategy:

Key

Working with the winners | Design & innovation | Efficiency & scale | Covid-19 risk

Information security

Risk of a cyber attack resulting in significant business downtime, data loss or reputational damage

MITIGATION

- Policies, procedures and training for staff
- IT directors in each territory to ensure global best practice sharing
- Physical and logical security controls, in addition to appropriate network design and software employment

Pre-mitigation impact: **High** → Post-mitigation impact: **Medium**

CHANGE

Increased

Increased level and sophistication of cyber crime across all regions

Link to strategy:

Financial control

A failure in adherence with the Group's financial control framework as a result of business unit autonomy may result in financial under/over performance

MITIGATION

- Group policy to hire qualified individuals into key financial roles
- Group financial policies in place in addition to minimum controls framework and bi-annual self certification of adherence to Group controls
- Regular communications with finance teams around the Group
- Business assurance third party review of key financial controls

Pre-mitigation impact: **High** → Post-mitigation impact: **Low**

CHANGE

Unchanged

Link to strategy:

Governance and compliance

Increased legal and regulatory exposure across the numerous territories in which we operate with a heightened risk as a result of the decentralised nature of the business

MITIGATION

- Policies and procedures for main risk areas, including a Code of Conduct signed by all employees and a Whistleblowing hotline
- Group general counsel and legal team in the US to aid with managing the Group's compliance globally, working with external legal advisers in regions as required
- Utilisation of specialist advisers where appropriate and necessary, as well as an outsourced internal audit function
- Open dialogue with relevant parties, such as tax authorities

Pre-mitigation impact: **Medium** → Post-mitigation impact: **Low**

CHANGE

Unchanged

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. Prior to that John was the CEO of a number of public and private multinational companies.

External appointments: John is Chairman of SA Greetings (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

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.

Paul Fineman

Chief Executive Officer

Date of appointment: Paul joined the Board in May 2005 as Chief Executive Officer (CEO) 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

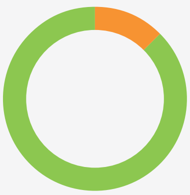
Date of appointment: Giles joined the Board in January 2018.

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 LLP ('PwC').

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

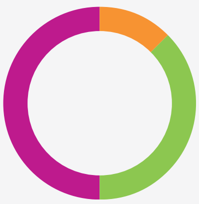
Skills: Particular skills and experience in M&A, as well as being a Chartered Accountant.

Gender



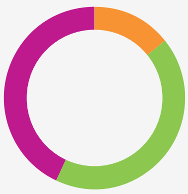
Female	1
Male	7

Role



Chair	1
Executive Directors	3
Non-Executive Directors	4

Length of tenure



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

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. In 2020 Lance took on the newly created role of CEO DG International. 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.

Mark Tentori
Senior Independent Director

Date of appointment: Mark joined the Board as a Non-Executive Director on 1 January 2016. He was appointed Senior Independent Director on 4 January 2021.

Experience: Mark has held a number of senior positions, mainly as CFO or COO, in public and private companies operating in a wide range of sectors and geographies. Mark qualified as a Chartered Accountant with PwC.

External appointments: Mark sits on a number of committees for the Duchy of Lancaster.

Skills: Extensive experience in business strategy and finance, M&A and operational excellence. Mark is also a Chartered Accountant.

Committees:

A* R N

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

A Audit Committee

R Remuneration Committee

N Nomination Committee

* Chair

Board and Committee meetings – frequency and attendance

	2020									2021		
Board (9 meetings)	28/4	16/6		23/7		14/10	12/11	18/11	15/12		28/1	25/2
Strategy and budget review												24-25/3
Remuneration (7 meetings)				23/7	27/8	30/10		18/11		4/1	26/1	24/3
Audit (4 meetings)			7/7	23/7				18/11				24/3
Nomination (1 meeting)									8/12			

Full attendance at all meetings.

In addition to the above, the Audit Committee held a number of informal calls to discuss the impact of Covid-19 in 2020 and the Remuneration Committee held a number of additional calls to discuss the Value Creation Scheme.

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW

John Charlton
Chairman

In a uniquely challenging year, I am very pleased with what the Group has achieved

Dear Shareholder,

At the time of writing last year's annual report, none of us could have imagined that Covid-19 would still be impacting our lives a year on. Following one of the most challenging years in the retail environment for a long time, our strategy has meant that I am able to report a further year of progress for our Group. From a pandemic perspective, the immediate future remains uncertain; however, we are focused on ensuring the Group is positioned to emerge stronger and ready to take on the many opportunities that we see in the long term.

The Board remains focused on developing the Group for the long-term benefit of our shareholders, with well-informed and effective decision making. I am pleased to share with you our governance structure and the improvements that have taken place over the past year. This year the reporting structure of the Group was reviewed, resulting in two new divisions: DG Americas (DGA) and DG International (DGI). DGA is our enlarged Americas group following the CSS acquisition and DGI is the combination of our UK, Europe and Australia businesses under one umbrella enabling benefits from an integrated management structure.

This year we welcomed Greg Hodder to the Board as a Non-Executive Director in January 2021. Unfortunately for us, he resigned for personal family reasons, effective 30 April 2021. We have begun a new search for his replacement and will announce the outcome in due course.

Looking ahead, and as announced, I shall be stepping down as Chairman of our Group following the AGM in September. I am very proud and feel privileged to have served the Board as its Chair since being appointed in September 2011. During these past ten years our Group has grown enormously, with revenues in 2011 of $338.3 million and a market capitalisation of $58.9 million, which compares with revenues in this latest fiscal year of $873.2 million and a market capitalisation at the end of 2021 of $571.5 million. This exponential growth in our Group is in no small way due to the loyalty and hard work of all our teams working within our Group, throughout the world.

During this time we have made acquisitions within Australia, Europe and the USA. These investments have been successful, not only due to the acquisition and implementation strategies embarked upon by our management associates, but also on account of the loyalty, confidence and trust from our shareholders, banks and other stakeholders.

In this respect, on behalf of our Board I thank you greatly for the support that you have given and continue to give to us.

As I prepare to leave our Group, I do so in the knowledge that the Group will be in very good hands.

I wish to thank my colleagues on the Board for their loyalty and support, not just to our Group, but also to me personally. I have enjoyed my relationship with the Board greatly and wish to make special mention of the good and productive working association that has been developed between Paul Fineman, our Group CEO, and me.

Finally, and as always, let me again thank all our associates employed in our Group and, at the same time, take this opportunity to thank our customers, suppliers, bankers, professional advisers and all stakeholders for their support. We are very appreciative of the strong working relationship and partnership that we continue to enjoy with you.

John Charlton
Chairman

14 June 2021

Our governance framework

In 2019 we adopted the QCA Corporate Governance Code and strive to follow its guidance and principles, many of which flow throughout our business via our strategy, our business model and our stakeholder engagement. The table below signposts you to the various sections of this annual report containing the detail.

	The QCA 10 principles of corporate governance:	Read more
1.	Establish a strategy and business model which promote long-term value for shareholders.	See pages 6 to 16
2.	Seek to understand and meet shareholder needs and expectations.	See pages 46 and 47 and 59
3.	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	See pages 32 to 47
4.	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	See pages 48 to 53
5.	Maintain the Board as a well-functioning, balanced team led by the Chair.	See pages 48 and 58 and 59
6.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	See pages 58 and 59
7.	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	See page 59
8.	Promote a corporate culture that is based on ethical values and behaviours.	See pages 6 and 36 and 37
9.	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	See pages 48 and 58
10.	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	See pages 46 and 47 and 59

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW
CONTINUED

In order to ensure that the Board makes the right decisions for the Company and its stakeholders, it is vital that we have good corporate governance in place.

Board governance

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 Group, 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.

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. John Charlton is no longer considered to be independent due to his length of tenure as Chairman. As previously announced, John will be retiring at the 2021 AGM.

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

Committees

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 ensure the 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 details about the activities undertaken by the Audit Committee this year can be found on pages 60 and 61.

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 Schemes, including the new Value Creation Scheme (VCS), together with the level of awards. The Remuneration Committee is also responsible for agreeing the performance criteria for annual bonuses and the Long Term Incentive Schemes for Executive Directors and senior management as well as the criteria for the VCS. Further details about the activities undertaken by the Remuneration Committee this year can be found on pages 64 and 65.

The Terms of Reference for each committee are reviewed annually and can be found on the Group's website.

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

The Board is kept regularly updated by the Company Secretary of their legal duties and any changes 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 has access to external, specialist advice when necessary. This year Deloitte LLP provided advice and assistance to the Remuneration Committee on the Value Creation Scheme and BDO LLP conducted a Risk Appetite and Management review with the Board.

Key Board activities

During 2021, 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 acquisitions, capital expenditure 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, plans and budget;
- review of the Group's principal risks including assessing the Board's risk appetite;
- approval of changes to remuneration for the Chairman, CEO and CEO direct reports;
- approval of the Value Creation Scheme; and
- approval of annual bonus targets for the following financial year.

Board performance

In November 2020 the Remuneration Committee and the Audit Committee conducted a self-assessment of their performance. The Remuneration Committee used the same questionnaire as last year which incorporated the guidance contained in the QCA Remuneration Committee Guide. Similarly, the Audit Committee used the same questionnaire as its previous self-assessment to enable a clear comparison, but this will be updated next year to include the QCA guidance contained in the updated QCA Audit Committee Guide. Members were asked to rate the performance of each Committee based on their own perceptions of the Committee as a whole.

Topics covered were:

- roles and responsibilities;
- Terms of Reference and planning;
- meetings – content and running of;
- skill set of members; and
- shareholder interaction.

Responses were collated, reviewed and compared with the previous year's results. Following the Remuneration Committee review, the Committee had a discussion on its role in terms of setting policy versus responding to initiatives proposed by the executives and also considered additional training possibilities.

One of the key areas of focus arising out of the Audit Committee review was the need to review the approach to risk management and business assurance. This resulted in a Risk Appetite and Management review being undertaken, facilitated by BDO LLP, the details of which can be seen on page 48.

Shareholder engagement calendar financial year 2021	
30 April 2020	Trading update
28 July 2020 – 14 August 2020	Full year results announcement followed by investor calls
16 September 2020	RemCom call with investors to discuss LTIP changes
21 September 2020	Annual General Meeting
19 October 2020	Trading update
24 November – 1 December 2020	Interim results announcement followed by investor calls
16 December 2020	Investor presentation
8 January 2021	Announcement of new Value Creation Scheme
11 January 2021	Mello Monday show (statement issued following VCS announcement)
11 January 2021 – 25 January 2021	Various calls and correspondence between RemCom and investors to discuss VCS
25 January 2021	Trading update

AUDIT COMMITTEE REPORT

Mark Tentori
Chair of the Audit Committee

The Group has dealt effectively with the challenges faced as a result of Covid-19

Dear Shareholder,

On behalf of the Board I am pleased to present the Audit Committee report for the year ending 31 March 2021.

The Group has spent time dealing with the ongoing operational and financial challenges faced as a result of Covid-19 as well as focusing on the integration of the CSS acquisition which completed last year.

In relation to Covid-19, the Committee's main focus has been on ensuring that all our businesses are operating appropriately within our financial controls framework, in particular while the majority of our finance teams continue to work from home. Alongside this we have given particular attention to mitigating the impact on the preparation of our statutory results and the challenges of a remote audit. I am once again pleased to say that the year end process has run smoothly, despite the logistical challenges faced.

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, Elaine Bond and John Charlton. We regularly invite the CEO and CFO to attend our meetings as well as the external auditor, PricewaterhouseCoopers LLP ('PwC'). Over the year the Committee met on four occasions.

The Board is satisfied that I, as Chair of the Committee, have recent and relevant financial experience. I am a Chartered Accountant and qualified at PwC.

The core duties of the Committee undertaken during the year include:

- monitoring the integrity of the annual and interim financial statements, with a focus on reviewing the significant financial reporting policies and judgements within them;
- assessing whether the annual report, taken as a whole, is fair, balanced and understandable;
- ensuring the Group operates with an appropriate internal controls framework 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, can be found on our website, and incorporate the relevant elements 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
14 June 2021

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 2020 and the full year audited statements for the period ending 31 March 2021. In reviewing the financial statements the Committee considered reports from the Group finance function as well as the external auditor.

The ongoing impact of Covid-19 on the year ended 31 March 2021 financial statements has formed a large part of the Group's work. This included revisiting the preliminary post-acquisition assessments performed at the last financial year end on asset valuation, identifying the increased incremental costs directly associated with the virus and validating the going concern basis for the preparation of the accounts. This has also been an important area of focus for the Committee.

Significant accounting matters

The main areas of judgement within the financial statements that have been considered by the Committee are outlined below. The Committee has discussed these to ensure that appropriate rigour has been applied as well as assessing whether management has made appropriate judgements and estimates in line with the Group's accounting policies.

The regional finance teams have worked closely with the Group finance function to ensure that the business provides the required level of ongoing disclosure to the Committee in relation to significant issues affecting the financial results. All accounting policies can be found in note 1 to the financial statements. Each of the areas of judgement has been identified as an area of focus and therefore the Committee has also received detailed reporting on these matters from PwC.

1) **The acquisition accounting for CSS under IFRS 3 Business Combinations, which created intangible assets in relation to the customer relationships, brand name and goodwill as at the point of acquisition.** IFRS 3 allows a period of up to a year after the acquisition to reflect and adjust the acquisition accounting and the Group has revisited certain aspects of the acquisition accounting to determine whether there has been any new information that gives rise to a measurement period adjustment which relates to events or circumstances existing at the acquisition date. During the measurement period, there has been an adjustment to the net valuation of inventory, additional work performed on the fair value of plant and machinery acquired, and further assessment of contingent liabilities in respect of circumstances existing at the acquisition date. Overall, the measurement period adjustments have resulted in a reduction in the provisional goodwill from $28.1 million to $3.8 million.

2) **The carrying value of all CSS acquisition related intangibles, as well as already existing intangibles and goodwill resulting from previous acquisitions.** These have been assessed to determine whether there is any impairment, and the Committee has concluded, based on appropriate assumptions on future cash flows, discount rates used and long-term growth rates, that there is sufficient headroom available, resulting in no impairment requirement.

3) **The use of alternative performance measures (APMs) to present adjusted profit alongside its statutory counterpart.** This involved the exclusion of items referred to throughout as 'Adjusting items' that are considered by the Board to help the reader of the financial accounts in obtaining an accurate appreciation of the underlying performance of the business. These included costs that are considered by the Directors to be material and one-time in nature, share-based payment costs and the amortisation of acquisition intangibles. The Committee is satisfied that this approach, together with the narrative, gives a clearer and more balanced view of the Group's underlying performance consistent with prior years.
In addition, the Committee believes that the rationale and explanations behind the use of APMs is clearly disclosed.

AUDIT COMMITTEE REPORT
CONTINUED

Key activities and actions over the year: continued

Significant accounting matters continued

4) **The decision as a Group to change reporting currency from 1 April 2020 from pound sterling to US dollars.** This decision was taken by the Board at the time of the CSS acquisition announcement, in the knowledge that a significant majority of the Group's earnings going forward will be denominated in US dollars. The Committee believes that the presentation currency change now gives investors and other stakeholders a clearer understanding of the Group's financial performance over time and significantly reduces the volatility of the Group's consolidated results arising from the translation of earnings in non-US currencies. This year's report includes the restatement and re-presentation of prior year comparatives to US dollars as detailed in the basis of preparation accounting policy note on pages 87 to 94.

5) **In October 2020, the US business suffered an IT incident which resulted in the inability to access systems for a prolonged period of time.** The Committee, along with the Board, were kept regularly up to date whilst remediation efforts were ongoing, as well as receiving a detailed understanding of the incident itself, the efforts required during the period that systems were inaccessible, as well as detail on all efforts post the incident to gain comfort that the risk of a future incident was mitigated. The Committee also gained comfort over any manual work-around during the downtime, and that everything was fully reconciled before the end of the financial year. PwC have also separately performed testing procedures in respect of this event.

Risk function

The Committee oversees the Group's risk management framework, monitoring and reviewing the risk assessment process and advising the Board on risk exposures. This year the Committee worked with BDO to refine the Group risk management framework with a focus on defining Group risk appetite along with revisiting the Group's principal risks and uncertainties. This will help to shape the business assurance programme over the coming years.

Internal controls

The Board has delegated responsibility for reviewing the effectiveness of the Group's systems of internal control to the Audit Committee, which includes financial, operational and compliance controls. The Committee gains assurance via a number of sources both internally and externally, as outlined below.

Financial controls

The Committee regularly reviews Group management's assessments of the effectiveness of the Group's internal financial controls. As a decentralised business, each business unit has its own finance function, which is responsible for managing the processes and procedures, including financial controls and accounting policies, within its jurisdiction. Importantly, the Group dictates a set of minimum financial controls that each business unit is expected to adhere to, along with Group accounting policies to which each business unit is aligned. This forms part of the Group's financial control framework.

Each business unit confirms, with every monthly accounts submission, that they are adhering to this minimum set of controls. Bi-annually a more comprehensive self-assessment checklist is required 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.

The Committee also takes comfort from the internal control findings highlighted in the external auditor's report, their confirmation that they are satisfied that there is no material misstatement of the results, and regular reporting evidencing that relevant action is being taken to resolve the control matters that were raised.

Operational and compliance controls

This year the Committee also focused on gaining assurance from management in relation to business units' operational and compliance controls in relation to their key risks within their businesses. This project started in the last quarter of the financial year and will continue throughout the first half of the next financial year, as part of the Group's wider governance framework.

Internal Audit/Business Assurance

The Group's risk management framework operates within a 'three lines of defence' assurances model. The first line of defence lies with the operational owners: the teams within the business managing and mitigating risks as part of their operational model. The second line of defence is internal corporate oversight, whereby individuals who are independent to the day-to-day operations perform a second layer review or verification of the mitigations and controls in place.

To gain further comfort, the Group operates an outsourced internal audit function as a third line of defence, which was performed by Mazars LLP ('Mazars') during 2021.

Over their tenure, they have undertaken baseline financial control reviews, Business Continuity Planning reviews around each of the business units, along with a central treasury controls review, identifying areas of weakness that subsequently have been addressed with oversight from the Group function.

This year has seen Mazars visit CSS to undertake a baseline financial controls review, along with a Business Continuity Planning revisit to DG Americas and DG Australia. Mazars have also undertaken a review of the controls within the Epicor ERP system following its roll-out across DG Americas.

External audit

The Committee monitors the Company's relationship with the external auditor 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. From the end of this financial year, the Group moved all non-audit services away from PwC, in line with the Revised Ethical Standards as published by the FRC in 2019 which deems AIM listed companies to be 'Other Entities of Public Interest' and subject to revised non-audit services restrictions.

The Committee has recommended to the Board that PwC are re-appointed as external auditor for the forthcoming financial year. This will be put to shareholders at the AGM in September.

Update to Group policies

During the year, the Audit Committee oversaw the roll-out of a new Group Anti-Tax Evasion policy in accordance with the Corporate Criminal Offence enacted by Section 45 and 46 of the Criminal Finances Act 2017.

DIRECTORS' REMUNERATION REPORT

Elaine Bond
Chair of Remuneration Committee

Our teams around the world have demonstrated strength and resilience in a testing year

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 2021.

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

Part 1: Chair statement

In a challenging year during which the resilience and strength of our teams around the world has been paramount, we remained focused on incentivising our management teams appropriately. This has meant removing some areas of remuneration and updating the criteria for other areas, which I explain in this report. Our aim has been to take a balanced, overall view of remuneration.

The following decisions have been taken, which are explained in more detail:

- Executive and Non-Executive Director salary reviews
- Removal of 2021 bonus for Executive Directors and other members of the senior management team
- LTIP awards – updates to performance criteria
- Introduction of the Value Creation Scheme
- Consideration of Executive pension alignment

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.

Other key activities of the Committee during the year

- Reviewed the Committee's Terms of Reference
- Undertook a self-evaluation of the Committee. See page 59 for further detail
- 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.

Annual bonus

As in 2020, the Executive Directors did not receive their bonus entitlement for the year ended 31 March 2021. This decision was taken in parallel to reviewing LTIP arrangements, explained below, to ensure a balanced approach to recognising the impact Covid-19 has had on the Group's financial performance alongside maintaining appropriate management incentivisation.

LTIP awards

2018-2021 scheme

Detailed consideration was given to the vesting of the 2018-2021 LTIP in light of the impact of Covid-19. The Remuneration Committee was cognisant that this was an area of focus for shareholders but was also keen to not see the executives and wider management teams unduly penalised for the time and effort that was put into managing a very challenging year.

The business successfully implemented a Covid-19 plan which focused on maximising profit and preserving cash while also positioning the business for growth once the restrictive virus conditions lifted.

However, it was recognised that the plan fell significantly short of the minimum vesting levels of the 2018-2021 LTIP performance metric. In order to encourage the optimum outcome for shareholders and in recognition that the first two years of the scheme had been largely unaffected by Covid-19, the Committee agreed to amend the performance metrics of the scheme to replace the original EPS metric with Adjusted profit before tax and average leverage metrics associated with the 2021 financial year only. It also agreed to cap any potential award at 75% of the total award.

The results for the year ended 31 March 2021 result in the 2018-2021 LTIP awards vesting at 75% of the total award.

2019-2022 scheme

Further detailed discussion took place around the criteria for the 2019-2022 scheme. Following the same principles as the 2018-2021 scheme, and informing a number of large shareholders of the intention, it was decided to revisit the performance criteria. It was also decided to remove the Executive Directors' super stretch target. Revisions to metrics had not been decided upon by the reporting date, however they have subsequently been amended to an Adjusted profit before tax metric relating to the financial year 2022.

Value Creation Scheme

Following detailed consideration, external advice from Deloitte LLP, and consultation with a number of major shareholders, a new long-term incentive Value Creation Scheme (the VCS) was approved by the Committee.

This scheme effectively replaces the future annual awards under the previously operated Long Term Incentive Plan with an award that covers the three years to 31 March 2023.

In summary, the VCS awards will allow participants to share, in total, up to 12.5% of the value created for investors (the 'VCS Pool'), provided that a minimum 7.5% CAGR on the opening valuation of the Company is achieved over a three year performance period from 1 April 2020 to 31 March 2023. In addition, a performance underpin is included such that, ordinarily, no VCS awards will vest unless the Adjusted profit before tax for the twelve months to 31 March 2023 meets a set target. Further information can be found in the RNS announcement dated 8 January 2021.

Participants in the VCS will not be granted any other long-term incentive awards during the performance period following the grant of the scheme in February 2021, although the annual bonus and the existing in-flight long-term incentives will continue to operate.

Executive pensions

Although not mandatory for the Company, the Committee recognised investors' expectations to see Executive Directors' pension contributions in line with the majority of the workforce. It reviewed the pension contributions offered to employees across the Group and compared them with those granted to Executive Directors. The decision was made that the Director-level percentages would not be increased going forward and any new hires at any level in the Group should have a pension percentage in line with the wider workforce within that geography. The Committee will continue to monitor this point over the coming months.

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.

Elaine Bond

Chair of Remuneration Committee

14 June 2021

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 Group 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.	Not applicable.
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 180% of base salary (from 1 April 2021) for the CEO, 120% for the CFO and 120% for the DGI CEO.
LTIP schemes (including VCS)	The primary purpose of the long-term incentive schemes (including the VCS) is to reward the individual for delivering the Group strategy and, in turn, increasing shareholder value.	Awards under the schemes are in the form of shares and are subject to performance conditions.	For the CEO up to 17.5% of the VCS Pool, for the CFO up to 12.5% and for the DGI CEO up to 7.5%.
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 and 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.

Malus and clawback

The LTIP schemes are subject to malus and clawback provisions which may be applied in the following circumstances:

- a material misstatement of the Company's audited results;
- a material failure of risk management, in any Group Member or a relevant business unit;
- serious reputational damage to the Company, any other Group Member or a relevant business unit; or
- any other circumstances which the Board in its discretion considers are disadvantageous to the shareholders and are similarly serious in nature to those above.

Holding periods

Under the existing LTIP and the new VCS, the Executive Directors and other senior executives are subject to a two year holding period during which time they are prevented from exercising any shares which have vested under the scheme.

VCS cap

Under the VCS an individual award cannot exceed a maximum of £12.5 million.

Shareholding guidelines

The Company operates a shareholding policy which requires senior executives to build up a holding of shares equal in value to 100% of their salary before any shares are sold. LTIP awards that have vested count towards the requirement whether exercised or not. Unvested awards do not count.

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 is recommended by the Chairman and approved by the Executive Directors. The Chairman's remuneration is approved by the Remuneration Committee. No Director is 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.

2022

No additional significant changes to the remuneration policy are envisaged for 2022; 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	
	2021 £000	2020 £000	2021 £000	2020 £000
Salary and bonus	**1,231**	1,223	**400**	325
Benefits	**77**	75	**31**	15
Pension contribution	**117**	117	**60**	33
LTIP	**1,309**	1,514	**607**	711
Total remuneration	**2,734**	2,929	**1,098**	1,084

(a) Audited.

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 2021 to the Directors, by individual, was as follows:

Year ended 31 March 2021	Salary/fees £	Bonus £	Benefits[(b)] £	Pension £	LTIP[(c)] £	Total £
Executive Directors						
Lance Burn	240,000	—	15,258	24,000	320,952	600,210
Paul Fineman	400,000	—	31,163	60,000	606,764	1,097,927
Giles Willits	325,000	—	14,909	32,500	381,406	753,815
Total Executive	**965,000**	**—**	**61,330**	**116,500**	**1,309,122**	**2,451,952**
Non-Executive Directors						
Elaine Bond	40,996	—	2,395	—	—	43,391
John Charlton	77,766	—	8,981	—	—	86,747
Anders Hedlund	95,665	—	4,331	—	—	99,996
Mark Tentori	43,285	—	—	—	—	43,285
Greg Hodder[(d)]	9,000	—	—	—	—	9,000
Total Non-Executive	**266,712**	**—**	**15,707**	**—**	**—**	**282,419**
Total Directors	**1,231,712**	**—**	**77,037**	**116,500**	**1,309,122**	**2,734,371**

(a) Audited.
(b) The benefits relate primarily to private health and car benefits.
(c) The value of the LTIP above is calculated by multiplying the number of shares in respect of which the award vested (being 105,708, 66,447 and 55,915 for Paul Fineman, Giles Willits and Lance Burn respectively) by £5.74 (being the three month volume weighted average share price up to 1 June 2021).
(d) Appointed 4 January 2021, resigned 30 April 2021.

The highest paid Director is Paul Fineman (2020: Giles Willits).

In the prior year the Group operated a Group personal pension plan to which the Group contributed for one Director; no contributions were made in the current year.

The Group provides death in service life assurance to the value of between four and six times pensionable salary.

An expense of £1.7 million has been recognised in the income statement in the year relating to Directors in respect of the LTIP and VCS (2020: £17,000 credit).

The remuneration in respect of the year ended 31 March 2020 to the Directors, by individual, was as follows:

Year ended 31 March 2020	Salary/fees £	Bonus £	Benefits[(b)] £	Pension £	LTIP[(c)] £	Total £
Executive Directors						
Lance Burn	240,000	—	15,344	24,000	256,934	536,278
Paul Fineman	400,000	—	28,639	60,000	546,240	1,034,879
Giles Willits	325,000	—	15,015	32,500	711,261	1,083,776
Total Executive	**965,000**	**—**	**58,998**	**116,500**	**1,514,435**	**2,654,933**
Non-Executive Directors						
Elaine Bond	40,996	—	2,388	—	—	43,384
John Charlton	77,766	—	9,206	—	—	86,972
Anders Hedlund	95,665	—	4,416	—	—	100,081
Mark Tentori	43,285	—	—	—	—	43,285
Total Non-Executive	**257,712**	**—**	**16,010**	**—**	**—**	**273,722**
Total Directors	**1,222,712**	**—**	**75,008**	**116,500**	**1,514,435**	**2,928,655**

(a) Audited.
(b) The benefits relate primarily to private health and car benefits.
(c) The value of the LTIP above is calculated by multiplying the number of shares in respect of which the award vested (being 102,101, 132,946 and 48,025 for Paul Fineman, Giles Willits and Lance Burn respectively) by £5.35 (being the three month volume weighted average share price up to 23 July 2020).

Long Term Incentive Plan[(a)]

Share options held by Executive Directors who served during the year are as follows:

	LTIP vested 2015-2018	LTIP vested 2016-2019	LTIP vested 2017-2020	LTIP vested[(b)] 2018-2021	LTIP not yet vested[(c)] 2019-2022
Lance Burn	—	—	48,025	55,915	61,773
Paul Fineman	312,916	226,791	102,101	105,708	120,110
Giles Willits	—	—	53,179	66,447	83,649

(a) Audited.
(b) 75% of the initial award plus dividend shares will formally vest on 1 June 2021 following the Remuneration and Audit Committees' approval of the results for the year ended 31 March 2021.
(c) The unvested scheme amounts include current accrued dividend shares.

Lance Burn and Giles Willits exercised 188,523 and 79,767 share options respectively during the year. No other Directors exercised any options during the year. For further details, including performance conditions, see note 23.

Value Creation Scheme[(a)]

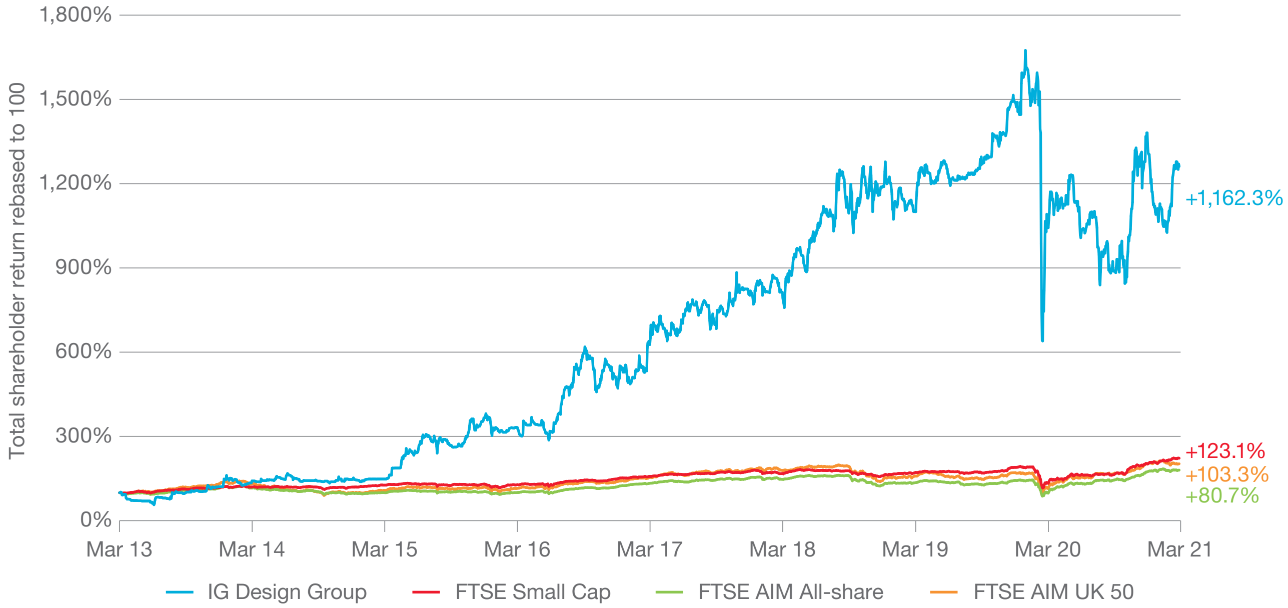
Awards under the VCS to Executive Directors who served during the year are as follows:

	VCS not yet vested
Lance Burn	7.5%
Paul Fineman	17.5%
Giles Willits	12.5%

(a) Audited.

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

The graph below shows the percentage change in total shareholder return for the last seven 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 2021.

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

In addition, Greg Hodder was a Director from 4 January until 30 April 2021.

Results and dividends

Results for the year ended 31 March 2021 are set out in the consolidated income statement on page 80. The Directors are recommending a final dividend of 5.75p per share which, if approved at the AGM, will result in a full year dividend of 8.75p per share for 2021.

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 20 to the consolidated financial statements. The Company has one class of ordinary share which carries 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 23 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 2021, the Company has been notified of the following substantial shareholders of the issued ordinary share capital of the Company:

	% of issued share capital
Hedlund family[(a)]	22.63%
Liontrust Investments	10.24%
Octopus Investments	10.00%
Canaccord Wealth Management	6.71%
BlackRock	4.65%

(a) In addition to the Hedlund family's beneficial interest set out above, the Hedlund family is also interested in a further 900,790 ordinary shares, representing a further 0.93% 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. In total, the Hedlund family is interested in 22,818,994 ordinary shares, representing 23.56% of the current issued share capital of Company.

Acquisition of the Company's own shares

At the AGM held on 21 September 2020, 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 9,636,680 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.

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 48 to 53. 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 20% of 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 and page 30 of the strategic report.

Post balance sheet events

See note 29 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.

Stakeholder engagement

Please refer to the Section 172 (1) statement on pages 46 and 47.

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	2021	2020
Elaine Bond	**4,301**	19,301
Lance Burn	**—**	—
John Charlton[(a)]	**99,616**	299,616
Paul Fineman[(b)]	**—**	2,369,334
Anders Hedlund[(c)]	**448**	448
Mark Tentori	**11,111**	11,111
Giles Willits	**—**	93,573

In addition to the above holdings:

(a) 2,300 (2020: 37,500) shares are held by the wife of John Charlton.

(b) Paul Fineman owns a non-beneficial interest in 87,304 (2020: 174,608) ordinary shares of 5p each.

(c) 16,642,640 (2020: 16,642,640) and 5,275,116 (2020: 5,275,116) ordinary shares of 5p each are respectively registered in the name 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 is also interested in a further 900,790 ordinary shares. These ordinary shares are held by West Coast Trust, a trust for the benefit of Anders Hedlund's adult children. In total, the Hedlund family has interests in 22,818,994 ordinary shares, representing 23.56% of the current issued share capital of 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.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor of the Group will be put to the Annual General Meeting.

Approval of the strategic report and Directors' report

The strategic report and Directors' report were approved by the Board on 14 June 2021.

Environmental reporting

During 2021 we reviewed the UK businesses' total energy use and associated greenhouse gas emissions in accordance with the government's guidance on Streamlined Energy and Carbon Reporting. The result of this review, focusing on the combustion of gas, the consumption of fuel for transport, and electricity use, is set out in the strategic report on page 45.

Joy Laws

Company Secretary

14 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Report on the audit of the financial statements

Opinion

In our opinion:

- IG Design Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2021; the consolidated income statement, consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated and company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We conducted an audit of the complete financial information of three financially significant components as well as four other reporting components.
- One financially significant and three other reporting components were audited by the Group Engagement Team with the remaining two financially significant components and one other reporting component audited by PwC network firms.
- Specified audit procedures were performed over the acquisition balance sheet of CSS Industries Inc. as well as certain balances in two additional non-significant components. The Group Engagement Team tested central functions directly including the Group consolidation, assessment of goodwill, external borrowings and Directors' emoluments.
- Our scoping resulted in audit coverage of 85% of revenue and 83% of profit before tax.

Key audit matters

- Valuation of assets and liabilities recorded through the acquisition of CSS Industries (group)
- Classification and presentation of adjusting items (group)
- Impact of Covid-19 (group and company)

Materiality

- Overall group materiality: US$3,000,000 based on auditor judgement with reference of key financial metrics.
- Overall company materiality: £2,300,000 based on 1% of net assets.
- Performance materiality: US$2,250,000 (group) and £1,725,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

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

Report on the audit of the financial statements continued
Our audit approach continued
Key audit matters continued
The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of assets and liabilities recorded through the acquisition of CSS Industries (group) Refer to the Audit Committee Report and the following notes to the consolidated financial statements: Note 1: accounting policies, including the critical accounting judgements and estimates; and Note 28: acquisitions and disposals of subsidiaries. On 3 March 2020 the Group acquired the entire share capital of CSS Industries, Inc. ("CSS") for consideration of $122.8m. In the year, management, with the assistance of experts, completed their assessment of the fair values of assets and liabilities acquired which had been included in the prior year financial statements on a provisional basis. Given the magnitude of the acquisition in the context of the Group, the significant adjustments made to determine the fair value of the assets acquired, and the inherent judgement involved in calculating the fair value of assets and liabilities acquired, this was considered to be a significant audit risk. Valuation is the relevant assertion our work has focussed on given that we tested the completeness and existence of assets and liabilities in the prior year.	We performed the following audit procedures over the fair value adjustments made to the CSS assets and liabilities acquired: • Using the support of our valuation specialists we assessed the key assumptions used by management's expert in assessing the fair value on a depreciated replacement cost basis of plant and equipment. We then used the support of our valuation specialists to assess the methodologies adopted and the key assumptions utilised by management's expert in the assessment of economic obsolescence of the plant and equipment. We challenged management on the appropriateness of the economic obsolescence assessment, and independently assessed this judgement through an alternative methodology. This alternative methodology included assessing judgements taken by management around forecast market participant cash flows, synergies and an appropriate discount rate. Although inherently subjective, we concluded that management's valuation was broadly in the middle of the range of our independently determined outcomes; • We assessed management's estimation used in the inventory fair value calculation by reperforming the provision models and sample testing the data underpinning the model, including sales and margin information. We determined the amount was materially reasonable when compared with our own independent expectation of the provision based on this data and the age of the inventory and was consistent with the Group accounting policy. We also assessed the inventory step up adjustment and determined it was materially reasonable when considering the assessment of net realisable value of that specific inventory and the expected costs of selling the inventory; and • We audited the other fair value adjustments made, which included tracing amounts to supporting evidence such as contractual agreements and other supporting documentation. We also challenged the disclosures provided in the financial statements, and after management had enhanced their critical accounting judgements and estimates, we were satisfied with these disclosures. **Overall** We consider that the fair value of assets and liabilities acquired and the resulting valuation of goodwill are materially reasonable and appropriately disclosed.

Key audit matter	How our audit addressed the key audit matter
Classification and presentation of adjusting items (group) Refer to the Audit Committee Report and the following notes to the consolidated financial statements: Note 1 – accounting policies, including the critical accounting judgements and estimates; and Note 3 – operating expenses and adjusting items. During the year, $22.3m (2020: $36.3m) of adjusting items have been recorded in arriving at management's alternative performance measure ("APM") for adjusted operating profit. The Group's accounting policy is to present separately, as adjusting items, income and expenses where such disclosure is considered by management to be useful to the users of the financial statements in helping them understand the underlying business performance. Adjusting items are not defined by IFRS and therefore judgement is required in determining the application of such classification, and certain items have also required management estimation. Such judgement and estimation may be susceptible to management bias.	We challenged the overall quantum of adjusting items and the inclusion or non-inclusion of certain costs or income and assessed the appropriateness of their presentation by reference to the Group's accounting policies and FRC guidance in this area. We challenged the transparency of the associated disclosures to ensure that the nature of the adjustments were clearly described. The audit procedures performed were as follows: **Acquisition integration and restructuring costs** • We traced a sample of severance costs to severance agreements and payments made to those employees; • We tested the lease impairment expense due to site closure by agreeing the amount to the underlying right of use asset schedule and lease contract. We confirmed that there had been a decision for site closure prior to the balance sheet date. We also assessed management's judgement that the assets were not considered recoverable through future subleasing and concluded this was appropriate in light of unsuccessful efforts made to sublease to date; and • We agreed inventory identified for disposal to underlying records and confirmed the intention to destroy that inventory with management. We challenged management as to whether the inventory identified for destruction was in relation to normal business activity or as a direct result of the site closures. **Incremental Covid-19 costs** • We tested a sample of incremental payments made to employees to payslips and were satisfied that these costs were incurred in order to incentivise employees to return to work; and • We traced a sample of incremental Covid-19 costs to invoices received and confirmed this cost related to additional protective equipment required. **Impairment of assets** • We validated the utilisation, release or retention of inventory and accounts receivable provisions made in the prior year in relation to Covid-19 primarily by testing the realisation of the assets in the year and tested the amounts still held at the year end. We verified that amounts released were included in adjusting items for consistent presentation with the prior year. **IT security incident** • We tested a sample of employee wage amounts which were confirmed to be in relation to hourly staff overtime payments; • We traced a sample of customer penalties for late delivery to correspondence with the customer and invoice or settlement where this was received; and • We traced a sample of consulting costs incurred in relation to assessment of the incident and subsequent system restoration to invoices received. **Acquisition amortisation** • We recomputed the amortisation expense with reference to the gross value and the useful economic life. **Share-based payment charges** • We tested the number of share options awarded in the year by agreeing to board minutes and award letters; • We engaged our valuation experts to assess the methodology adopted and the key assumptions utilised by management in the fair value valuation of the VCS scheme where options were granted in the year; and • We assessed assumptions taken by management regarding the likelihood of share option schemes vesting. **Overall** We have tested the underlying calculations, sample tested the individual amounts to supporting documentation and we have obtained an overall understanding of the nature of the costs included. We have also ensured that the adjusted profit APMs are clearly reconciled to the statutory numbers, that the discussion in the financial results in the Executive Review is fair, balanced and understandable and that the disclosures provided clearly allow users of the accounts to understand the nature of the adjustments and the basis of the estimates and judgements applied.

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

Report on the audit of the financial statements continued
Our audit approach continued
Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Impact of Covid-19 (group and company) Refer to the Executive Review, the following notes to the consolidated financial statements: • Note 1: accounting policies; • Note 5: other operating income; • Note 9: intangible assets and the following notes to the company financial statements: • Note 1: accounting policies; and • Note 4: investments Covid-19 has had a significant impact on the Group throughout the financial year, as government enforced lockdowns and restrictions in a number of the Group's markets have impacted the Group's sales and profitability, most noticeably where 'non-essential retailers' have been closed. In addition to the above key audit matter in respect of adjusting items, the other implications as a result of Covid-19 are as follows: Assessment of appropriateness of the going concern basis of the Group's financial statements in light of the pandemic. Budgets and models supporting the going concern and impairment assessments were updated to reflect management's best estimates of future cash flows; and Government assistance income of \$3.3m was received during the year and recognised as other operating income in the consolidated income statement.	Following a risk assessment as to the impact of Covid-19 on the audit we performed the following procedures in order to assess the Group's response to the uncertainty created by Covid-19 as follows: • We tested provisions recorded in the prior year in relation to specific Covid-19 risks in accounts receivable and inventory and tested the utilisation of those provisions and any incremental risk remaining in the current year balance sheet (refer to adjusting items KAM above); • We evaluated management's future cash flow forecasts used in going concern and impairment assessments, based on comparison to prior year results, actual results in FY22 to date, current order book for FY22, external market information for key customers where available, and historical forecasting accuracy; • We assessed the appropriateness of management's downside sensitivities, which consider the possibility of future government enforced lockdowns and assessing the impact of this on net debt and adjusted EBITDA at quarterly covenant test dates; • We reviewed the possible mitigating actions identified by management and assessed whether they are reasonable; • We considered liquidity headroom and covenant compliance on the banking facilities on base and sensitised scenarios; • We audited other assumptions used in the goodwill impairment model including underlying cash flows, long term growth rates and discount rates; • We evaluated management's assessment of other accounting estimates which have not been adjusted due to Covid-19 to consider if this was appropriate; and • We tested the recognition of government assistance, ensuring the relevant requirements and criteria have been met, and sample tested amounts received. **Overall** We have concluded that the impact of Covid-19 has been properly considered by the Directors in their preparation of the Group and Company financial statements. Our conclusions regarding going concern are set out later in this report.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is structured into a number of reporting entities, including one for each trading subsidiary, holding company and consolidation entity. We defined a component to be an individual reporting entity for which management prepares financial information.

We identified three financially significant components, being DG Core, CSS Industries and Anchor BV which are based on their contribution to the Group's revenue or profit before tax for the year. DG Core and CSS Industries are part of the Americas segment whilst Anchor BV is part of the International segment. A full scope audit was performed over each of these, as well as over the Company and other larger trading components, giving a total of seven components subject to full scope audit of their financial information.

Specified audit procedures were performed over the acquisition balance sheet of CSS Industries Inc. as well as certain balances in two additional non-significant components.

Certain balances were subject to testing at the Group level, including goodwill, external borrowings, and Directors' emoluments. Analytical procedures were also performed by the Group Engagement Team on all components not subject to full scope audit.

The approach outlined above provides audit coverage over 85% of revenue and 83% of profit before tax, calculated on an absolute basis.

One financially significant and three other reporting components were audited by the Group Engagement Team with the remaining two financially significant components and one other reporting component audited by other PwC network firms. The overseas component audit teams worked under instruction of the group engagement team and were in regular contact with the Group Engagement Team throughout the audit cycle from planning to completion. In particular, we held video calls regularly with the component auditors for the financially significant components throughout the year end audit period and were subject to a working paper review by the Group Engagement Team.

The Company is comprised of one reporting unit which was subject to a full scope audit for the purposes of the Company financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	US$3,000,000	£2,300,000
How we determined it	Based on auditor judgement with reference to key financial metrics.	Based on 1% of net assets.
Rationale for benchmark applied	We considered a range of benchmarks in assessing materiality. Using our professional judgement and with reference to a number of different data points, we concluded that an overall materiality level of $3.0 million was appropriate. This represents 0.3% revenue and 0.8% net assets.	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity given it is a holding company for the Group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $1,000,000 and $2,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US$2,250,000.00 for the group financial statements and £1,725,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $150,000 (group audit) and £115,000 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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

Report on the audit of the financial statements continued

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included the procedures as set out in the key audit matter on the impact of Covid-19.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to AIM rules, tax legislation, employment regulation and breaches of health and safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or profits and management bias in significant accounting estimates and judgements. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, the Company Secretary and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to the valuation of assets and liabilities recorded through the acquisition of CSS Industries and the classification and presentation of adjusting items (see related key audit matters).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities.** This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Owen Mackney (Senior Statutory Auditor)

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Watford

14 June 2021

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2021

	Note	2021 $000	Restated[(a)] 2020 $000
Revenue	2	**873,216**	624,340
Cost of sales		**(719,396)**	(530,109)
Gross profit		**153,820**	94,231
Selling expenses		**(43,909)**	(33,766)
Administration expenses		**(93,659)**	(58,868)
Other operating income	5	**4,066**	927
(Loss)/profit on disposal of property, plant and equipment		**(256)**	246
(Loss)/profit on disposal of subsidiary	28	**(208)**	1,836
Operating profit	3	**19,854**	4,606
Finance expenses	6	**(5,179)**	(5,479)
Profit/(loss) before tax		**14,675**	(873)
Income tax (charge)/credit	7	**(4,234)**	18,276
Profit for the year		**10,441**	17,403
Attributable to:			
Owners of the Parent Company		**8,207**	16,461
Non-controlling interests		**2,234**	942

Earnings per ordinary share

	Note	2021	Restated[(a)] 2020
Basic	21	**8.4c**	19.9c
Diluted	21	**8.4c**	19.8c

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS Industries, Inc. ('CSS') in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from pound sterling to US dollars. See note 30 for the comparative primary statements from the prior year as previously presented in pound sterling. All prior year comparative notes to the accounts have been restated throughout this report to reflect the currency change. In addition, certain balances have been restated to reflect the changes to the acquisition accounting of CSS. See notes 1 and 28 for more detail.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2021

	2021 $000	Restated[a] 2020 $000
Profit for the year	**10,441**	17,403
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit pension and health benefit schemes	(32)	—
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations (net of tax)	(15,769)	3,112
Recycling translation reserves on disposal of subsidiary	—	42
Transfer to profit and loss on maturing cash flow hedges (net of tax)	863	(490)
Net unrealised (loss)/gain on cash flow hedges (net of tax)	(1,269)	657
	(16,175)	3,321
Other comprehensive (expense)/income for the year, net of tax	(16,207)	3,321
Total comprehensive (expense)/income for the year, net of tax	**(5,766)**	20,724
Attributable to:		
Owners of the Parent Company	(9,081)	20,372
Non-controlling interests	3,315	352
	(5,766)	20,724

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS Industries, Inc. ('CSS') in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from pound sterling to US dollars. See note 30 for the comparative primary statements from the prior year as previously presented in pound sterling. All prior year comparative notes to the accounts have been restated throughout this report to reflect the currency change. In addition, certain balances have been restated to reflect the changes to the acquisition accounting of CSS. See notes 1 and 28 for more detail.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2021

	Attributable to the owners of the Parent Company								
	Share capital $000	Share premium and capital redemption reserve $000	Merger reserve $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	Shareholders' equity $000	Non-controlling interests $000	Total $000
Equity at 1 April 2019	5,093	74,962	42,119	153	(8,133)	106,336	220,530	4,694	225,224
Profit for the year	—	—	—	—	—	16,461	16,461	942	17,403
Other comprehensive income/(expense)	—	—	—	167	3,744	—	3,911	(590)	3,321
Total comprehensive income for the year	—	—	—	167	3,744	16,461	20,372	352	20,724
Transactions with owners in their capacity as owners									
Equity-settled share-based payments (note 23)	—	—	—	—	—	(287)	(287)	—	(287)
Tax on equity-settled share-based payments (note 11)	—	—	—	—	—	213	213	—	213
Derecognition of non-controlling interests (note 27)	—	—	—	—	—	—	—	(403)	(403)
Shares issued (note 20)	1,117	150,145	—	—	—	—	151,262	—	151,262
Options exercised (note 20)	45	—	—	—	—	(45)	—	—	—
Equity dividends paid (note 22)	—	—	—	—	—	(8,975)	(8,975)	—	(8,975)
Exchange differences on opening balances	(281)	(9,690)	(1,944)	—	—	—	(11,915)	—	(11,915)
At 31 March 2020 (restated)[(a)]	5,974	215,417	40,175	320	(4,389)	113,703	371,200	4,643	375,843

	Attributable to the owners of the Parent Company								
	Share capital $000	Share premium and capital redemption reserve $000	Merger reserve $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	Shareholders' equity $000	Non-controlling interests $000	Total $000
At 1 April 2020 (restated)[(a)]	5,974	215,417	40,175	320	(4,389)	113,703	371,200	4,643	375,843
Profit for the year	–	–	–	–	–	8,207	8,207	2,234	10,441
Other comprehensive (expense)/income	–	–	–	(406)	(16,850)	(32)	(17,288)	1,081	(16,207)
Total comprehensive (expense)/income for the year	–	–	–	(406)	(16,850)	8,175	(9,081)	3,315	(5,766)
Transactions with owners in their capacity as owners									
Equity-settled share-based payments (note 23)	–	–	–	–	–	3,668	3,668	–	3,668
Tax on equity-settled share-based payments (note 11)	–	–	–	–	–	214	214	–	214
Recognition of non-controlling interests (note 27)	–	–	–	–	–	–	–	539	539
Options exercised (note 20)	34	–	–	–	–	(34)	–	–	–
Equity dividends paid (note 22)	–	–	–	–	–	(11,288)	(11,288)	–	(11,288)
Exchange differences on opening balances	659	23,725	4,425	–	–	–	28,809	–	28,809
At 31 March 2021	6,667	239,142	44,600	(86)	(21,239)	114,438	383,522	8,497	392,019

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS Industries, Inc. ('CSS') in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from pound sterling to US dollars. See note 30 for the comparative primary statements from the prior year as previously presented in pound sterling. All prior year comparative notes to the accounts have been restated throughout this report to reflect the currency change. In addition, certain balances have been restated to reflect the changes to the acquisition accounting of CSS. See notes 1 and 28 for more detail.

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 $1.8 million relating to the capital redemption reserve has been included within the column of share premium and capital redemption reserve in the balances at the end of the year (2020: $1.7 million). The only movement in this balance relates to foreign exchange.

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. Share capital, share premium, capital redemption reserve, merger reserve and hedging reserve are translated into US dollars at the rates of exchange at each balance sheet date and the resulting cumulative exchange differences are included in other reserves.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 $000	Restated[a] 2020 $000	Restated[a] 2019 $000
Non-current assets				
Property, plant and equipment	8	**88,203**	91,744	51,786
Intangible assets	9	**114,874**	116,214	110,503
Right-of-use assets	10	**95,380**	82,742	—
Long-term assets	13	**5,721**	6,223	—
Deferred tax assets	11	**18,357**	18,135	4,693
Total non-current assets		**322,535**	315,058	166,982
Current assets				
Inventory	12	**176,165**	169,414	90,442
Trade and other receivables	13	**129,219**	110,047	64,641
Income tax receivable		**2,368**	18,377	—
Derivative financial assets	24	**207**	412	168
Cash and cash equivalents	14	**132,760**	83,200	110,910
Total current assets		**440,719**	381,450	266,161
Total assets	2	**763,254**	696,508	433,143
Equity				
Share capital	20	**6,667**	5,974	5,093
Share premium		**237,296**	213,755	73,220
Capital redemption reserve		**1,846**	1,662	1,742
Merger reserve		**44,600**	40,175	42,119
Hedging reserve		**(86)**	320	153
Translation reserve		**(21,239)**	(4,389)	(8,133)
Retained earnings		**114,438**	113,703	108,763
Equity attributable to owners of the Parent Company		**383,522**	371,200	222,957
Non-controlling interests		**8,497**	4,643	5,266
Total equity		**392,019**	375,843	228,223

	Note	2021 $000	Restated[a] 2020 $000	Restated[a] 2019 $000
Non-current liabilities				
Loans and borrowings	15	**(103)**	(219)	1,847
Lease liabilities	10	**94,582**	78,418	—
Deferred income	16	**486**	561	976
Provisions	17	**5,742**	5,161	3,472
Other financial liabilities	18	**15,526**	6,784	2,362
Deferred tax liabilities	11	**2,115**	4,626	900
Total non-current liabilities		**118,348**	95,331	9,557
Current liabilities				
Bank overdraft	14	**57,033**	31,003	85,614
Loans and borrowings	15	**(620)**	(3)	1,239
Lease liabilities	10	**19,340**	16,995	—
Deferred income	16	**424**	162	129
Provisions	17	**1,617**	3,046	1,417
Income tax payable		**10,061**	5,482	6,202
Trade and other payables	19	**120,763**	120,656	76,135
Other financial liabilities	18	**44,269**	47,993	24,627
Total current liabilities		**252,887**	225,334	195,363
Total liabilities	2	**371,235**	320,665	204,920
Total equity and liabilities		**763,254**	696,508	433,143

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS Industries, Inc. ('CSS') in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from pound sterling to US dollars. See note 30 for the comparative primary statements from the prior year as previously presented in pound sterling. All prior year comparative notes to the accounts have been restated throughout this report to reflect the currency change. In addition, certain balances have been restated to reflect the changes to the acquisition accounting of CSS. See notes 1 and 28 for more detail.

The consolidated financial statements on pages 80 to 135 were approved by the Board of Directors on 14 June 2021 and were signed on its behalf by:

Paul Fineman
Director

Giles Willits
Director

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2021

	Note	2021 $000	Restated[a] 2020 $000
Cash flows from operating activities			
Profit for the year		10,441	17,403
Adjustments for:			
Depreciation and impairment of property, plant and equipment	8	13,535	8,880
Depreciation and impairment of right-of-use assets	10	24,047	8,911
Amortisation of intangible assets	9	6,918	4,816
Finance expenses	6	5,179	5,479
Income tax charge/(credit)	7	4,234	(18,276)
Loss/(profit) on disposal of a business	28	208	(1,836)
Loss/(profit) on disposal of property, plant and equipment		165	(246)
Loss on disposal of intangible fixed assets		106	1
Equity-settled share-based payments/(income)	23	4,192	(252)
Operating profit after adjustments for non-cash items		69,025	24,880
Change in trade and other receivables		(11,914)	9,841
Change in inventory		1,772	1,532
Change in trade and other payables, provisions and deferred income		(4,504)	1,592
Cash generated from operations		54,379	37,845
Tax received/(paid)		14,353	(5,993)
Interest and similar charges paid		(4,082)	(5,090)
Net cash inflow from operating activities		64,650	26,762
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		147	767
Acquisition of businesses (net of cash acquired)		—	(112,251)
Acquisition of intangible assets	9	(1,000)	(3,738)
Acquisition of property, plant and equipment	8	(7,390)	(10,463)
Net cash outflow from investing activities		(8,243)	(125,685)
Cash flows from financing activities			
Proceeds from issue of share capital		—	152,535
Repayment of secured borrowings	14	(1,158)	(1,917)
Net movement in previous credit facilities		—	48,230
Repayment of previous credit facilities		—	(48,230)
Payment of lease liabilities	10	(19,184)	(8,430)
Loan arrangement fees	14	—	(1,571)
Equity dividends paid	22	(11,288)	(8,975)
Net cash (outflow)/inflow from financing activities		(31,630)	131,642
Net increase in cash and cash equivalents		24,777	32,719
Cash and cash equivalents at beginning of the year	14	52,197	25,296
Effect of exchange rate fluctuations on cash held		(1,247)	(5,818)
Cash and cash equivalents at end of the year	14	75,727	52,197

(a) The Group's reporting currency has moved to US dollars following the acquisition of CSS Industries, Inc. ('CSS') in March 2020 which increased the US dollar revenues to over 70% of the Group and therefore primary statements have been restated from pound sterling to US dollars. See note 30 for the comparative primary statements from the prior year as previously presented in pound sterling. All prior year comparative notes to the accounts have been restated throughout this report to reflect the currency change. In addition, certain balances have been restated to reflect the changes to the acquisition accounting of CSS. See notes 1 and 28 for more detail.

1 Accounting policies

a. Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS). The Company has elected to prepare its individual Company financial statements in accordance with Financial Reporting Standard 102 (FRS 102); these are presented on pages 136 to 151.

The financial statements are prepared under the historical cost convention except for derivatives which are stated at fair value and retirement benefit obligations which are valued in accordance with IAS 19 Employee Benefits.

The preparation of financial statements that conform with adopted IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

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

The estimates and underlying assumptions are reviewed on an ongoing basis (see Critical accounting judgements and estimates section below). Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if relevant.

The accounting policies used in the preparation of these financial statements are detailed below. These policies have been consistently applied to all financial years presented with the exception of leases in the year ended 31 March 2019, when IFRS 16 had not been adopted.

Restatement of comparative amounts

Acquisition accounting

In the preparation of these financial statements, comparative amounts have been restated to reflect the finalisation of the CSS acquisition accounting (note 28).

Presentation currency

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

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

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

Since the change in reporting currency has been applied retrospectively, all comparative numbers in these consolidated financial statements have been restated into US dollars. Note 30 sets out the key primary statements with both pound sterling and US dollar comparatives for the year ended 31 March 2020.

Seasonality of the business

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

Going concern

Information regarding the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's review on pages 24 and 31. Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit, market and liquidity risk. Cash balances and borrowings are detailed in notes 14 and 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

1 Accounting policies continued

a. Basis of preparation continued

Going concern continued

On 5 June 2019, to meet the funding requirements of the Group, the business refinanced with a banking group comprising HSBC, NatWest, Citigroup (who replaced BNP Paribas), Truist Bank (as successor by merger to SunTrust Bank) and PNC Bank as part of a three year deal. This facility was then subsequently amended and extended on 17 January 2020 with the same banking group to accommodate the acquisition of CSS. The facilities were then further extended in May 2021 to run to June 2023 and comprise of a revolving credit facility (RCF) of $95.0 million, a further flexible RCF of up to £130.0 million to meet the Group's working capital requirements during peak manufacturing, and a maximum limit of $18.0 million invoice financing arrangement in Hong Kong. We also have access to supplier financing arrangements from certain customers which we utilise at certain times of the year. These supplier financing arrangements are subject to the continuing support of the customers' banking partners and therefore could be withdrawn at short notice.

The Directors have prepared detailed plans and forecasts from the date of signing these financial statements up to 31 March 2023. The plans reflect the seasonal operating cycle of the business and assume continuity of the supply chain. They also benefit from the diverse geographic spread of the Group and the high proportion of revenues generated from retailers who have remained open during the Covid-19 crisis. Going concern forecasts have been produced using the Group's 2022 and 2023 budgets and plans. These forecasts, which have been produced and reviewed in detail by the Board, take into account the seasonal working capital cycle of the business and have been sensitised to reflect severe but plausible adverse downturns in the current assumptions, including the potential for a further Covid-19 related lockdown as well as another IT security incident in the Group.

These forecasts and additional analysis demonstrated that the Group has sufficient excess headroom to meet its obligations as they fall due, for a forecast period of more than twelve months beyond the date of signing these financial statements. As such, the Directors do not see any practical regulatory or legal restrictions which would limit their ability to fund the different regions of the business as required as the Group has sufficient resources.

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

Changes in accounting policies

There have been no changes to accounting policies during the year.

b. Basis of consolidation

Other standards and interpretations

The Group also adopted the following new pronouncements during 2021, which did not have any material impact on the Group's financial statements:

- amendments to IFRS 3 Business Combinations revising the definition of a business;
- amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors revising the definition of material;
- amendments to IFRS 9, IAS 39 and IFRS 17: A two phase project assessing the effects of the interest rate benchmark reform; and
- amendments to the conceptual framework.

Certain new accounting standards and interpretations have been published that are not yet effective and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expense arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(iii) Business combinations

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

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.

c. Foreign currency

Items included in the financial statements of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ('functional currency'). The consolidated financial statements are prepared in US dollars (as described on page 87.

(i) Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency of the entity at the exchange rate prevailing at that date and recognised in the income statement unless hedge accounting criteria apply (see policy for financial instruments).

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into US dollars at the exchange rate 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.

(iii) Net investment in foreign operations

Exchange differences on retranslation at the closing rate of the opening balances of overseas entities are taken to other comprehensive income, as are exchange differences arising on related foreign currency borrowings and derivatives designated as qualifying hedges, to the extent that they are effective. 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. Other exchange differences are taken to the income statement.

d. Financial instruments

Interest-bearing loans and borrowings and other financial liabilities (excluding derivatives) are held at amortised cost, unless they are included in a hedge accounting relationship.

Derivatives are measured initially at fair value. Subsequent measurement in the financial statements depends on the classification of the derivative as follows:

(i) Fair value hedges

Where a derivative is used to hedge the foreign exchange exposure of a monetary asset or liability, any gain or loss on the derivative is recognised in the income statement.

(ii) Cash flow hedges

Where a derivative is designated as a hedging instrument in a cash flow hedge, the change in fair value is recognised in other comprehensive income to the extent that it is effective and any ineffective portion is recognised in the income statement. Where the underlying transaction results in a financial asset, accumulated gains and losses are recognised in the income statement in the same period as the hedged item affects profit or loss.

Where the hedged item results in a non-financial asset the accumulated gains and losses previously recognised in other comprehensive income are included in the initial carrying value of the asset.

(iii) Unhedged derivatives

Unhedged derivatives are charged/credited to the income statement.

e. 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 part of cash and cash equivalents in the statement of cash flows.

f. Loans and borrowings

Loans and borrowings are initially measured at cost (which is equal to fair value at inception) and are subsequently measured at amortised cost using the effective interest method.

g. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, which is generally equivalent to recognition at nominal value less impairment loss calculated using the expected loss model.

The Group applies a simplified model to recognise lifetime expected credit losses for its trade receivables and other receivables, including those due in greater than twelve months, by making an accounting policy election. For any receivables not expected to be paid, an expected credit loss of 100% is recognised at the point this expectation arises. For all other receivables, the expected loss is calculated based on 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 Group's historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

1 Accounting policies continued

h. Trade and other payables
Trade payables are non-interest bearing and are recognised initially at fair value and subsequently at amortised cost.

i. Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment or other assets have different useful lives, they are accounted for as separate items. The carrying values of property, plant and equipment and other assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Property, plant and equipment are depreciated over their estimated remaining useful lives on a straight line basis using the following estimated useful lives:

Land and buildings – Freehold land	Not depreciated
Land and buildings – Buildings	25-30 years or life of lease
Plant and equipment	4-25 years
Fixtures and fittings	3-5 years
Motor vehicles	4 years

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date. Included within plant and equipment are assets with a range of depreciation rates. These rates are tailored to the nature of the assets to reflect their estimated useful lives.

j. Lease liabilities and lease right-of-use assets
Rentals associated with leases that are of low value or less than twelve months in length are expensed to the income statement on a straight line basis. The associated lease incentives are amortised in the income statement over the life of the lease.

Leases greater than twelve months in length, and those not of low value, are recognised as a lease right-of-use asset with the associated future lease payment terms recognised as a lease liability. The right-of-use assets and the associated lease liabilities are recognised by unwinding the future lease payments at the rate implicit to the lease or, if the rate implicit to the lease cannot be readily determined, at the relevant incremental borrowing rate.

The lease right-of-use assets are amortised over their useful economic lives or the lease term, whichever is shorter. The lease liabilities are derecognised by applying the future lease payments.

On acquisition, right-of-use assets and lease liabilities are recognised in accordance with IFRS 16. The acquired lease liability is measured as if the lease contract was a new lease at the acquisition date. The right-of-use asset is measured at an amount equal to the recognised lease liability. The right-of-use asset is adjusted to reflect any favourable or unfavourable terms of the lease relative to market terms.

Right-of-use assets are impaired in line with the impairment accounting policy below.

k. Intangible assets

(i) Goodwill
Goodwill is stated at cost less any impairment losses.

Acquisitions are accounted for using the purchase method. For acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the fair value of the assets given in consideration and the fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. For acquisitions made before 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount previously recorded under UK GAAP.

The Group has expensed costs attributable to acquisitions in the income statement. Given their one-off nature, these costs are generally presented within Adjusting items.

(ii) Acquired intangible assets
An intangible asset acquired in a business combination is recognised at fair value to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. Intangible assets principally relate to customer relationships, which are valued using discounted cash flows based on historical customer attrition rates, and trade names/brand, which are valued using an income approach. The cost of intangible assets is amortised through the income statement on a straight line basis over their estimated useful economic life and as these are assets directly attributed to the acquisition of a business, the amortisation costs are also presented within Adjusting items.

(iii) Other intangible assets
Other intangible assets which are not acquired through a business combination are recognised at cost to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably, and amortised on a straight line basis over their estimated useful economic life.

Intangibles are amortised over their estimated remaining useful lives on a straight line basis as follows:

Goodwill	Not amortised
Customer relationships	3-15 years
Trade names/brands	3-5 years
Other intangibles – software	3-5 years

Customer relationships are wide ranging in useful economic lives, from shorter relationships derived from smaller acquisitions to the long relationship with Walmart acquired as part of the acquisition of Impact Innovations, Inc. ('Impact').

l. Impairment

All assets are reviewed regularly to determine whether there is any indication of impairment. Goodwill is tested for impairment annually.

An impairment loss is recognised whenever the carrying amount of a non-financial asset or the cash-generating unit to which it belongs exceeds its recoverable amount, being the greater of value in use and fair value less costs to sell, and is recognised in the income statement. Value in use is estimated based on future cash flows discounted using a pre-tax discount rate based upon the Group's weighted average cost of capital.

Financial assets were assessed for impairment using the expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

m. Inventories

Inventories are valued at the lower of cost (on a weighted average basis) and net realisable value. For work-in-progress and finished goods, cost includes an appropriate proportion of labour cost and overheads based on normal operating capacity. For acquisitions, inventory acquired will be assessed for fair value in accordance with IFRS 3 and if applicable an uplift applied to stock on hand relating to sales orders already attached to the acquired stock. The unwind of the uplift in value is treated as an Adjusting item.

n. Income tax

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using the applicable tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in prior years. Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the financial statements. The following temporary differences are not provided for: initial recognition of goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable 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 profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

o. Revenue

Revenue from the sale of goods is recognised in the income statement net of expected discounts, rebates, refunds, credits, price concessions or other similar items, when the associated performance obligation has been satisfied, and control of the goods has been transferred to the customer.

The Group recognises revenue on sales of Celebrations, Craft & creative play, Stationery, Gifting and 'Not-for-resale' consumable products across two reporting 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. Each customer arrangement/contract is assessed to identify the performance obligations being provided to the customer. Where distinct performance obligations are deemed to exist, an element of revenue is apportioned to that obligation.

Revenue from sales is recognised based on the price specified in the contract, net of any estimated volume discounts, rebates and sell-through provisions. Accumulated experience is used to estimate and provide for these discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for these items payable to customers based on sales made in the period. No significant element of financing is deemed present as the sales are made with credit terms of 30-60 days, which is consistent with market practice.

A significant part of the Group's businesses sell goods on a 'free-on-board' (FOB) basis, where the Group as the seller makes its goods ready for collection at its premises on an agreed upon sales date and the buyer incurs all transportation and handling costs and bears the risks for bringing the goods to their chosen destination. In this situation, revenue is recognised on collection by the customer.

Where the Group operates non-FOB terms with customers, revenue is recognised when the control of the goods has been transferred to the customer. These terms include consignment stock agreements, where revenue is recognised upon the customer removing goods from consignment stock.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

1 Accounting policies continued

p. Finance income and expense

Finance income and expense is recognised in the income statement as it accrues. Finance expenses comprise interest payable, finance charges on finance leases, interest on lease liabilities, 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.

q. Supplier financing

The Group is party to supplier financing arrangements with one of its key customers. This arrangement is considered non-recourse factoring and on receipt of payment from the banks the associated trade receivable is derecognised in accordance with IFRS 9.

r. Segment reporting

A segment is identified on the basis of internal reports that are regularly reviewed by the Board in order to allocate resources to the segment and assess its performance.

s. Pensions

(i) Defined contribution schemes

Obligations for contributions to defined contribution pension schemes are expensed to the income statement as incurred.

(ii) Defined benefit schemes

Two pension schemes, one of which is in the Netherlands and the other in the UK, are defined benefit schemes.

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.

Following the acquisition of CSS, on 3 March 2020, the Group also administers a defined benefit scheme in the UK.

The net obligation for this scheme is calculated by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of the scheme assets is deducted. The calculation is performed by a qualified independent actuary.

t. Share-based payments

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.

Employer 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 those already vested.

Deferred tax assets are recognised in respect of share-based payment schemes.

u. Investment in own shares

The shares held in the Group's Employee Benefit Trust for the purpose of fulfilling obligations in respect of share option plans are treated as belonging to the Company and are deducted from its retained earnings. The cost of shares held directly (treasury shares) are also deducted from retained earnings.

v. Provisions

A provision is recognised when there is a probable legal or constructive obligation as a result of a past event and a reliable estimate can be made of the outflow of resources that 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.

w. Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are included within the carrying amount of the related property, plant and equipment, and are released to the income statement on a straight line basis over the expected useful lives of the relevant assets. Grants of a revenue nature, other than those associated with Covid-19, are credited to the income statement so as to match them with the expenditure to which they relate. Covid-19 related grants are recognised gross in either other operating income or cost of sales.

x. Dividends

Dividends are recognised as a liability in the period in which they are approved by the shareholders of the Company (final dividend) or paid (interim dividend).

y. 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.

z. 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 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 EBITDA, Adjusted operating profit, Adjusted profit before tax, Adjusted profit after tax and Adjusted earnings per share.

Adjusting items are items that are material and, in the judgement of the Directors, of an unusual or non-recurring nature. These items are adjusted 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 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 of Adjusting items can be seen in note 3 to the financial statements.

aa. Like-for-like comparators

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

Critical accounting judgements and estimates

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position.

Accounting estimates

(i) Business combinations and intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates and judgements such as customer attrition, cash flow generation from the existing relationships with customers and returns on other assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

1 Accounting policies continued

Critical accounting judgements and estimates continued

Accounting estimates continued

(i) Business combinations and intangible assets continued

Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement and balance sheet.

Goodwill is not amortised but is tested annually for impairment, along with the finite-lived intangible assets and other assets of the Group's cash-generating units. Tests for impairment are based on discounted cash flows and assumptions (including discount rates and growth prospects) which are inherently subjective. An estimate is also required in identifying the events which indicate potential impairment, and in assessing fair value of individual assets when allocating an impairment loss in a cash-generating unit or groups of cash-generating units. The Group performs various sensitivity analyses in respect of the tests for impairment, as detailed in note 9.

The useful lives of the Group's finite-lived intangible assets are reviewed following the tests for impairment annually.

Judgement and estimates may also be required in determining the fair value of other assets acquired and liabilities (including contingent liabilities) assumed. In determining the fair value of assets and liabilities acquired from the acquisition of CSS (see detail in note 28), the Directors have had to make a number of important judgements. These judgements, which are inherently subjective, have included assessing at the date of acquisition future cash flows and synergies from a market participant's perspective and assessing an appropriate discount rate to apply to those cash flows.

Judgements have also been taken around the level of potential inventory obsolescence (described below) and the level of economic obsolescence applied to the valuation of plant and equipment. Different assumptions applied and judgements taken could have led to materially different values.

(ii) Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. Estimates are required in determining the Group's tax assets and liabilities. Deferred tax assets have been recognised to the extent that 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 tax risks across all business operations. See note 11 for more details.

(iii) Lease asset impairments

The Group has impaired the right-of-use assets in respect of several properties that the Group has exited as part of the ongoing integration following the CSS acquisition. This is based on the properties themselves being a cash-generating unit in line with IAS 36 as they are being actively marketed for sub-tenants. As at 31 March 2021, the Group has had no offers from potential sub-tenants and given that this position is expected to continue for the foreseeable future, these leased properties have been impaired in full. The total asset impairment in 2021 is $6.0 million.

(iv) 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.

The 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, this is not a precise estimate and is based on best data at the time of recognition. Regular monitoring of stock levels, the ageing of stock and the level of the provision is carried out by the Directors to reassess this estimate. The assumptions made in relation to the current period are consistent with those in the prior year. In addition, in light of Covid-19, further assessment of the recoverability of any aged inventory has been undertaken as at 31 March 2021. As at 31 March 2021, inventory provisions were $46 million against a gross inventory value of $222 million (2020: $49 million provision, $210 million gross inventory value). This provision estimate is subject to potential material change, for example if market conditions change because Covid-19 restrictions result in customer store closures, or expected customer demand fluctuates. A 10% change in the provision would create a difference of $4 million.

Accounting judgements

(i) Adjusting items

Judgement is required to determine whether items should be included within Adjusting items by virtue of their size or incidence.

Specific judgements have been made in the estimates associated with Adjusting items and further details of the items categorised as Adjusting items and how estimates have been made are disclosed in note 3.

2 Segmental information

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

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

The acquisition of CSS has seen additional entities in various locations around the world, including Asia, Australia, UK, India and Mexico. This forms part of the Americas segment for the purpose of segmental reporting.

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

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

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

	DG Americas[a] $000	DG International $000	Central and eliminations $000	Group $000
Year ended 31 March 2021				
Revenue – external	613,909	259,307	—	873,216
– inter-segment	66	5,995	(6,061)	—
Total segment revenue	613,975	265,302	(6,061)	873,216
Segment result before adjusting items and management recharge	21,015	25,767	(4,760)	42,022
Adjusting items (note 3)				(22,168)
Operating profit				19,854
Finance expenses				(5,016)
Finance expenses treated as an Adjusting item (note 3)				(163)
Income tax				(4,234)
Profit for the year ended 31 March 2021				10,441
Balances at 31 March 2021				
Segment assets	469,192	230,590	63,472	763,254
Segment liabilities	(216,940)	(86,553)	(67,742)	(371,235)
Capital expenditure additions				
– property, plant and equipment	4,589	2,711	90	7,390
– intangible assets	963	37	—	1,000
– right-of-use assets	30,207	2,733	—	32,940
Depreciation – property, plant and equipment	7,760	5,774	1	13,535
Amortisation – intangible assets	6,510	408	—	6,918
Depreciation – right-of-use assets	12,739	5,265	74	18,078
Impairment – right-of-use assets	5,969	—	—	5,969

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

2 Segmental information continued

	DG Americas[a] $000	DG International $000	Central and eliminations $000	Group $000
Year ended 31 March 2020				
Revenue – external	355,917	268,423	—	624,340
– inter-segment	—	7,071	(7,071)	—
Total segment revenue	355,917	275,494	(7,071)	624,340
Segment result before adjusting items and management recharge	20,064	24,877	(4,017)	40,924
Adjusting items (note 3)				(36,318)
Operating profit				4,606
Finance expenses				(5,479)
Income tax				18,276
Profit for year ended 31 March 2020				17,403
Balances at 31 March 2020				
Segment assets (restated)[b]	425,977	210,380	60,151	696,508
Segment liabilities (restated)[b]	(198,607)	(95,410)	(26,648)	(320,665)
Capital expenditure additions				
– property, plant and equipment	3,372	7,087	4	10,463
– property, plant and equipment on acquisition of business (restated)[b]	39,692	—	—	39,692
– intangible assets	3,419	236	83	3,738
– intangible assets on acquisition of business	5,960	—	—	5,960
– right-of-use assets	790	6,515	33	7,338
– right-of-use assets on acquisition of business	40,650	—	—	40,650
Depreciation – property, plant and equipment	3,034	5,411	3	8,448
Impairment – property, plant and equipment	—	432	—	432
Amortisation – intangible assets	4,341	475	—	4,816
Depreciation – right-of-use assets	4,222	4,619	70	8,911

(a) Including overseas entities for the Americas operating segment.
(b) For more detail please refer to note 1.

- The Group has one customer that accounts for 24% (2020: 22%) of the total Group revenues. In the year ended 31 March 2021 total sales to that customer were $211.9 million (2020: $134.2 million). This customer falls solely within the Americas 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 include deferred tax assets of $18.4 million (2020: $18.1 million), income tax receivable of $2.4 million (2020: $18.4 million), income tax payable of $10.1 million (2020: $5.5 million) and deferred tax liabilities of $2.1 million (2020: $4.6 million).

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

	Non-current assets	
	2021 $000	Restated[a] 2020 $000
DG Americas	**184,331**	181,704
DG International	**114,126**	108,996
	298,457	290,700

(a) For more detail please refer to note 1.

Revenue by customer destination

	2021 $000	2020 $000	2021 %	2020 %
Americas	621,734	382,950	71	61
Rest of the world	251,482	241,390	29	39
	873,216	624,340	100	100

All revenue arose from the sale of goods.

3 Operating expenses and adjusting items

Included in the income statement are the following charges/(credits):

	Note	2021 $000	2020 $000
Depreciation of tangible fixed assets	8	13,535	8,448
Depreciation and impairment of right-of-use assets	10	24,047	8,911
Loss/(profit) on sales of property, plant and equipment and intangible assets		165	(246)
Release of deferred grant income	5	(130)	(380)
Amortisation of intangible assets – software	9	3,840	1,243
Sub-lease rental income	5	(559)	(358)
Write down of inventories to net realisable value (non-adjusting)	12	19,287	6,846
Reversal of previous write downs of inventory	12	(427)	(4,933)
(Income)/loss on foreign exchange		(483)	1,055
Adjusting items		22,331	36,318

	2021 $000	2020 $000
Operating profit analysed as:		
Adjusted operating profit	42,022	40,924
Adjusting items	(22,168)	(36,318)
Operating profit	19,854	4,606

Adjusting items

Year ended 31 March 2021	Cost of sales $000	Selling expenses $000	Admin expenses $000	Loss on disposal $000	Other finance expenses $000	Total $000
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses(1)	—	—	74	208	—	282
Acquisition integration and restructuring costs/(income)(2)	993	(162)	14,402	91	163	15,487
(Reversal of impairment)/impairment of assets(3)	(3,709)	(2,100)	—	—	—	(5,809)
Incremental Covid-19 costs(4)	603	—	913	—	—	1,516
IT security incident costs(5)	1,107	—	1,093	—	—	2,200
Amortisation of acquired intangibles(6)	—	—	4,463	—	—	4,463
Share-based payment charges(7)	—	—	4,192	—	—	4,192
Adjusting items	(1,006)	(2,262)	25,137	299	163	22,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

3 Operating expenses and adjusting items continued
Adjusting items continued

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

Adjusting items are separately presented by virtue of their nature, size and incidence (per each operating segment). These items are material items of an unusual or non-recurring nature which represent gains or losses and are presented to allow for the review of the performance of the business in a consistent manner and in line with how the business is managed and measured on a day-to-day basis and allow the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations. They are typically gains or costs associated with events that are not considered to form part of the core operations, or are considered to be a 'non-recurring' event (although they may span several accounting periods).

These losses/(gains) relating to the year ended 31 March 2021 are broken down as follows:

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

An additional $208,000 of transaction costs associated with the disposal of Zhejiang Shaoxing Royal Arts and Crafts Co. Ltd ('Shaoxing') were incurred during the year along with expenditure in relation to any other potential acquisitions reviewed in the year.

For the year ended 31 March 2020 the total net cost incurred by the Group was $4.1 million, including costs associated with the acquisition of CSS, along with acquisition related employee payments from the Impact transaction and the profit on disposal of Shaoxing.

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

The main costs in the year relate to the integration of CSS into the enlarged DG Americas business. These include integration consultancy expenditure, severance and temporary labour costs, as the newly integrated team structures following the acquisition have been established, and the impact of the impairment of the lease assets and costs associated with the closure of excess sites. On acquisition the CSS business had a large portfolio of owned and leased sites, and as part of the integration sites in Nashville, Tennessee; Midway, Georgia; Budd Lake, New Jersey; and Hong Kong have been closed. In addition, costs associated with the consolidation of the Midway distribution operations into Shorewood are included.

In respect of vacant leased properties, marketing for sub-tenancy is ongoing. As at 31 March 2021, the Group has had no offers from potential sub-tenants and given that this position is expected to continue for the foreseeable future, these leased properties have been impaired in full.

The tax refund as a result of the US Covid-19 Coronavirus Aid, Relief and Economic Security ('CARES') Act, recognised as an Adjusting tax credit in the prior year, was received during the year ended 31 March 2021. The refund also attracted interest income which has been recognised in Adjusting items in the period.

Furthermore, in the UK and Australia, as a result of Covid-19, workforce restructuring costs were treated as Adjusting items.

For the year ended 31 March 2020, $12.0 million of costs relating to the integration of manufacturing facilities in Memphis (which has now largely concluded), transition and retention costs as well as costs relating to the CSS integration were recognised as Adjusting items.

(3) **(Reversal of impairment)/impairment of assets**
In light of the unknown impact of Covid-19 on the business, a review of inventory, trade receivables and fixed assets was undertaken at the last financial year end. Inventories were assessed at 31 March 2020 for the net realisable value and an impairment of $7.4 million was taken. Similarly, trade receivables were assessed for their expected credit loss in line with IFRS 9 and an impairment of $3.8 million was taken.

As at 31 March 2021, $2.4 million of the trade receivables impairment has been reversed as it is no longer required and following a review of sell-through rates in respect of inventory $4.0 million was released. These releases are partially offset by $599,000 of additional Covid-19 related impairment charges taken during the year.

(4) **Incremental Covid-19 costs**
The Covid-19 outbreak developed rapidly in 2020 and continued into the first calendar quarter of 2021, with measures taken around the world to contain the virus affecting economic activity. The Group has been affected in every territory in which we operate and the impact on the general economic environment and the reduced demand of goods from our customers as well as the closures of our businesses has had a significant impact. Certain incremental costs relating to direct labour equal to $0.9 million are included in Adjusting items. The most significant element of these costs relate to additional 'hazard pay' labour costs across our manufacturing facilities in the USA and Mexico in order to ensure our employees have returned to work.

In addition, laws were passed in India and Mexico that meant no workforce reductions were allowed during closed/lockdown periods, which meant higher employee costs were being incurred than ordinarily would have in that situation. This resulted in the business incurring direct incremental costs of labour whilst not producing anything and incurring periods of significant downtime. When employees returned to work post lockdown labour costs were paid again once production started, effectively doubling the costs to produce.

The Board has taken a judgement not to include government assistance received in the period as an Adjusting item as the underlying employee expenditure would not have been incurred if the government assistance was not received.

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

(5) **IT security incident costs**
The IT security incident which occurred in the Americas business in October/November 2020 resulted in one-off costs specifically in relation to crisis management, legal, forensic and data recovery costs including server/hardware repair and replacement. In addition, there were IT overtime costs, customer penalties from delayed shipments and expedited freight costs to avoid delays. These costs have been treated as an Adjusting item in 2021. The lost sales associated with the IT outage do not form part of the Adjusting items, however will form part of our claim under insurance policies which is currently in preparation. No insurance proceeds have been recognised in the year and any future proceeds received associated with Adjusting items will be recognised in Adjusting items.

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

In addition, in accordance with IFRS 3, on acquisition, businesses need to be fair valued, which can result in an uplift to stock on hand relating to sales orders already attached to the acquired stock. This uplift will distort the margins associated with the stock, and typically unwinds quickly as stock is sold soon after acquisition. The unwind of the stock uplift ($1.4 million) associated with the CSS acquisition is included as an Adjusting item, consistent with the treatment adopted with the Impact acquisition. This fully unwound as at 31 March 2021.

(7) **Share-based payment charges/(credits)**
As part of our senior management remuneration, the Group operates a Long Term Incentive Plan (LTIP) including the newly created Value Creation Scheme (VCS) 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 (except for associated social security costs), a share-based payment charge or credit is taken to the income statement. We consider that these charges do not form part of the underlying operational costs and therefore include these as Adjusting items. The share-based payment charge for the period is $4.2 million which consists of a principal IFRS 2 charge of $3.7 million and an employer's social security charge of $524,000.

As at 31 March 2020, a credit of ($0.3) million had been taken.

(8) **US tariffs**
There is no adjustment for US tariff with China (s301) costs in the year ended 31 March 2021. In the year ended 31 March 2020 there was an adjustment of $4.4 million reflecting the rapid evolution of tariffs during that year with no advance warning. The timing of the introduction of tariffs meant a majority of our purchase orders had already been agreed with customers and suppliers, effectively creating a situation where the US business was locked into commitments that could not be renegotiated. This impact has not been repeated in the financial year ended 31 March 2021 as the business was able to better mitigate the effect of tariffs.

The cash flow effect of adjusting items

There was $1.0 million net outflow in the current year cash flow (2020: $16.6 million) relating to Adjusting items. The net outflow included an inflow relating to the US tax NOL refunds received in the year, as well as outflow of $6.4 million (2020: $899,000) deferred from the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

3 Operating expenses and adjusting items continued
Auditor's remuneration:

	2021 $000	2020 $000
Amounts receivable by auditor and its associates in respect of:		
Audit of these financial statements	947	908
Audit of financial statements of subsidiaries pursuant to legislation		
– Overseas subsidiaries	182	127
– UK subsidiaries	88	89
Other audit related services	65	57
Taxation compliance services	498	279
All other taxation advisory services	114	43
Services relating to corporate finance transactions	—	694

Additional audit fees were charged in the year of $221,000 relating to the 2020 financial audit. These are not included in the above table.

4 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	
	2021	2020
Selling and administration	1,244	700
Production and distribution	2,849	1,858
	4,093	2,558

The aggregate payroll costs of these persons were as follows:

	Note	2021 $000	2020 $000
Wages and salaries		152,406	94,095
Share-based payments	23	4,192	(252)
Social security costs		13,114	7,678
Other pension costs		2,835	4,086
		172,547	105,607

Included within the employee numbers above are 500 (2020: 713) of agency staff that are employed temporarily during peak manufacturing season, mainly in Huizhou; the costs associated with these employees total $2.7 million (2020: $4.0 million) and are included in the total payroll costs above.

For information on Directors' remuneration please refer to the section titled 'Directors' remuneration' within the Directors' remuneration report (pages 64 to 69), which forms part of these audited financial statements.

5 Other operating income

	2021 $000	2020 $000
Grant income received	130	380
Sub-lease rental income	559	358
Government assistance	3,263	—
Other	114	189
	4,066	927

$274,000 of government assistance has been included within cost of sales.

6 Finance expenses

	2021 $000	2020 $000
Interest payable on bank loans and overdrafts	569	2,532
Other similar charges	1,036	383
Lease liability interest	3,334	2,043
Unwinding of fair value discounts	79	86
Interest payable under the effective interest method	5,018	5,044
Derivative financial instruments at fair value through the income statement	(2)	435
Finance expenses before Adjusting items	5,016	5,479
Adjusting items (note 3)	163	—
	5,179	5,479

7 Taxation

Recognised in the income statement

	2021 $000	2020 $000
Current tax charge/(credit)		
Current year	6,077	(13,829)
Adjustments in respect of previous years	(73)	(606)
	6,004	(14,435)
Deferred tax (credit)		
Origination and reversal of temporary differences	(1,724)	(3,283)
Adjustments in respect of previous years	(46)	(558)
	(1,770)	(3,841)
Total tax in income statement	4,234	(18,276)
Total tax charge/(credit) on adjusting items		
Total tax on profit before adjusting items	9,410	7,113
Total tax on adjusting items	(5,176)	(8,053)
Adjusting item – tax credit (US tax loss carryback)	—	(17,336)
Total tax charge/(credit) in income statement	4,234	(18,276)

Reconciliation of effective tax rate

	2021 $000	2020 $000
Profit/(loss) before tax	14,675	(873)
Profit/(loss) before tax multiplied by the standard rate of corporation tax rate of 19% in the UK (2020: 19%)	2,788	(166)
Effects of:		
Income not taxable	(184)	(433)
Expenses not deductible for tax purposes	568	778
Effect of tax rate changes	—	(155)
Differences between UK and overseas tax rates	1,290	546
Movement in uncertain tax provision	175	(580)
Other items	(284)	234
Adjustments in respect of previous periods	(119)	(1,164)
US tax loss carryback	—	(17,336)
Total tax charge/(credit) in income statement	4,234	(18,276)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

8 Property, plant and equipment

	Land and buildings		Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	Freehold $000	Leasehold $000	$000	$000	$000	$000
Cost						
Balance at 1 April 2019	27,361	2,894	80,564	5,502	1,466	117,787
Additions	766	260	8,610	510	317	10,463
Additions on acquisition of business (note 28) (restated)[a]	20,471	1,194	17,500	334	193	39,692
Transfers between fixed asset categories	(1,541)	—	529	515	497	—
Transfers to computer software	—	—	—	2,891	—	2,891
Disposals	—	—	(1,509)	(221)	(157)	(1,887)
Disposal of a business (note 28)	—	—	(482)	—	—	(482)
Effect of movements in foreign exchange	(868)	(17)	(2,223)	(199)	(117)	(3,424)
Balance at 1 April 2020 (restated)[a]	46,189	4,331	102,989	9,332	2,199	165,040
Additions	146	1,118	3,200	2,797	129	7,390
Transfer between categories	—	—	2,279	(2,279)	—	—
Disposals	—	(61)	(203)	(528)	(195)	(987)
Effect of movements in foreign exchange	2,179	183	5,928	567	262	9,119
Balance at 31 March 2021	**48,514**	**5,571**	**114,193**	**9,889**	**2,395**	**180,562**
Depreciation and impairment						
Balance at 1 April 2019	(14,992)	(2,607)	(43,739)	(3,780)	(883)	(66,001)
Depreciation charge for the year	(1,179)	(250)	(5,997)	(808)	(214)	(8,448)
Impairment charge for the year	—	—	(432)	—	—	(432)
Transfers between fixed asset categories	670	(16)	(79)	(190)	(385)	—
Transfers to computer software	—	—	—	(2,185)	—	(2,185)
Disposals	—	—	1,146	89	135	1,370
Disposal of a business (note 28)	—	—	349	—	—	349
Effect of movements in foreign exchange	564	71	1,214	143	59	2,051
Balance at 1 April 2020	(14,937)	(2,802)	(47,538)	(6,731)	(1,288)	(73,296)
Depreciation charge for the year	(1,874)	(773)	(8,353)	(2,231)	(304)	(13,535)
Transfers between fixed asset categories	—	—	(1,806)	1,806	—	—
Disposals	—	30	96	376	173	675
Effect of movements in foreign exchange	(1,378)	(167)	(4,065)	(426)	(167)	(6,203)
Balance at 31 March 2021	**(18,189)**	**(3,712)**	**(61,666)**	**(7,206)**	**(1,586)**	**(92,359)**
Net book value						
At 31 March 2021	**30,325**	**1,859**	**52,527**	**2,683**	**809**	**88,203**
At 31 March 2020 (restated)[a]	31,252	1,529	55,451	2,601	911	91,744

(a) For more detail please refer to note 1.

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

Security

Certain freehold properties are subject to a fixed charge in support of the banking facility.

9 Intangible assets

	Goodwill $000	Computer software $000	Trade names $000	Customer relationships $000	Other intangibles $000	Total $000
Cost						
Balance at 1 April 2019	95,921	10,169	2,141	24,040	172	132,443
Additions	—	3,738	—	—	—	3,738
Additions on acquisition of business (note 28) (restated)[a]	3,814	2,860	3,100	—	—	9,774
Transfer from fixed assets	—	(2,891)	—	—	—	(2,891)
Disposals	—	(309)	—	—	—	(309)
Effect of movements in foreign exchange	(2,361)	(189)	(29)	(119)	(8)	(2,706)
Balance at 1 April 2020 (restated)[a]	97,374	13,378	5,212	23,921	164	140,049
Additions	—	1,000	—	—	—	1,000
Disposals	—	(153)	—	—	—	(153)
Effect of movements in foreign exchange	4,910	316	50	180	14	5,470
Balance at 31 March 2021	**102,284**	**14,541**	**5,262**	**24,101**	**178**	**146,366**
Amortisation and impairment						
Balance at 1 April 2019	(13,177)	(5,647)	(766)	(2,206)	(144)	(21,940)
Amortisation charge for the year	—	(1,243)	(1,434)	(2,139)	—	(4,816)
Transfers from fixed assets	—	2,185	—	—	—	2,185
Disposals	—	308	—	—	—	308
Effect of movements in foreign exchange	169	165	23	68	3	428
Balance at 1 April 2020	(13,008)	(4,232)	(2,177)	(4,277)	(141)	(23,835)
Amortisation charge for the year	—	(3,840)	(1,057)	(2,021)	—	(6,918)
Disposals	—	47	—	—	—	47
Effect of movements in foreign exchange	(311)	(265)	(47)	(155)	(8)	(786)
Balance at 31 March 2021	**(13,319)**	**(8,290)**	**(3,281)**	**(6,453)**	**(149)**	**(31,492)**
Net book value						
At 31 March 2021	**88,965**	**6,251**	**1,981**	**17,648**	**29**	**114,874**
At 31 March 2020 (restated)[a]	84,366	9,146	3,035	19,644	23	116,214

(a) For more detail please refer to note 1.

Computer software relates to purchased software and people costs associated with the implementation of software.

The aggregate carrying amounts of goodwill allocated to each cash-generating unit group are as follows:

	2021 $000	Restated[a] 2020 $000
UK and Asia	**35,240**	31,743
Europe	**7,056**	6,669
USA	**42,872**	42,875
Australia	**3,797**	3,079
	88,965	84,366

(a) For more detail please refer to note 1.

All goodwill balances have arisen as a result of acquisitions and are not internally generated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

9 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, 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 group. The recoverable amounts of cash-generating unit groups are determined from the higher of value in use and fair value less costs to sell.

The Group has prepared updated forecasts following the outbreak of the Covid-19 pandemic for each cash-generating unit group for the following two years and these have been reviewed by the Board. The key assumptions in those forecasts 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 three years to determine discounted cash flows for five years plus a terminal value based on a conservative estimate of market growth of 1.0% (2020: 1.0%).

Generally, the Group's post-tax weighted average cost of capital (WACC) is 6.8% prior to any risk factor, and 7.3% post application of a 0.5% risk weighting. This has been compared to other similar companies and is believed to be appropriate by the Directors.

The cash-generating unit groups 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 and the relevant tax rate for each cash-generating unit group.

Pre-tax discount rates used were:

	2021	2020
UK and Asia	**9.1%**	8.5%
Europe	**9.5%**	9.6%
USA	**9.5%**	9.3%
Australia	**10.2%**	10.2%

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 2% movement in the discount rate, a flat budget growth rate assumption as well as a climate change risk assessment impact in their sensitivity assessment; with these changes in assumptions there is still significant headroom and no indication of impairment.

10 Right-of-use assets and lease liabilities

Right-of-use assets

	Land and buildings $000	Plant and machinery $000	Motor vehicles $000	Office equipment $000	Total $000
Net book value at 1 April 2019	43,858	1,279	634	382	46,153
Additions	6,852	211	150	125	7,338
Additions on acquisition of business	39,698	619	119	214	40,650
Disposals	(20)	—	—	(23)	(43)
Disposal of a business	(572)	—	—	—	(572)
Depreciation charge	(7,886)	(522)	(358)	(145)	(8,911)
Effect of movements in foreign exchange	(1,802)	(33)	(15)	(23)	(1,873)
Net book value at 1 April 2020	80,128	1,554	530	530	82,742
Additions	32,016	298	223	403	32,940
Disposals	—	—	(17)	—	(17)
Depreciation charge	(16,754)	(629)	(379)	(316)	(18,078)
Impairment	(5,969)	—	—	—	(5,969)
Effect of movements in foreign exchange	3,467	73	23	199	3,762
Net book value at 31 March 2021	**92,888**	**1,296**	**380**	**816**	**95,380**

Additions include lease modifications of $2.4 million (2020: $2.7 million).

Income statement

The income statement shows the following amounts relating to leases:

	2021 $000	2020 $000
Interest expense (included in finance expenses)	**3,685**	2,043
Depreciation charge	**18,078**	8,911
Impairment	**5,969**	—
Expense relating to short-term leases	**153**	3,114

Low-value lease costs were negligible in the year.

At 31 March 2021, the Group had estimated lease commitments for leases not yet commenced of $1.4 million (2020: $16.2 million).

Movement in lease liabilities

	2021 $000	2020 $000
Balance at 1 April	**(95,413)**	—
Recognised on adoption of IFRS 16	**—**	(52,118)
	(95,413)	(52,118)
Cash flow – financing activities	**19,184**	8,430
Additions	**(33,200)**	(7,337)
Additions on acquisition of business	**—**	(47,344)
Disposals	**17**	44
Disposal of a business	**—**	623
Effect of movements in foreign exchange	**(4,510)**	2,289
Balance at 31 March	**(113,922)**	(95,413)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

10 Right-of-use assets and lease liabilities continued

Movement in lease liabilities continued

Total cash outflow in relation to leases is as follows:

	2021 $000	2020 $000
Included in financing activities – payment of lease liabilities	**19,184**	8,430
Included in interest and similar charges paid	**3,685**	2,043
Short-term leases	**130**	3,092
	22,999	13,565

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2021 $000	2020 $000
Less than one year	**153**	460
Between one and five years	**—**	—
More than five years	**—**	—
	153	460

Income from sub-leasing right-of-use assets

During the year sub-lease income from right-of-use assets was as follows:

	2021 $000	2020 $000
Sub-lease income in the year from sub-leasing right-of-use assets	**559**	358

Non-cancellable operating lease rentals are receivable as follows:

	2021 $000	2020 $000
Less than one year	**466**	384
Between one and five years	**348**	405
	814	789

11 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 and intangible assets $000	Tax losses carried forward $000	Share-based payments $000	Doubtful debts $000	Other timing differences[b] $000	Total $000
At 1 April 2019	(5,769)	2,436	2,253	1,859	3,014	3,793
(Charge)/credit to income statement	(249)	2,042	(136)	2,104	80	3,841
(Charge)/credit to equity	87	216	(621)	(6)	714	390
Acquisitions (restated)[a]	11,344	—	—	—	(5,859)	5,485
At 31 March 2020	5,413	4,694	1,496	3,957	(2,051)	13,509
Deferred tax liabilities	(1,546)	—	—	—	(186)	(1,732)
Deferred tax assets	6,959	4,694	1,496	3,957	(1,865)	15,241
	5,413	4,694	1,496	3,957	(2,051)	13,509

(a) For more detail please refer to note 1.
(b) Other timing differences include a deferred tax closing balance of $4.1 million (2020: $5.7 million (restated)[a]) in respect of provision for inventory and $3.1 million (2020: $1.5 million) in respect of leases.

	Property, plant and equipment and intangible assets $000	Tax losses carried forward $000	Share-based payments $000	Doubtful debts $000	Other timing differences[b] $000	Total $000
At 1 April 2020	5,413	4,694	1,496	3,957	(2,051)	13,509
(Charge)/credit to income statement	96	3,146	33	(2,611)	1,106	1,770
(Charge)/credit to equity	(134)	551	155	8	383	963
At 31 March 2021	**5,375**	**8,391**	**1,684**	**1,354**	**(562)**	**16,242**
Deferred tax liabilities	(1,834)	—	(3)	—	(4,968)	(6,805)
Deferred tax assets	7,209	8,391	1,687	1,354	4,406	23,047
	5,375	**8,391**	**1,684**	**1,354**	**(562)**	**16,242**

(a) For more detail please refer to note 1.
(b) Other timing differences include a deferred tax closing balance of $4.1 million (2020: $5.7 million (restated)[a]) in respect of provision for inventory and $3.1 million (2020: $1.5 million) in respect of leases.

Deferred tax is presented net on the balance sheet in so far as a right of offset exists. The net deferred tax asset is $18.4 million (2020: $18.1 million) and the net deferred tax liability is $2.1 million (2020: $4.6 million (restated)[a]). Deferred tax assets and liabilities are treated as non-current as it is expected that they will be recovered or settled more than twelve months after the reporting date.

The deferred tax asset in respect of tax losses carried forward at 31 March 2021 of $8.4 million (2020: $4.7 million) comprises UK tax losses of $3.3 million (2020: $2.3 million), US tax losses of $5.0 million (2020: $2.2 million) and Asia tax losses of $156,000 (2020: $136,000). All of these recognised 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. There are unrecognised deferred tax assets in respect of UK losses of $884,000 (2020: $796,000).

In the Americas segment there are gross temporary differences of $76.4 million (2020: $101.6 million) and unused tax losses, with no expiry date, of $23.0 million (2020: $9.4 million) on which deferred tax assets have not been provided. Deferred tax assets have not been recognised on these primarily as a result of restrictions under the US change in ownership rules following the acquisition of CSS.

A deferred tax liability of $101,000 (2020: $99,000) 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. The UK Budget 2021 announcement on 3 March 2021 included an increase in the UK standard rate of corporation tax to 25% effective from 1 April 2023. Given that these changes were not substantively enacted at the balance sheet date, deferred tax has been measured at 19%. If the UK deferred tax was remeasured at the balance sheet date at 25%, the net deferred tax asset would increase by $1.2 million.

Included within current tax liabilities is $6.1 million (2020: $5.9 million) in respect of uncertain tax positions. This consists of various tax risks of which the majority are individually not material. As a result of the acquisition of CSS in March 2020, additional liabilities were recognised in the prior year in respect of inherited uncertain tax positions. Of these liabilities, there is one individual liability that is material ($3.1 million). 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 $214,000 (2020: $213,000) has been recognised through the statement of changes in equity in respect of share-based payments consisting of a deferred tax credit of $214,000 (2020: $179,000 charge) and current tax credit of $nil (2020: $392,000). In the prior year a deferred tax credit of $1.0 million was recognised through the statement of changes in equity on adoption of IFRS 16 Leases. There are no deferred tax balances with respect to cash flow hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

12 Inventory

	2021 $000	Restated[a] 2020 $000
Raw materials and consumables	**23,219**	24,658
Work in progress	**27,632**	25,011
Finished goods	**125,314**	119,745
	176,165	169,414

(a) For more detail please refer to note 1.

In 2021, materials, consumables, changes in finished goods and work in progress of $613.3 million (2020: $456.1 million) were recognised as an expense during the year and included in cost of sales.

Inventories have been assessed at the 2021 year end and an impairment of $19.3 million (2020: $6.8 million) has been taken to reduce the value of inventories to net realisable value and recognised as an expense. In addition to this, inventories have been reduced by a further $0.3 million (2020: $7.6 million) due to the impact of Covid-19, which is offset by previous Covid-19 write downs which have been reversed of $4.0 million (2020: $nil). The impairment expense in 2021 has been reduced by the reversal of previous write downs amounting to $0.4 million (2020: $4.9 million) due to inventory either being used or sold.

13 Long-term assets and trade and other receivables

	2021 $000	2020 $000
Acquisition indemnities	**856**	720
UK pension surplus	**676**	598
Security deposits	**1,011**	1,087
Insurance related assets	**3,178**	3,818
	5,721	6,223

Acquisition indemnities relate to previous acquisitions made by CSS and indemnities provided by the seller. Security deposits relate to leased properties and insurance related assets including a corporate owned life insurance policy.

Trade and other receivables are as follows:

	2021 $000	2020 $000
Trade receivables	**115,858**	96,368
Prepayments, other receivables and accrued income (restated)[a]	**13,066**	13,268
VAT receivable	**295**	411
	129,219	110,047

(a) For more detail please refer to note 1.

The Group has receivable financing arrangements in Hong Kong. None of this facility was drawn at 31 March 2021 (2020: $nil).

Please see note 15 for more details of the banking facilities.

There are no trade receivables in the current year (2020: $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 24.

14 Cash and cash equivalents/bank overdrafts

	2021 $000	2020 $000
Cash and cash equivalents	**132,760**	83,200
Bank overdrafts	**(57,033)**	(31,003)
Cash and cash equivalents and bank overdrafts per cash flow statement	**75,727**	52,197

Net cash

	Note	2021 $000	2020 $000
Cash and cash equivalents		**75,727**	52,197
Bank loans and overdrafts	15	**—**	(987)
Loan arrangement fees		**723**	1,209
Net cash as used in the financial review cash flow statement		**76,450**	52,419

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 24.

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

Changes in net cash

	Loans and borrowings $000	Loan arrangement fees $000	Sub-total $000	Other assets Cash/bank overdrafts $000	Total $000
Balance at 1 April 2019	(3,127)	40	(3,087)	25,296	22,209
Cash flows	1,917	1,571	3,488	32,719	36,207
Changes from financing cash flows					
Amortisation of loan arrangement fees	—	(368)	(368)	—	(368)
Effect of movements in foreign exchange	223	(34)	189	(5,818)	(5,629)
Balance at 1 April 2020	(987)	1,209	222	52,197	52,419
Cash flows	1,158	—	1,158	24,777	25,935
Changes from financing cash flows					
Amortisation of loan arrangement fees	—	(588)	(588)	—	(588)
Effect of movements in foreign exchange	(171)	102	(69)	(1,247)	(1,316)
Balance at 31 March 2021	**—**	**723**	**723**	**75,727**	**76,450**

15 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 24.

	2021 $000	2020 $000
Non-current liabilities		
Secured bank loans	**—**	432
Loan arrangement fees	**(103)**	(651)
	(103)	(219)
Current liabilities		
Current portion of secured bank loans	**—**	555
Loan arrangement fees	**620)**	(558)
	(620)	(3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

15 Loans and borrowings continued
Terms and debt repayment schedule

	2021 $000	2020 $000
Due within one year:		
Bank loans and borrowings	–	555
Due between one and two years:		
Secured bank loans	–	432
	–	987

Secured bank loans
On 5 June 2019, the Group entered into a new three year Group facility with a club of five banks chosen to reflect and support the geographical spread of the Group. The banks within the club are HSBC, NatWest, Citigroup (who replaced BNP Paribas), Truist Bank (as successor by merger to SunTrust Bank) and PNC.

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

The facilities, which were extended in May 2021 to run to June 2023, comprise:

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

In total, the peak accessible facilities are approximately $287.3 million (maximum $292.0 million) and are more than sufficient to cover our peak requirements. Being partially denominated in US dollars they also provide a hedge against currency movements. The facilities, which do not amortise with time, include an additional uncommitted amount to finance potential acquisitions.

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

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

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

Covenants are measured on pre-IFRS 16 accounting definitions.

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

In January 2018, the Group's Australia business obtained a secured loan from Westpac of $6.5 million (AU$9.0 million). The final $1.2 million was repaid during the period, which results in a nil balance at 31 March 2021. The Australia business also borrows from Westpac for financing working capital and the current facility level is AU$5.0 million from January to June and AU$10.0 million from July to December.

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

The Group is party to supplier financing arrangements with one of its key customers and the associated balances are recognised as trade receivables until receipt of the payment from the bank, at which point the receivable is derecognised. This arrangement is not considered to have had a significant impact on the Group's cash flow in the year.

16 Deferred income

	2021 $000	2020 $000
Included within non-current liabilities		
Deferred grant income	486	561
Included within current liabilities		
Deferred grant income	136	123
Other deferred income	288	39
	424	162

The deferred grant income is in respect of government grants relating to the development of the site in Wales. The conditions for this grant were all fully met in January 2019. The assets for which the grant related to are being depreciated in line with the release of the deferred income.

17 Provisions

	Property $000	Other $000	Total $000
Balance at 1 April 2020 (restated)[(a)]	6,612	1,595	8,207
Provisions made in the year	289	313	602
Provisions released during the year	(27)	(129)	(156)
Unwinding of fair value discounts	79	—	79
Provisions utilised during the year	(111)	(1,423)	(1,534)
Effect of movements in foreign exchange	151	10	161
Balance at 31 March 2021	**6,993**	**366**	**7,359**

	2021 $000	Restated[(a)] 2020 $000
Non-current	5,742	5,161
Current	1,617	3,046
	7,359	8,207

(a) For more detail please refer to note 1.

The property provision represents the estimated reinstatement cost of 13 (2020: 13) of the Group's leasehold properties under fully repairing leases. A professional valuation was performed during 2016 for one of the leasehold properties and the provision was reassessed and is stated after discounting. Of the non-current balance, $1.4 million (2020: $1.3 million) relates to a lease expiring in 2036; the remainder relates to provisions unwinding between one and five years.

Other provisions are short term and represent management's best estimate in respect of minor amounts arising in the normal course of business.

The timing of the utilisation of provisions assumes the business continues to operate based on the most up-to-date business plan.

18 Other financial liabilities

	2021 $000	2020 $000
Included within non-current liabilities		
Other creditors and accruals	15,526	6,784
Included within current liabilities		
Other creditors and accruals	43,976	47,984
Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	—	—
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	293	9
	44,269	47,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

19 Trade and other payables

	2021 $000	Restated[(a)] 2020 $000
Trade payables	107,588	111,311
Other payables including social security	12,875	8,792
VAT payable	300	553
	120,763	120,656

(a) For more detail please refer to note 1.

20 Share capital

Authorised share capital at 31 March 2021 and 2020 was £6.0 million, 121.0 million ordinary shares of 5p each.

	Ordinary shares	
In thousands of shares	2021	2020
In issue at 1 April	96,367	78,366
Options exercised during the year	491	711
Share placing	—	17,290
In issue at 31 March – fully paid	96,858	96,367

	2021 $000	2020 $000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each	6,667	5,974

Of the 96.9 million shares in the Company, 31,000 (2020: 31,000) are held by the International Greetings Employee Benefit Trust.

LTIP options exercised during the year resulted in 491,000 ordinary shares issued at nil cost (2020: 711,000 ordinary shares issued at nil cost).

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.

21 Earnings per share

	Note	2021 $000	2020 $000
Earnings			
Earnings attributable to equity holders of the Company		8,207	16,461
Adjustments			
Adjusting items (net of non-controlling interest effect)		22,358	35,964
Tax relief on adjustments (net of non-controlling interest effect)		(5,184)	(7,946)
Adjusting item – tax credit	7	—	(17,336)
Adjusted earnings attributable to equity holders of the Company		25,381	27,143

In thousands of shares	2021	2020
Weighted average number of shares		
Basic weighted average number of shares outstanding	97,700	82,605
Dilutive effect of employee share option plans	440	476
Diluted weighted average ordinary shares	98,140	83,081

	2021 Cents	2020 Cents
Earnings per share		
Basic earnings per share	8.4	19.9
Adjustment	17.6	12.9
Basic adjusted earnings per share	26.0	32.8
Diluted earnings per share	8.4	19.8
Diluted adjusted earnings per share	25.9	32.7

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

In thousands of shares	2021	2020
Issued ordinary shares at 1 April	96,367	78,366
Shares relating to share options	1,333	1,594
Shares issued in respect of share placing	—	2,645
Weighted average number of shares at 31 March	97,700	82,605

Diluted earnings per share

The diluted earnings per share is calculated taking into account LTIP awards whose specified conditions were satisfied at the end of the year of 440,000 (2020: 476,000) share options (including those under the Executive share options scheme) along with 31,000 shares held by the Employee Benefit Trust (2020: 31,000). At 31 March 2021, the diluted number of shares was 98.1 million (2020: 83.1 million).

22 Dividends paid and proposed

A final dividend for year ending 31 March 2020 was paid on 9 November 2020. An interim dividend was paid on 15 January 2021. The Directors are recommending a final dividend of 5.75p (7.92 cents) in respect of the year ended 31 March 2021. If approved, it will be paid in October 2021 to shareholders on the register at the close of business on 10 September 2021.

	2021			2020		
	Pence per share	Cents per share	$000	Pence per share	Cents per share	$000
Final equity dividend for prior year	5.75	7.13	7,329	6.00	7.44	5,868
Interim equity dividend for current year	3.00	4.09	3,959	3.00	3.93	3,107
Dividends paid in the year			11,288			8,975

	2021			2020		
Proposed for approval at Annual General Meeting	Pence per share	Cents per share	$000	Pence per share	Cents per share	$000
Final equity dividend for the current year	5.75	7.92	7,667	5.75	7.13	7,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

23 Employee benefits

Post-employment benefits

The Group administers a defined benefit pension plan that was inherited through the acquisition of CSS and covers certain employees of a UK subsidiary. The scheme closed to future accrual on 31 December 2012. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities. The plan assets held in trust are governed by UK regulations and responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the group of trustees. The assets of the scheme are invested in the SPI With-Profits Fund, which is provided by Phoenix Life Limited.

The last triennial valuation performed was in December 2017. A further actuarial valuation was updated on an approximate basis at 31 March 2021, by a qualified actuary, independent of the scheme's sponsoring employer.

The major assumptions used by the actuary are shown below.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2021 $000	2020 $000
Fair value plan of assets	3,615	3,028
Present value of defined benefit obligation	(2,528)	(2,430)
Surplus in plan	1,087	598
Net defined benefit asset to be recognised	**676**	**598**

Reconciliation of opening and closing balances of the defined benefit obligation

	2021 $000	2020 $000
Defined benefit obligation as at 1 April	(2,430)	—
Liabilities acquired in a business combination	—	(2,509)
Interest expense	(47)	—
Actuarial gains due to changes in demographic assumptions	9	—
Actuarial gains due to changes in financial assumptions	201	—
Effect of movement in foreign exchange	(261)	79
Defined benefit obligation as at 31 March	**(2,528)**	**(2,430)**

Reconciliation of opening and closing balances of the fair value of plan assets

	2021 $000	2020 $000
Fair value of plan assets as at 1 April	3,028	—
Assets acquired in a business combination	—	3,126
Interest income	59	—
Return on plan assets	121	—
Contributions by the Company	71	—
Benefits paid and expenses	(9)	—
Effect of movement in foreign exchange	345	(98)
Fair value of plan assets as at 31 March	**3,615**	**3,028**

A total of $3,000 has been charged to Group operating profit during the year, including $9,000 of expense netting against net interest income of $12,000.

The principal assumptions used by the independent qualified actuary for the purposes of IAS 19 are as follows:

	2021	2020
Increase in salaries	—	—
Increase in pensions	—	—
– at RPI capped at 5%	3.70%	3.50%
– at CPI capped at 5%	2.40%	1.95%
– at CPI capped at 2.5%	2.40%	1.95%
Discount rate	2.20%	1.70%
Inflation rate – RPI	3.30%	2.80%
Inflation rate – CPI	2.40%	1.95%

Due to the timescale covered, the assumptions may not be borne out in practice.

The life expectancy assumptions (in number of years) used to estimate defined benefit obligations at the year end are as follows:

	2021	2020
Male retiring today at age 60	26.4	26.4
Female retiring today at age 60	28.5	28.5
Male retiring in 20 years at age 60	27.9	28.0
Female retiring in 20 years at age 60	30.1	30.1

In addition to the defined benefit pension scheme there is also a small post-retirement healthcare scheme operated in the USA, which was also inherited through the acquisition of CSS. In total, the amounts taken through the Group's statement of comprehensive income can be seen below:

	2021 $000	2020 $000
UK pension scheme	62	—
US health scheme	(30)	—
	32	—

Long Term Incentive Plans

The Group operate two Long Term Incentive Plans ('Plans'), the 2014 Long Term Incentive Plan (LTIP) and the Value Creation Scheme (VCS) launched in February 2021.

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 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 base salary. The maximum opportunity available under the LTIP is up to 175% for the CEO and for other Executive Directors up to 150% of base salary.

Under the VCS, the scheme awards will allow participants to share, in total, up to 12.5% of the value created ('VCS Pool') provided that the performance criteria are met. No individual award can be greater than £12.5 million. The maximum opportunity available under the VCS is up to 17.5% of the VCS Pool for the CEO and for the other Executive Directors up to 12.5% and 7.5%. Shares will be released to the participants either following the calculation of the VCS Pool or, in the case of the awards for the CEO, the other Executive Directors and three other senior executives, following the end of a further two year holding period. Awards may be structured as nil-cost options which can be exercised from release until the tenth anniversary of grant of the awards, or as conditional awards which deliver shares for nil-cost automatically at release.

For both plans together, the maximum dilution is 15% over a ten year period. For the VCS specifically, within the 15% limit, there is a dilution limit of 7.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

23 Employee benefits continued

Long Term Incentive Plans continued

The plan 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. Participants in the VCS will not be granted any other long-term incentive awards during the remaining performance period following the grant of the scheme in February 2021, although the annual bonus and the existing in-flight long-term incentives will continue to operate.

Vested LTIP schemes – outstanding options

	Number of ordinary shares	Exercise price pence	Exercise dates
2014-2017 LTIP scheme	36,401	nil	June 2017 – August 2024
2015-2018 LTIP scheme	331,595	nil	June 2018 – January 2028
2016-2019 LTIP scheme	295,212	nil	June 2019 – January 2028
2017-2020 LTIP scheme	210,091	nil	July 2020 – August 2027
2018-2021 LTIP scheme[(a)]	418,429	nil	June 2021 – November 2028
	1,291,728		

All performance criteria have been met for the above schemes.

	2021		2020	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at 1 April	**nil**	**1,359,488**	nil	1,575,385
Prior year adjustment[(b)]	**nil**	**4,650**	nil	18,337
Options vesting during the year[(a)]	**nil**	**418,429**	nil	476,449
Exercised during the year	**nil**	**(490,839)**	nil	(710,683)
Outstanding at 31 March	**nil**	**1,291,728**	nil	1,359,488
Exercisable at 31 March	**nil**	**1,291,728**	nil	1,359,488

(a) 75% of the initial award plus dividend shares will formally vest on 1 June 2021 following the Remuneration and Audit Committees' approval of the results of the year ended 31 March 2021.
(b) Relates to share options not included in the prior year balance.

Scheme details for plans in vesting periods during the year

During the financial year to 31 March 2021 there were three LTIP schemes still within their vesting periods (2020: three), as well as the VCS (2020: nil).

Awards

	2018-2021 LTIP		2019-2022 LTIP	2020-2022 LTIP	
	Grant A	Grant B	Grant A	Grant A	Grant B
Fair value per share (£)	5.55	5.56	6.02	4.66	6.03
Number of participants	15	5	28	1	1
Initial award	151,859	633,372	758,782	50,000	100,000
Dividend shares	3,267	11,832	18,033	917	548
Lapses and forfeitures	(65,215)	(316,686)	(212,788)	—	—
Potential to vest as at 31 March 2021	**89,911**	**328,518**	**564,027**	**50,917**	**100,548**
Potential to vest as at 31 March 2020	134,154	636,080	—	—	—

The grant date fair value of the LTIP options granted in the year assuming they are to vest in full is $1.2 million (2020: $5.7 million). The exercise price is nil.

The grant date fair value of the VCS of £3.54 was determined using the following factors in the binomial pricing model:

Asset price	£4.50
Exercise price	nil
Expected volatility	31.5%
Option life	2.43
Risk-free rate	0.14%
Dividend yield	2%

The expected volatility is based on the Group's historical three year volatility. The number of participants in the VCS currently is 87.

LTIP 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.

	Weighting	Threshold	Stretch
2019-2022 scheme			
EPS[a]	100%	CAGR[b] 10%	CAGR[b] 17.0%

(a) EPS before Board approved Adjusting items.
(b) Compound annual growth rate.

In light of Covid-19, the Remuneration Committee revisited the performance targets associated with the 2018-2021 scheme and a revision was made in recognition of the impact of Covid-19 on the original metrics (being CAGR of EPS). The revised metrics set a target Adjusted profit before tax and average leverage. If this target was met, 50% of the award would vest. If the metric was exceeded, the award would vest on a straight line basis up to a maximum award of 75%. The Committee also concluded during the year that the super stretch element of the 2018-2021 scheme had fully lapsed. The Remuneration Committee has final discretion over the vesting of any of the schemes.

Further detailed discussion took place around the criteria for the 2019-2022 scheme and following the same principles as the 2018-2021 scheme, it was decided to revisit the performance criteria. It was also decided to remove the Executive Directors' super stretch target. Revisions to metrics had not been decided upon by 31 March 2021, however they have subsequently been amended to an Adjusted profit before tax metric relating to the financial year 2022.

The 2020-2022 scheme (granted to two individuals only) has a service condition only (1 April 2020 to 30 June 2022).

VCS performance targets

The VCS is based on an achievement of a minimum 7.5% CAGR on the opening valuation of the Company over a three year performance period from 1 April 2020 to 31 March 2023. In addition, a performance underpin is included such that, ordinarily, no VCS awards will vest unless the Adjusted profit before tax for the twelve months to 31 March 2023 meets a set target.

The closing market capitalisation will be based on the volume weighted average share price over the period of 30 days following announcement of the audited results for the twelve months ending on 31 March 2023. Appropriate adjustments shall be made in respect of any capital raised from or returned to shareholders during the measurement period.

Following the calculation of the VCS Pool, each participant's allocation will be converted into a number of ordinary shares in the Company by reference to the share price used to determine the size of the VCS Pool.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

23 Employee benefits continued

Scheme details for plans in vesting periods during the year continued

Share-based payments charges

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

	2021 $000	2020 $000
Charge in relation to the 2017-2020 LTIP scheme	—	477
Charge/(credit) in relation to the 2018-2021 LTIP scheme	2,951	(764)
Charge in relation to the 2019-2022 LTIP scheme	—	—
Charge in relation to the 2020-2022 LTIP scheme	229	—
Charge in relation to the VCS	488	—
Equity-settled share-based payments charge/(credit)	3,668	(287)
Social security charge	524	35
Total equity-settled share-based payments charge/(credit)	4,192	(252)

Deferred tax assets are recognised on share-based payment schemes (see note 11).

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 $1.3 million (2020: $1.0 million).

24 Financial instruments

Derivative financial assets

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 2021, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of $207,000 (2020: $412,000) and a liability of $293,000 (2020: $9,000).

Derivative financial instruments

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

Fair value hierarchy

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

b) Credit risk

Financial risk management

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

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

The 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 $254.5 million (2020: $186.2 million) 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 reporting segment was:

	2021 $000	2020 $000
Americas	94,484	75,183
International	21,374	21,185
	115,858	96,368

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:

	2021			2020		
	Expected loss rate %	Gross $000	Provisions for doubtful debts $000	Expected loss rate %	Gross $000	Provisions for doubtful debts $000
Not past due	0.1	76,709	(105)	8.0	77,757	(6,234)
Past due 0-60 days	7.4	26,057	(1,930)	11.1	22,305	(2,478)
61-90 days	15.7	6,657	(1,045)	33.6	2,449	(823)
More than 90 days	42.0	16,413	(6,898)	64.4	9,532	(6,140)
	7.9	125,836	(9,978)	14.0	112,043	(15,675)

There were no unimpaired balances outstanding at 31 March 2021 (2020: $nil) where the Group had renegotiated the terms of the trade receivable. The movement year-on-year relates to assets impaired as at 31 March 2020 due to Covid-19 that have been utilised or released as no longer required during the year to 31 March 2021.

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 Group's trade receivables are unlikely to extend past twelve months and, as such, for the purposes of expected credit loss modelling, the lifetime expected credit loss impairments recognised are the same as a twelve month expected credit loss.

There have been no significant credit risk movements since initial recognition of impairments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

24 Financial instruments continued

Derivative financial assets continued

b) Credit risk continued

Expected credit loss assessment continued

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

	2021 $000	2020 $000
Balance at 1 April	**15,675**	7,891
Charge for the year	**2,295**	8,261
Unused amounts reversed	**(4,103)**	(1,313)
Acquisition of businesses	**—**	2,231
Amounts utilised	**(4,000)**	(1,210)
Effects of movement in foreign exchange	**111**	(185)
Balance at 31 March	**9,978**	15,675

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

Liquidity risk is the risk that the Group, although solvent, will encounter difficulties in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. 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 2021 are set out in note 15.

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

31 March 2021	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							
Other financial liabilities[(a)]	18	59,502	(59,502)	(43,976)	(15,279)	(122)	(125)
Lease liabilities[(a)]	10	113,922	(129,399)	(22,729)	(20,125)	(44,212)	(42,333)
Trade payables[(a)]	19	107,588	(107,588)	(107,588)	—	—	—
Other payables[(a)]	19	13,175	(13,175)	(13,175)	—	—	—
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the hedging reserve[(a)]		293	(2,100)	(2,100)	—	—	—
		294,480	(311,764)	(189,568)	(35,404)	(44,334)	(42,458)

(a) Measured at Level 2.

31 March 2020	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)]	15	987	(1,018)	(571)	(447)	—	—
Other financial liabilities[(b)]	18	54,768	(54,768)	(47,984)	(6,753)	(28)	(3)
Lease liabilities[(b)]	10	95,413	(109,542)	(20,145)	(18,294)	(40,050)	(31,053)
Trade payables[(b)] (restated)[(c)]	19	111,311	(111,311)	(111,311)	—	—	—
Other payables[(b)]	19	9,345	(9,345)	(9,345)	—	—	—
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the hedging reserve[(b)]		9	(4,500)	(4,500)	—	—	—
		271,833	(290,484)	(193,856)	(25,494)	(40,078)	(31,056)

(a) Nominal interest rate 4.49%.
(b) Measured at Level 2.
(c) For more detail please refer to note 1.

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

	31 March 2021				31 March 2020			
	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	**—**	**—**	**—**	**—**	987	(1,018)	—	(1,018)
Corporate revolving credit facilities	**—**	**—**	**(97,136)**	**(97,136)**	—	—	(97,025)	(97,025)
Bank overdraft	**—**	**—**	**(5,002)**	**(5,002)**	—	—	(4,441)	(4,441)
	—	**—**	**(102,138)**	**(102,138)**	987	(1,018)	(101,466)	(102,484)

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 was $292.0 million (2020: $281.4 million).

At 31 March 2021 the facility amounted to $97.1 million (2020: $97.0 million).

Additional facilities were available at other banks of $5.0 million (2020: $4.4 million).

On 28 May 2021 the Group banking facilities were extended to run to June 2023, see note 15 for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

24 Financial instruments continued

Derivative financial assets continued

d) Cash flow hedges

The following derivative financial instruments were designated as cash flow hedges:

Forward exchange contracts carrying amount	2021 $000	2020 $000
Derivative financial assets	**207**	412
Derivative financial liabilities	**(293)**	(9)

The Group has forward currency hedging contracts outstanding at 31 March 2021 designated as hedges of expected future purchases in US dollars and Chinese renminbi and sales in euros for which the Group has firm commitments, as the derivatives are based on forecasts and an economic relationship exists at the time the derivative contracts are taken out.

The terms of the forward currency hedging contracts have been negotiated to match the terms of the commitments. All contracts outstanding at the year end crystallise within twelve months of the balance sheet date at average prices of 1.23 for US dollar contracts (2020: 1.11), 6.56 for Chinese renminbi contracts (2020: 7.09) and not applicable for euro contracts (2020: 1.14). At the year end the Group held $13.2 million (2020: $9.6 million), RMB 42.0 million (2020: RMB 31.9 million) and €nil (2020: €0.9 million) in hedge relationships.

When assessing the effectiveness of any derivative contracts, the Group assesses sources of ineffectiveness which include movements in volumes or timings of the hedged cash flows.

The cash flow hedges of the expected future purchases in 2021 were assessed to be highly effective and as at 31 March 2021 a net unrealised loss of $1.3 million (2020: $657,000 gain) with related deferred tax credit of $nil (2020: $nil) was included in other comprehensive income in respect of these hedging contracts. Amounts relating to ineffectiveness recorded in the income statement in the year were $nil (2020: $nil).

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 2021	Note	US dollar $000	Sterling $000	Euro $000	Other $000	Total $000
Long-term assets	13	5,721	—	—	—	5,721
Cash and cash equivalents	14	101,602	10,227	4,556	16,375	132,760
Trade receivables	13	95,336	9,947	6,233	4,342	115,858
Derivative financial assets		—	206	—	1	207
Bank overdrafts	14	(41,582)	(11,594)	(3,857)	—	(57,033)
Loan arrangement fees	15	—	723	—	—	723
Trade payables	19	(83,908)	(11,769)	(7,898)	(4,013)	(107,588)
Other payables	19	(11,650)	(703)	(611)	(211)	(13,175)
Balance sheet exposure		65,519	(2,963)	(1,577)	16,494	77,473

31 March 2020	Note	US dollar $000	Sterling $000	Euro $000	Other $000	Total $000
Long-term assets	13	6,223	—	—	—	6,223
Cash and cash equivalents	14	62,293	9,905	3,325	7,677	83,200
Trade receivables	13	76,895	9,700	6,312	3,461	96,368
Derivative financial assets		—	246	—	166	412
Secured bank loans	15	—	—	—	(987)	(987)
Bank overdrafts	14	(18,053)	—	(12,906)	(44)	(31,003)
Loan arrangement fees	15	—	1,209	—	—	1,209
Trade payables (restated)[a]	19	(89,687)	(10,984)	(7,856)	(2,784)	(111,311)
Other payables	19	(7,429)	(936)	(784)	(196)	(9,345)
Balance sheet exposure		30,242	9,140	(11,909)	7,293	34,766

(a) For more detail please refer to note 1.

The following significant exchange rates applied to US dollar during the year:

	Average rate		31 March spot rate	
	2021	2020	**2021**	2020
Euro	**0.85**	0.90	**0.85**	0.90
Pound sterling	**0.76**	0.79	**0.73**	0.81

Sensitivity analysis

A 10% weakening of the following currencies against US dollar at 31 March 2021 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 2020.

	Equity		(Loss)/profit	
	2021 $000	2020 $000	**2021 $000**	2021 $000
Euro	**(143)**	(1,083)	**(14)**	28
Pound sterling	**(269)**	831	**—**	94

On the basis of the same assumptions, a 10% strengthening of the above currencies against US dollar at 31 March 2021 would have affected equity and profit or loss by the following amounts:

	Equity		Profit/(loss)	
	2021 $000	2020 $000	**2021 $000**	2020 $000
Euro	**175**	1,323	**17**	(34)
Pound sterling	**329**	(1,016)	**—**	(115)

Profile

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

Variable rate instruments	Note	**2021 $000**	2020 $000
Financial assets		**132,760**	83,200
Financial liabilities		**(57,033)**	(31,990)
Net cash	14	**75,727**	51,210

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 and financial instruments at fair value through profit or loss. The analysis is performed on the same basis for 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

24 Financial instruments continued
Derivative financial assets continued
e) Market risk continued
Sensitivity analysis

	2021 $000	2020 $000
Equity		
Increase	**379**	256
Decrease	**—**	—
Profit or loss		
Increase	**379**	256
Decrease	**—**	—

f) Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, customer 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 the Group's 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	2021 $000	2020 $000
Net equity attributable to owners of the Parent Company		**383,522**	371,200
Net cash	14	**(76,450)**	(52,419)
Trading capital		**307,072**	318,781

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

25 Capital commitments

At 31 March 2021, the Group had outstanding authorised capital commitments to purchase plant and equipment for $2.7 million (2020: $2.4 million).

26 Related parties

	2021 $000	2020 $000
Sale of goods:		
Hedlunds Pappers Industri AB	**278**	266
Festive Productions Ltd	**14**	9
Hedlund Import AB	**—**	2,825
SA Greetings (Pty) Ltd	**45**	215
	337	3,315
Purchase of goods:		
Mattr Media Ltd	**—**	90
	—	90
Receivables:		
Hedlunds Pappers Industri AB	**7**	—
	7	—
Payables:		
Mattr Media Ltd	**—**	31
	—	31

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 (South African Greetings).

During the prior year the Company paid 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.

Other related party transactions

Directors of the Company and their immediate relatives have an interest in 24% (2020: 27%) of the voting shares of the Company. The shareholdings of Directors and changes during the year are shown in the Directors' report on page 70.

Directors' remuneration

	2021 $000	2020 $000
Short-term employee benefits	**1,874**	1,793
Post-employment benefits	**—**	10
Share-based payments charge/(credit)	**2,266**	(22)
	4,140	1,781

See the Directors' remuneration report on pages 64 to 69 for more detail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

27 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.

	2021			2020		
Non-controlling interest – balance sheet as at 31 March	Australia $000	APP $000	Total $000	Australia $000	APP $000	Total $000
Non-current assets	11,146	177	11,323	10,591	238	10,829
Current assets	19,525	8,328	27,853	11,492	3,117	14,609
Current liabilities	(8,757)	(6,462)	(15,219)	(6,197)	(3,414)	(9,611)
Non-current liabilities	(6,066)	—	(6,066)	(6,603)	(76)	(6,679)

	2021			2020		
Non-controlling interest – comprehensive income for the year ended 31 March	Australia $000	APP $000	Total $000	Australia $000	APP $000	Total $000
Revenue	43,995	21,084	65,079	41,071	18,937	60,008
Profit/(loss) after tax	4,399	1,307	5,706	1,885	(953)	932
Total comprehensive income/(expense)	6,564	1,307	7,871	2,027	(953)	1,074

	2021			2020		
Non-controlling interest – cash flow for the year ended 31 March	Australia $000	APP $000	Total $000	Australia $000	APP $000	Total $000
Net increase in cash and cash equivalents	4,990	1,184	6,174	403	10	413

	2021			2020		
Non-controlling interest	Australia $000	APP $000	Total $000	Australia $000	APP $000	Total $000
Balance as at 1 April	4,643	—	4,643	4,863	403	5,266
Share of profits for the year	2,200	34	2,234	942	—	942
Other comprehensive (expense)/income	(94)	—	(94)	71	—	71
Recognition/(derecognition) of non-controlling interest	—	539	539	—	(403)	(403)
IFRS 16 retained earnings adjustment	—	—	—	(572)	—	(572)
Currency translation	1,175	—	1,175	(661)	—	(661)
Balance as at 31 March	7,924	573	8,497	4,643	—	4,643

28 Acquisitions and disposals of subsidiaries

Acquisitions in the prior year

On 3 March 2020, the Group acquired 100% of the equity of CSS Industries, Inc. ('CSS').

Effect of acquisition of CSS – adjustment to provisional accounting

	Provisional fair values recognised on acquisition $000	Adjustments within the measurement period $000	Final fair values recognised on acquisition $000
Property, plant and equipment	40,570	(878)	39,692
Right-of-use assets	40,650	—	40,650
Intangible assets	5,960	—	5,960
Inventories	56,630	27,503	84,133
Trade and other receivables	65,296	—	65,296
Expected credit loss	(2,231)	—	(2,231)
Cash and cash equivalents	10,538	—	10,538
Trade and other payables	(75,186)	1,306	(73,880)
Provisions	(5,167)	(329)	(5,496)
Income taxes	(3,828)	—	(3,828)
Deferred tax	8,797	(3,312)	5,485
Lease liabilities	(47,344)	—	(47,344)
Net identifiable assets and liabilities	**94,685**	**24,290**	**118,975**
Consideration paid in cash	122,789	—	122,789
Total consideration	122,789	—	122,789
Goodwill	**28,104**	**(24,290)**	**3,814**

Fair value adjustments were made to property, plant and equipment, inventories, provisions and deferred tax assets acquired. The provisional accounting was undertaken for the year ended 31 March 2020 and given the proximity of the acquisition on 3 March to the reporting date, the accounting was therefore by its very nature provisional and based on limited knowledge of the business at the time. In addition, Covid-19 was prevalent and created significant uncertainty. As such, this uncertainty was built into the provisional accounting and a very cautious view was taken, in particular around inventory.

The adjustments made during the measurement period to inventory reflect an alignment of accounting policies between the two businesses, along with an adjustment to cautious inventory provisions based on sell-through of provided products during the measurement period. The other adjustments included a revisit of the fair values of plant and machinery and the release of contingent liabilities in relation to potential environmental claims. Deferred tax was adjusted as a result of the overall adjustment to provisional opening balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

28 Acquisitions and disposals of subsidiaries continued

Disposals in the previous year

On 24 February 2020, the Group divested of its operations in Shaoxing.

In the year to 31 March 2021 additional costs associated with the disposal were incurred of $208,000.

The disposal proceeds, net liabilities disposed of and gains arising from the movement in foreign currency exchange from the divestment of the Shaoxing business were as follows:

	$000
Property, plant and equipment	133
Right-of-use assets	572
Inventories	788
Trade and other receivables	696
Corporation tax	(3,187)
Trade and other payables	(548)
Provisions	(198)
Lease liabilities	(623)
	(2,367)
Gain on disposal calculated as:	
Disposal proceeds	122
Net liabilities disposed	2,367
	2,489
Transaction costs	(246)
Tax on sale of business (including Chinese withholding tax)	(365)
Reclassification of gains from movement in foreign currency exchange	(42)
	1,836
Disposal proceeds	
Satisfied by:	
Cash consideration	122
Deferred consideration	(122)
Net cash inflow from disposals of businesses	—

29 Non-adjusting post balance sheet events

There were no known material non-adjusting events which occurred between the end of the reporting period and prior to the authorisation of these financial statements on 14 June 2021.

30 Presentation currency

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

Detailed below are the key primary statements with both pound sterling and US dollar comparatives for the year ended 31 March 2020 and as at 31 March 2020.

Consolidated income statement

	Year ended 31 Mar 2020 $000	Year ended 31 Mar 2020 £000
Revenue	**624,340**	494,234
Cost of sales	**(530,109)**	(419,131)
Gross profit	**94,231**	75,103
Selling expenses	**(33,766)**	(26,523)
Administration expenses	**(58,868)**	(46,409)
Other operating income	**927**	735
Profit on disposal of property, plant and equipment	**246**	188
Profit on disposal of subsidiary	**1,836**	1,486
Operating profit	**4,606**	4,580
Finance expenses	**(5,479)**	(4,317)
(Loss)/profit before tax	**(873)**	263
Income tax credit	**18,276**	14,547
Profit for the period	**17,403**	14,810
Attributable to:		
Owners of the Parent Company	**16,461**	14,060
Non-controlling interests	**942**	750

Earnings per ordinary share

	Year ended 31 Mar 2020	Year ended 31 Mar 2020
Basic	**19.9c**	17.0p
Diluted	**19.8c**	16.9p

Adjusted earnings per ordinary share

	Year ended 31 Mar 2020	Year ended 31 Mar 2020
Basic	**32.8c**	27.0p
Diluted	**32.7c**	26.9p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

30 Presentation currency continued

Executive review income statement

	Year ended 31 Mar 2020 $m	Year ended 31 Mar 2020 £m
Revenue	**624.3**	494.2
Gross profit	**114.1**	90.9
Overheads	**(73.2)**	(57.5)
Adjusted operating profit	**40.9**	33.4
Finance expenses	**(5.5)**	(4.3)
Adjusted profit before tax	**35.4**	29.1
Adjusting items	**(36.3)**	(28.8)
(Loss)/profit before tax	**(0.9)**	0.3
Income tax credit	**18.3**	14.5
Profit for the period	**17.4**	14.8

Consolidated balance sheet

	Restated[a] As at 31 Mar 2020 $000	Restated[a] As at 31 Mar 2020 £000
Non-current assets		
Property, plant and equipment	**91,744**	73,987
Intangible assets	**116,214**	93,720
Right-of-use assets	**82,742**	66,728
Long-term assets	**6,223**	5,019
Deferred tax assets	**18,135**	14,624
Total non-current assets	**315,058**	254,078
Current assets		
Inventory	**169,414**	136,625
Trade and other receivables	**110,047**	88,748
Income tax receivable	**18,377**	14,820
Derivative financial assets	**412**	332
Cash and cash equivalents	**83,200**	67,098
Total current assets	**381,450**	307,623
Total assets	**696,508**	561,701

	Restated[a] As at 31 Mar 2020 $000	Restated[a] As at 31 Mar 2020 £000
Equity		
Share capital	5,974	4,818
Share premium	213,755	172,383
Capital redemption reserve	1,662	1,340
Merger reserve	40,175	32,399
Hedging reserve	320	258
Translation reserve	(4,389)	7,383
Retained earnings	113,703	80,794
Equity attributable to owners of the Parent Company	371,200	299,375
Non-controlling interests	4,643	3,744
Total equity	375,843	303,119
Non-current liabilities		
Loans and borrowings	(219)	(177)
Lease liabilities	78,418	63,241
Deferred income	561	452
Provisions	5,161	4,163
Other financial liabilities	6,784	5,471
Deferred tax liabilities	4,626	3,730
Total non-current liabilities	95,331	76,880
Current liabilities		
Bank overdraft	31,003	25,004
Loans and borrowings	(3)	(2)
Lease liabilities	16,995	13,705
Deferred income	162	131
Provisions	3,046	2,456
Income tax payable	5,482	4,399
Trade and other payables	120,656	97,304
Other financial liabilities	47,993	38,705
Total current liabilities	225,334	181,702
Total liabilities	320,665	258,582
Total equity and liabilities	696,508	561,701

(a) For more detail please refer to note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

30 Presentation currency continued
Consolidated cash flow statement

	Year ended 31 Mar 2020 $000	Year ended 31 Mar 2020 £000
Cash flows from operating activities		
Profit for the year	17,403	14,810
Adjustments for:		
Depreciation and impairment	8,880	6,994
Depreciation of right-of-use assets	8,911	7,014
Amortisation of intangible assets	4,816	3,796
Finance expenses	5,479	4,317
Income tax credit	(18,276)	(14,547)
Profit on disposal of subsidiary	(1,836)	(1,486)
Profit on disposal of property, plant and equipment	(246)	(188)
Loss on disposal of intangible fixed assets	1	1
Equity-settled share-based payments	(252)	(202)
Operating profit after adjustments for non-cash items	24,880	20,509
Change in trade and other receivables	9,841	629
Change in inventory	1,532	705
Change in trade and other payables, provisions and deferred income	1,592	5,913
Cash generated from operations	37,845	27,756
Tax paid	(5,993)	(4,749)
Interest and similar charges paid	(5,090)	(3,996)
Net cash inflow from operating activities	26,762	19,011
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	767	595
Acquisition of businesses (net of cash acquired)	(112,251)	(87,696)
Acquisition of intangible assets	(3,738)	(2,997)
Acquisition of property, plant and equipment	(10,463)	(8,133)
Net cash outflow from investing activities	(125,685)	(98,231)
Cash flows from financing activities		
Proceeds from issue of share capital	152,535	116,924
Repayment of secured borrowings	(1,917)	(1,505)
Net movement in previous credit facilities	48,230	37,976
Repayment of previous credit facilities	(48,230)	(37,976)
Payment of lease liabilities	(8,430)	(6,622)
Loan arrangement fees	(1,571)	(1,234)
Equity dividends paid	(8,975)	(7,104)
Net cash inflow from financing activities	131,642	100,459
Net increase in cash and cash equivalents	32,719	21,239
Cash and cash equivalents at beginning of the period	25,296	19,458
Effect of exchange rate fluctuations on cash held	(5,818)	1,397
Cash and cash equivalents at end of the period	52,197	42,094

Adjusted consolidated cash flow statement

	Year ended 31 Mar 2020 $m	Year ended 31 Mar 2020 £m
Adjusted EBITDA	59.5	48.1
Movements in working capital	(5.3)	(7.5)
Adjusted cash generated from operations	54.2	40.6
Adjusting items	(16.6)	(13.1)
Cash generated from operations	37.6	27.5
Capital expenditure (net of disposals of property, plant and equipment)	(13.7)	(10.7)
Business acquired (including cash on acquisition)	(112.3)	(87.7)
Tax paid	(6.0)	(4.7)
Interest paid	(5.1)	(4.0)
Payments of lease liabilities	(8.4)	(6.6)
Dividends paid (including those paid to non-controlling interests)	(9.0)	(7.1)
Proceeds from issue of share capital	152.5	116.9
FX and other	(5.4)	1.6
Movement in net cash	30.2	25.2
Opening net cash	22.2	17.1
Closing net cash	52.4	42.3

Consolidated statement of comprehensive income

	Year ended 31 Mar 2020 $000	Year ended 31 Mar 2020 £000
Profit for the period	17,403	14,810
Other comprehensive income:		
Exchange difference on translation of foreign operations (net of tax)	3,112	5,450
Recycling translation reserves on disposal of subsidiary	42	34
Transfer to profit and loss on maturing cash flow hedges (net of tax)	(490)	(377)
Net unrealised gain on cash flow hedges (net of tax)	657	517
Other comprehensive income for the period, net of tax items which may be reclassified to profit and loss in subsequent periods	3,321	5,624
Total comprehensive income for the year, net of tax	20,724	20,434
Attributable to:		
Owners of the Parent Company	20,372	19,976
Non-controlling interests	352	458
	20,724	20,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

30 Presentation currency continued
Consolidated statement of changes in equity
Year ended 31 March 2020 – US dollar

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

Consolidated statement of changes in equity

Year ended 31 March 2020 – Pound sterling

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

COMPANY BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	2	**–**	67
Tangible assets	3	**68**	3
Investments	4	**213,858**	213,107
Deferred tax	5	**2,998**	2,113
Total non-current assets		**216,924**	215,290
Current assets			
Debtors – due within one year	6	**1,095**	875
Debtors – due after more than one year	7	**26,924**	27,374
Cash at bank and in hand	8	**30,657**	18,588
Total current assets		**58,676**	46,837
Creditors: amounts falling due within one year	9	**(42,231)**	(23,200)
Net current assets		**16,445**	23,637
Total assets less current liabilities		**233,369**	238,927
Provisions for liabilities	10	**(90)**	(58)
Net assets		**233,279**	238,869
Capital and reserves			
Called up share capital	11	**4,843**	4,818
Share premium account		**172,383**	172,383
Capital redemption reserve		**1,340**	1,340
Merger reserve		**32,399**	32,399
Hedging reserve		**9**	198
Profit and loss account		**22,305**	27,731
Total equity		**233,279**	238,869

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

The Company made a profit in the year of £109,000 (2020: £889,000).

The financial statements on pages 136 to 151 were approved by the Board of Directors on 14 June 2021 and were signed on its behalf by:

Paul Fineman
Director

Giles Willits
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2021

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2019	3,918	56,323	1,340	32,399	110	34,081	128,171
Profit for the year	—	—	—	—	—	889	889
Other comprehensive income	—	—	—	—	88	—	88
Total comprehensive income	—	—	—	—	88	889	977
Transactions with owners in their capacity as owners							
Equity-settled share-based payments (note 12)	—	—	—	—	—	(42)	(42)
Tax on equity-settled share-based payments (note 5)	—	—	—	—	—	132	132
Share options charge relating to subsidiary employees (note 4)	—	—	—	—	—	(189)	(189)
Shares issued (note 11)	864	116,060	—	—	—	—	116,924
Options exercised (note 11)	36	—	—	—	—	(36)	—
Equity dividend paid (note 17)	—	—	—	—	—	(7,104)	(7,104)
At 31 March 2020	4,818	172,383	1,340	32,399	198	27,731	238,869
Profit for the year	**—**	**—**	**—**	**—**	**—**	**109**	**109**
Other comprehensive income	**—**	**—**	**—**	**—**	**(189)**	**—**	**(189)**
Total comprehensive income	**—**	**—**	**—**	**—**	**(189)**	**109**	**(80)**
Transactions with owners in their capacity as owners							
Equity-settled share-based payments (note 12)	**—**	**—**	**—**	**—**	**—**	**1,427**	**1,427**
Tax on equity-settled share-based payments (note 5)	**—**	**—**	**—**	**—**	**—**	**158**	**158**
Share options charge relating to subsidiary employees (note 4)	**—**	**—**	**—**	**—**	**—**	**1,359**	**1,359**
Options exercised (note 11)	**25**	**—**	**—**	**—**	**—**	**(25)**	**—**
Equity dividend paid (note 17)	**—**	**—**	**—**	**—**	**—**	**(8,454)**	**(8,454)**
At 31 March 2021	**4,843**	**172,383**	**1,340**	**32,399**	**9**	**22,305**	**233,279**

Within the profit and loss account is a cumulative amount of £4.0 million (2020: £2.6 million) which is unrealised in respect of share options granted to subsidiary employees. See the consolidated statement of changes in equity for descriptions of reserves.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

1 Accounting policies – Company

a. Basis of preparation

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

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

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The Company is applying Sections 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments. The presentation and functional currency of these financial statements is pound 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 16.

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.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

Measurement convention

The financial statements are prepared on the historical cost basis except for the recognition of certain financial assets and liabilities measured at fair value.

Going concern

See note 1 to the Group accounting policies on page 87 to 94. 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.

b. Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into pound sterling at the exchange rate prevailing at that date and recognised in the income statement unless hedge accounting criteria apply (see policy for financial instruments).

c. 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 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.

d. Investments in subsidiaries

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

e. 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 in the cash flow statement.

f. 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.

g. 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.

h. Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Software 3-5 years

i. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

- Fixtures and fittings 3-5 years

j. 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.

k. 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.

l. Share-based payments

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.

Employer 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 those already vested.

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 the 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

1 Accounting policies – Company continued

j. 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.

k. 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.

l. 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.

m. 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.

2 Intangible assets

Software	2021 £000	2020 £000
Cost		
Balance at 1 April	**153**	86
Additions	**—**	67
Disposal	**(67)**	—
Balance at 31 March	**86**	153
Accumulated amortisation and impairment		
Balance at 1 April	**(86)**	(86)
Amortisation charge for the year	**—**	—
Balance at 31 March	**(86)**	(86)
Net book value at 31 March	**—**	67

3 Tangible assets

Fixtures and fittings	2021 £000	2020 £000
Cost		
Balance at 1 April	**181**	178
Additions	**66**	3
Balance at 31 March	**247**	181
Accumulated depreciation and impairment		
Balance at 1 April	**(178)**	(176)
Depreciation charge for the year	**(1)**	(2)
Balance at 31 March	**(179)**	(178)
Net book value at 31 March	**68**	3

4 Investments

	Shares in Group undertakings £000	Loans to Group undertakings £000	Total £000
Cost			
At 1 April 2019	41,445	5,845	47,290
Additions – share option charge relating to subsidiary employees	(189)	—	(189)
Additions – investment in subsidiary	168,383	—	168,383
Effects of movement in foreign exchange	—	283	283
At 31 March 2020	209,639	6,128	215,767
Additions – share option charge relating to subsidiary employees	1,359	—	1,359
Effects of movement in foreign exchange	—	(608)	(608)
At 31 March 2021	**210,998**	**5,520**	**216,518**
Provisions			
At 31 March 2020 and 2021	**(2,660)**	**—**	**(2,660)**
Net book value			
At 31 March 2021	**208,338**	**5,520**	**213,858**
At 31 March 2020	206,979	6,128	213,107

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

4 Investments continued

The Company has the following investments in subsidiaries:

	Country of incorporation	Percentage of ordinary shares held 2021	Percentage of ordinary shares held 2020
Trading companies			
Anchor International BV Registered office: Voltastraat 12, 3281 NG Numansdorp, The Netherlands	Netherlands	**100**[(a)]	100[(a)]
Anker Play Products, LLC Registered office: 5555 Glenridge Connector, Suite 300, Atlanta, GA 30342, USA	USA	**51**[(a)]	51[(a)]
Berwick Management LLC Registered office: Bomboy Lane & Ninth Street, Berwick, PA 18603, USA	USA	**100**[(a)]	100[(a)]
Berwick Offray Hong Kong Limited Registered office: 31/F., 148 Electric Road, North Point, Hong Kong	Hong Kong	**100**[(a)]	100[(a)]
Berwick Offray LLC Registered office: 2015 West Front Street, Berwick, Pennsylvania 18603, USA	USA	**100**[(a)]	100[(a)]
BOC Distribution Inc Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100**[(a)]	100[(a)]
C.R. Gibson, LLC Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100**[(a)]	100[(a)]
British Trimmings Limited Registered office: 1 Coronation Point, Coronation Street, South Reddish, Stockport, Cheshire, SK5 7PL, UK	Great Britain	**100**[(a)]	100[(a)]
C.R. Gibson Pacific Rim Limited Registered office: 31/F., 148 Electric Road, North Point, Hong Kong	Hong Kong	**100**[(a)]	100[(a)]
CRG Distribution, Inc Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100**[(a)]	100[(a)]
Greetings Ningbo Business Consulting Limited Registered office: 13-8, Building 003, No 3, 5 and 6 of Century Oriental Business Plaza, Yinzhou, Ningbo, China	China	**100**[(a)]	100[(a)]
CSS Industries, Inc Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100**[(a)]	100[(a)]
CSS Pacific Rim Limited Registered office: 31/F., 148 Electric Road, North Point, Hong Kong	Hong Kong	**100**[(a)]	100[(a)]
IG Design Group Americas, Inc Registered office: 5555 Glenridge Connector, Suite 300, Atlanta, GA 30342, USA	USA	**100**	100
IG Design Group Australia Pty Limited Registered office: 121 Rayhur Street, Clayton, South Victoria 3169, Australia	Australia	**50**	50
IG Design Group BV Registered office: Industrieweg 62, 7903 AK Hoogeveen, The Netherlands	Netherlands	**100**[(a)]	100[(a)]
IG Design Group UK Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100**[(b)]	100[(b)]
IG Design Group S.p.z.o.o Registered office: Jędrzychowice 116A, 59-900 Zgorzelec, Poland	Poland	**100**[(a)]	100[(a)]

	Country of incorporation	**Percentage of ordinary shares held 2021**	Percentage of ordinary shares held 2020
India Trimmings Private Limited Registered office: Tamil Nadu, Coimbatore, India	India	**100[a]**	100[a]
International Greetings Asia Limited Registered office: 20/F, Times Media Centre, No. 133 Wanchai Road, Hong Kong	Hong Kong	**100**	100
Impact Innovations, Inc Registered office: 233 SE 1st Avenue, Clara City, Minnesota 5622, USA	USA	**100[a]**	100[a]
Impact Innovations Asia Limited Registered office: Flat 11A, Eldex Industrial Building, 21 Ma Tam Wai Road, To Kwa Wan Kowloon, Hong Kong	Hong Kong	**100[a]**	100[a]
Lion Ribbon Company, LLC Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100[a]**	100[a]
McCall Distribution, Inc Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100[a]**	100[a]
McCall Pattern Company Limited Registered office: 3rd Floor, Condor House, 5-10 St. Paul's Churchyard, London, EC4M 8AL, UK	Great Britain	**100[a]**	100[a]
Paper Magic Group, Inc Registered office: 54 Glenmaura National Blvd., Suite 200, Moosic, Pennsylvania 18507, USA	USA	**100[a]**	100[a]
Paper Magic Distribution, Inc Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100[a]**	100[a]
Paper Magic Group (Hong Kong) Limited Registered office: 31/F., 148 Electric Road, North Point, Hong Kong	Hong Kong	**100[a]**	100[a]
Simplicity Creative Corp Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100[a]**	100[a]
Simplicity Limited Registered office: PO Box 367, Coronation Street, Stockport, Cheshire, SK5 7WZ, UK	Great Britain	**100[a]**	100[a]
Simplicity Pty Limited Registered office: Derham Houston Lawyers, Suite 12 Level 12, 37 Bligh Street, Sydney NSW 2000, Australia	Australia	**100[a]**	100[a]
The Huizhou Gift International Greetings Company Limited Registered office: Fuda Industrial Zone, Futian Town, Bolao, Huizho City, Guangdong, China	China	**100[a]**	100[a]
The Lang Companies, Inc Registered office: 5555 Glenridge Connector, Suite 300, Atlanta, GA 30342, USA	USA	**100[a]**	100[a]
The McCall Pattern Company Inc Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100[a]**	100[a]
Wrights Commercial (Shanghai) Co Limited Registered office: Unit E, 12th Floor, Building 1 N, 107, South Zhongshan Er Road, Xuhui District, Shanghai, China	China	**100[a]**	100[a]

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

4 Investments continued

	Country of incorporation	**Percentage of ordinary shares held 2021**	Percentage of ordinary shares held 2020
Non-trading and dormant companies			
Anker International plc Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100[(a)]**	100[(a)]
Belgrave Graphics Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100**	100
Britesparks Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100**	100
British Trimmings (1997) Limited Registered office: 1 Coronation Point, Coronation Street, South Reddish, Stockport, Cheshire, SK5 7PL, UK	Great Britain	**100[(a)]**	100[(a)]
British Trimmings (Leek) Limited Registered office: 1 Coronation Point, Coronation Street, South Reddish, Stockport, Cheshire, SK5 7PL, UK	Great Britain	**100[(a)]**	100[(a)]
British Trimmings (Reddish) Limited Registered office: 1 Coronation Point, Coronation Street, South Reddish, Stockport, Cheshire, SK5 7PL, UK	Great Britain	**100[(a)]**	100[(a)]
Concorde Industries Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**99[(a)]**	99[(a)]
Copywrite Designs Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100**	100
Credit Collection Consultants Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**50[(a)]**	50[(a)]
Dominion Simplicity Patterns Limited 5240 Finch Avenue East, Scarborough, Ontario M1S5A2, Canada	Canada	**100[(a)]**	100[(a)]
Hoopack Hoogeveen BV Registered office: Industrieweg 62, 7903 AK Hoogeveen, The Netherlands	Netherlands	**100[(a)]**	100[(a)]
Howard Industries Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100[(a)]**	100[(a)]
IG Design Group (Lang), Inc Registered office: 5555 Glenridge Connector, Suite 300, Atlanta, GA 30342, USA	USA	**100[(a)]**	100[(a)]
IG Design Group Europe BV Registered office: Industrieweg 62, 7903 AK Hoogeveen, The Netherlands	Netherlands	**100**	100
IG Employee Share Trustee Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100[(b)]**	100[(b)]
Impact Paper Products, LLC Registered office: 233 SE 1st Avenue, Clara City, Minnesota 5622, USA	USA	**100[(a)]**	100[(a)]
Impact Paper Hong Kong Limited Registered office: Flat 11A, Eldex Industrial Building, 21 Ma Tam Wai Road, To Kwa Wan Kowloon, Hong Kong	Hong Kong	**100[(a)]**	100[(a)]
LR Texas Corp Registered office: 350 North St. Paul Street, Suite 2900, Dallas, Texas 75201, USA	USA	**100[(a)]**	100[(a)]
McCall Pattern Service NZ Limited Registered office: Simpson Grierson, 88 Shortland Street, Auckland Central, Auckland, 1010, New Zealand	New Zealand	**100[(a)]**	100[(a)]

	Country of incorporation	**Percentage of ordinary shares held 2021**	Percentage of ordinary shares held 2020
McCall Pattern Service Pty Limited Registered office: Derham Houston Lawyers, Suite 12 Level 12, 37 Bligh Street, Sydney NSW 2000, Australia	Australia	**100(a)**	100(a)
Paper Magic de Mexico, SA de CV No registered address	Mexico	**100(a)**	100(a)
Polaris Plastics Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100(a)**	100(a)
Philadelphia Industries, Inc Registered office: 1105 North Market Street, Wilmington, Delaware 19801, USA	USA	**100(a)**	100(a)
School Supplyline Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100(a)**	100(a)
Scoop Designs Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100(a)**	100(a)
Simplicity Creative Group Limited Registered office: 1 Coronation Point, Coronation Street, South Reddish, Stockport, Cheshire, SK5 7PL, UK	Great Britain	**100(a)**	100(a)
Tom Smith Christmas Crackers Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100(a)**	100(a)
Tom Smith Crackers Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100**	100
Tom Smith Group Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100(b)**	100(b)
Tom Smith Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100**	100
Tom Smith Online Limited Registered office: Howard House, Howard Way, Newport Pagnell, MK16 9PX, UK	Great Britain	**100(a)**	100(a)
Variety Accessories, LLC Registered office: 233 SE 1st Avenue, Clara City, Minnesota 5622, USA	USA	**100(a)**	100(a)
Weltec BV Registered office: Industrieweg 62, 7903 AK Hoogeveen, The Netherlands	Netherlands	**100(a)**	100(a)
Wendy A. Cushing Limited Registered office: 1 Coronation Point, Coronation Street, South Reddish, Stockport, Cheshire, SK5 7PL, UK	Great Britain	**100(a)**	100(a)
Wendy Cushing Trimmings Limited Registered office: 1 Coronation Point, Coronation Street, South Reddish, Stockport, Cheshire, SK5 7PL, UK	Great Britain	**100(a)**	100(a)
W.J.S. Furniture, Inc Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, USA	USA	**100(a)**	100(a)

(a) Indirect holding.
(b) 50% direct/50% indirect holding.

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.

For the year ended 31 March 2021, the Company was entitled to exemption from audit under Section 479A of the Companies Act relating to qualifying subsidiaries. British Trimmings Limited, McCall Pattern Company Limited and Simplicity Limited have not required the Company to obtain an audit of their accounts for the year in question in accordance with Section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

5 Deferred tax

	2021 £000	2020 £000
Accelerated capital allowances	**42**	72
Tax loss carried forward	**1,846**	1,168
Other timing differences	**1,110**	873
	2,998	2,113

Deferred tax is presented net on the balance sheet in so far as a right of offset exists. The net deferred tax asset is £3.0 million (2020: £2.1 million). Deferred tax assets and liabilities are treated as non-current as it expected that they will be recovered or settled more than twelve months after the reporting date.

A total tax credit of £158,000 (2020: £132,000) has been recognised through the statement of changes in equity in respect of share-based payments (consisting of a deferred tax credit and current tax credit of £158,000 (2020: £12,000) and £nil (2020: £120,000) respectively). There are no deferred tax balances with respect to cash flow hedges.

6 Debtors – due within one year

	2021 £000	2020 £000
Trade receivables	**—**	2
Amounts owed by Group undertakings	**345**	98
Financial assets designated at fair value through hedging reserve	**150**	198
Loan arrangement fees	**450**	450
Prepayments and accrued income	**150**	127
	1,095	875

7 Debtors – due after more than one year

	2021 £000	2020 £000
Amounts owed by Group undertakings[a]	**26,849**	26,849
Loan arrangement fees	**75**	525
	26,924	27,374

(a) Attracts interest at market rate and is repayable on 31 July 2022.

8 Cash at bank and in hand

	2021 £000	2020 £000
Cash at bank and in hand	**30,657**	18,588
Bank overdrafts	**(38,625)**	(10,446)
(Net bank overdrafts)/cash and cash equivalents	**(7,968)**	8,142

9 Creditors: amounts falling due within one year

	Note	2021 £000	2020 £000
Bank loans and overdrafts	8	**38,625**	10,446
Trade creditors		**268**	1,393
Amounts owed to Group undertakings		**946**	8,398
Other taxation and social security		**105**	91
Accruals and deferred income		**2,287**	2,872
		42,231	23,200

Refer to note 15 of the Group's financial statements for more details of the terms of the bank borrowings.

10 Provisions for liabilities

	2021 £000	2020 £000
Balance at 1 April	**58**	115
Provisions made in the year	**32**	8
Provisions released in the year	**—**	(53)
Provisions used during the year	**—**	(26)
Unwinding of discounted amount	**—**	14
Balance at 31 March	**90**	58

The provision relates to dilapidations of a property lease that expires in August 2021.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

11 Called up share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
96,857,638 (2020: 96,366,799) ordinary shares of 5p each	**4,843**	4,818

Of the 96.9 million (2020: 96.4 million) shares in the Company, 31,000 (2020: 31,000) are held by the International Greetings Employee Benefit Trust.

Refer to note 20 of the Group's financial statements for details of movements in share capital.

12 Share-based payments
Refer to note 23 of the Group's financial statements for details of share-based payments.

13 Financial instruments
(a) Carrying amount of financial instruments
The carrying amounts of the financial assets and liabilities include:

	2021 £000	2020 £000
Assets measured at fair value through the hedging reserve	**150**	198
Assets measured at amortised cost	**57,851**	45,633
Liabilities measured at fair value through the hedging reserve	**(141)**	—
Liabilities measured at amortised cost	**(39,839)**	(20,237)
	18,021	25,594

(b) Financial instruments measured at fair value
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.

(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.

	2021			2020		
	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	**150**	**5,352**	**5,352**	198	9,565	9,565
Liabilities	**(141)**	**4,199**	**4,199**	—	—	—
	9	**9,551**	**9,551**	198	9,565	9,565

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 2021 was £9,000 (2020: £198,000) recognised in other comprehensive income.

The amount recognised in the profit and loss account for the year was £nil (2020: £nil).

(d) Fair values

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

	Fair value 2021 £000	Fair value 2020 £000
Forward exchange contracts:		
Assets	**150**	198
Liabilities	**(141)**	—
	9	198

14 Contingencies

The Company has given, together with certain of its subsidiary undertakings, a composite joint and several guarantee in respect of the Group facility provided by HSBC, NatWest, Citigroup (who replaced BNP Paribas), Truist Bank (as successor by merger to SunTrust Bank) and PNC of itself and its subsidiaries. At 31 March 2021, the Company had cash of £30.7 million (2020: £18.6 million) which offset net borrowings elsewhere in the Group of £41.4 million (2020: £25.0 million). Therefore, the total of this guarantee at the year end, in relation to the Company only, was £41.4 million (2020: £25.0 million).

The Company has given HSBC Bank (China) Company Ltd a guarantee of RMB15.4 million (£1.7 million) and $3.8 million (£2.8 million) on behalf of its subsidiary The Huizhou Gift International Greetings Company Limited.

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 $5.9 million (£4.2 million) and in Hong Kong $18.5 million (£13.4 million) on behalf of the Group's trading subsidiaries in those countries.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2021

15 Related parties

Identity of related parties with which the Company has transacted:

Group undertakings:

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

Related party transactions – transactions with key management

	2021 £000	2020 £000
Short-term employee benefits	**1,425**	1,407
Post-employment benefits	**—**	8
Share-based payment	**1,722**	(17)
	3,147	1,398

Related party transactions – transactions with Group undertakings

	2021 £000	2020 £000
Management recharges	**1,652**	1,703
Receivables outstanding	**27,194**	26,947
Creditors outstanding	**(946)**	(8,398)

During the year the Company paid £nil (2020: £71,000) for marketing services to Mattr Media Ltd, a company controlled by Joshua Fineman, who is the son of the Group CEO, and had an outstanding unpaid balance of £nil (2020: £25,000).

16 Accounting estimates and judgements

Management does not consider that there are any significant accounting estimates or judgements other than:

(i) Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. Estimates are required in determining the Company'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.

17 Dividends paid and proposed

A final dividend for year ending 31 March 2020 was paid on 9 November 2020. An interim dividend was paid on 15 January 2021. The Directors are recommending the payment of a final dividend of 5.75p in respect of the year ended 31 March 2021 (2020: 5.75p). If approved, it will be paid in October 2021 to shareholders on the register at the close of business on 10 September 2021.

Dividends paid in the year	**2021** Pence per share	**2021** £000	2020 Pence per share	2020 £000
Final equity dividend for prior year	**5.75**	**5,551**	6.00	4,732
Interim equity dividend for current year	**3.00**	**2,903**	3.00	2,372
Dividends paid in the year		**8,454**		7,104

Proposed for approval at Annual General Meeting	**2021** Pence per share	**2021** £000	2020 Pence per share	2020 £000
Final equity dividend for current year	**5.75**	**5,569**	5.75	5,541

18 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year was 17 (2020: 17), all relating to management and administration.

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	**1,881**	1,844
Share-based payments	**1,769**	(20)
Social security costs	**240**	246
Other pension costs	**89**	101
	3,979	2,171

For information on Directors' remuneration please refer to the section titled 'Directors' remuneration' within the Directors' remuneration report (pages 64 to 69), which form part of these audited financial statements.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	**25**	56
Between one and five years	**3**	28
More than five years	**—**	—
	28	84
Operating lease expense in the income statement	**57**	54

ADVISERS

Registered office

Howard House
Howard Way
Interchange Park
Newport Pagnell
MK16 9PX

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

Visit us online at
thedesigngroup.com

Financial and nominated adviser and broker

Canaccord Genuity Limited

88 Wood Street
London EC2V 7QR

Independent auditor

PricewaterhouseCoopers LLP

40 Clarendon Road
Watford
Hertfordshire WD17 1JJ

Public relations

Alma PR

71-73 Carter Lane
London EC4V 5EQ

Share registrar

Link Group

10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

By phone:
UK – 0371 664 0300
Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

By email: enquiries@linkgroup.co.uk

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

This report is printed on Amadeus Silk which is made of FSC® certified and other controlled material. It is also Carbon Balanced with the World Land Trust, an international conservation charity, who offset emissions through the purchase and preservation of high conservation value land. It is manufactured in accordance with ISO certified standards for environmental, quality and energy management. Printed sustainably in the UK by Pureprint, a CarbonNeutral® company with FSC® chain of custody and an ISO 14001 certified environmental management system recycling 100% of all dry waste.

Designed and produced by
lyonsbennett
www.lyonsbennett.com

WORLD LAND TRUST™
www.carbonbalancedpaper.com





IG Design Group plc
Howard House
Howard Way
Interchange Park
Newport Pagnell MK16 9PX
T +44 (0)1525 887 310

thedesigngroup.com