2023

IG Design Group plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

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 2023.

Financials – Company

The Company's financial statements and comprehensive notes covering the year ended 31 March 2023.

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 is provided in our alternative performance measures section on pages 28 to 29. In order to show when such measures have been used, the APMs are highlighted in blue throughout the executive review.

We are Design Group

Driven by our purpose, our values and our goals

See more on page 08

See more on page 08

OUR COMMITMENT TO SHAREHOLDERS

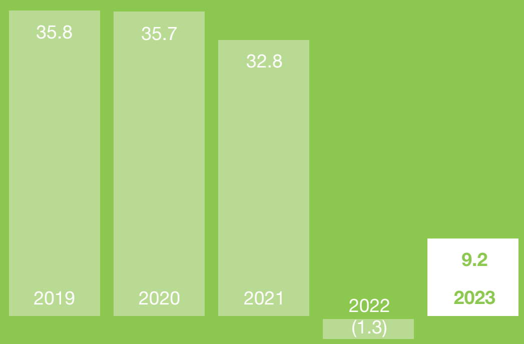
Return to profitability[a]

Adjusted profit before tax

Deliver an adjusted profit before tax by FY2024

Turnaround through organic growth and acquisitions

Adjusted profit/(loss) before tax[b]
($m)



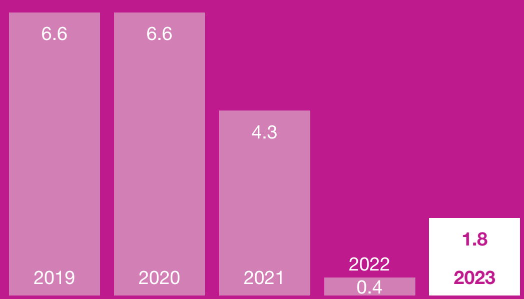
Recover margins

Adjusted operating margin

Recover to pre-pandemic levels

Rebuild a more resilient business model

Adjusted operating margin[b]
(%)



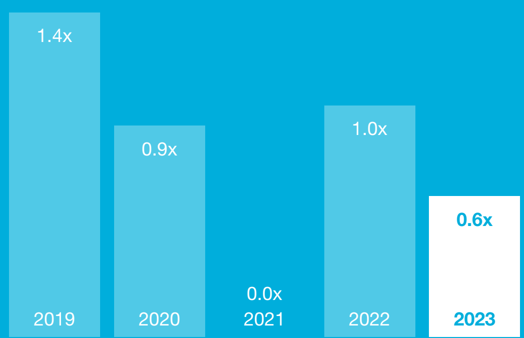
Generate cash

Average leverage

Sustain long-term average leverage below 2.0x

Enhance financial strength

Average leverage[b]

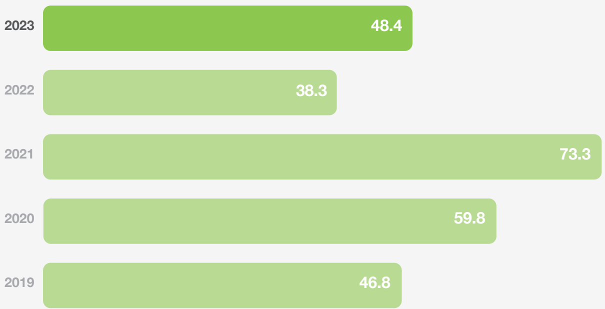


(a) Having returned the Group to profitability in FY2023, and as we progress with this new strategy, this commitment will be updated to sustained profit growth, retaining these KPIs.

Key performance indicators

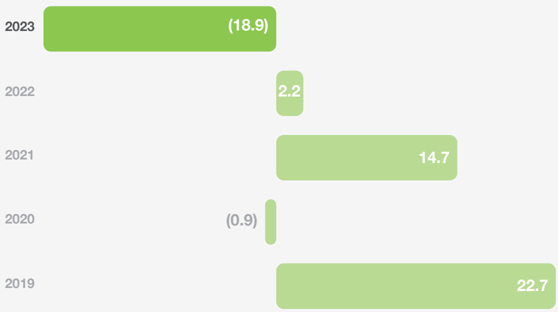
Adjusted EBITDA(b) ($m)

$48.4m +3%



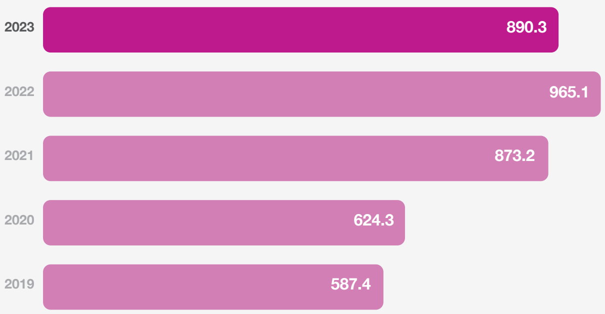
Reported profit/(loss) before tax ($m)

$(18.9)m



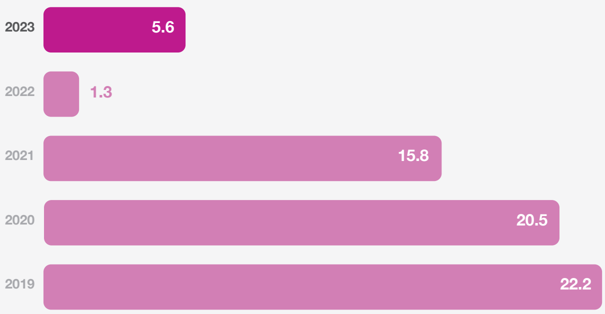
Revenue ($m)

$890.3m -8%



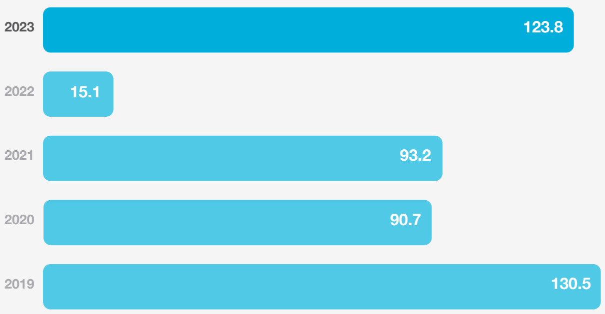
Return on capital employed(b) (%)

5.6%



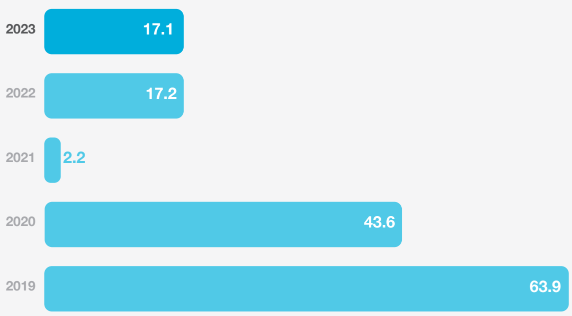
Cash conversion(b) (%)

123.8%



Average bank debt ($m)

$17.1m



(b) For definitions please refer to detailed financial review on page 23.

AT A GLANCE

We're all around the world

We have more than
11,000
customers worldwide

Products are sold across
210,000
stores

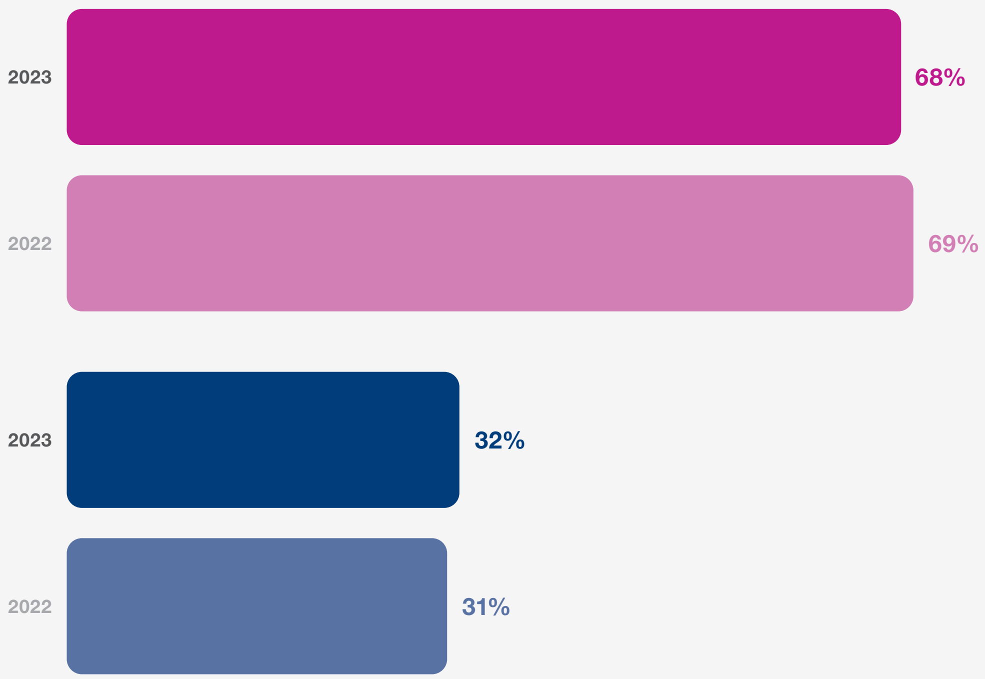
We operate in more than
70
countries

We benefit from considerable market presence around the world.

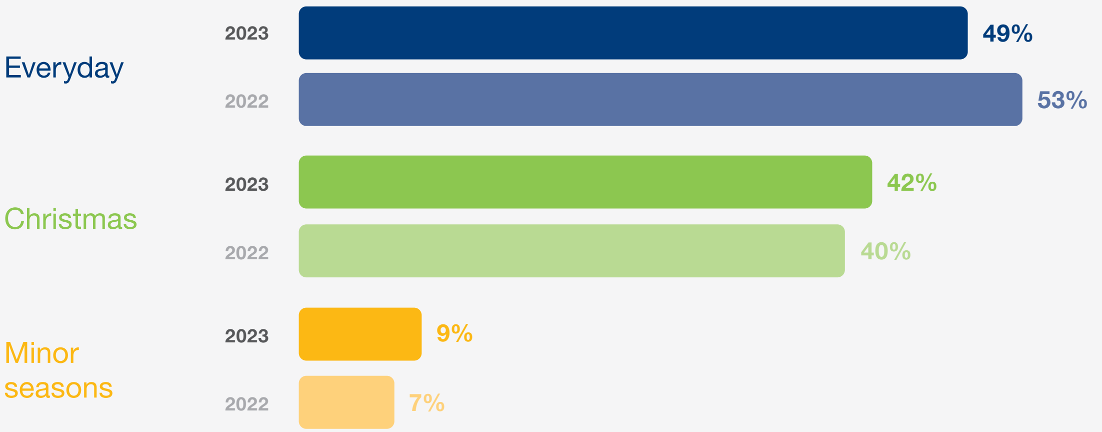
Revenue by customer destination

Americas
$607.5m
2022: $665.1m

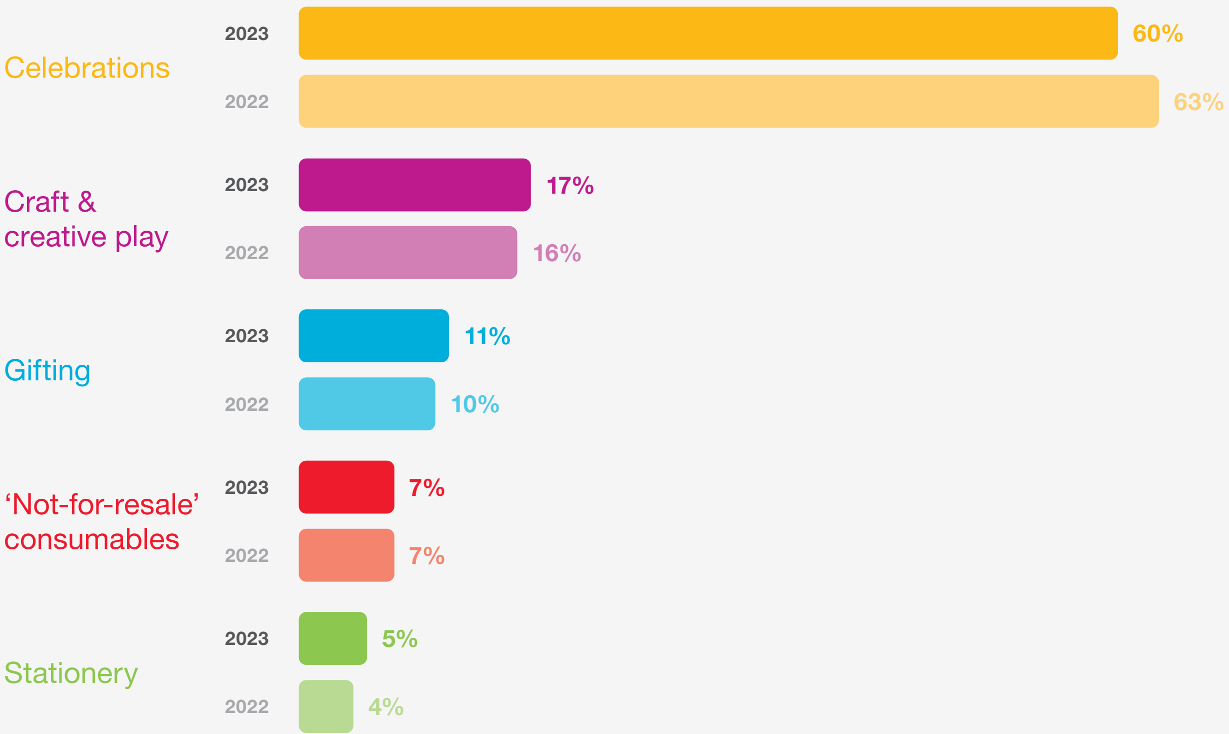
International
$282.8m
2022: $300.0m



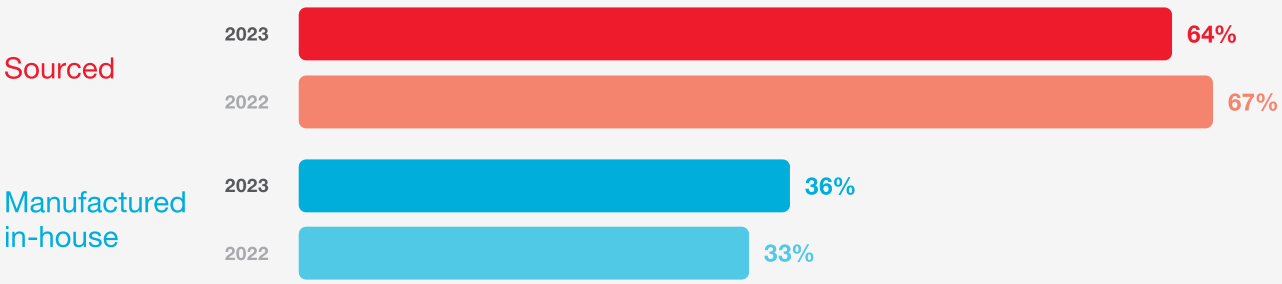
Revenue by season



Revenue by product



Revenue by source



STATEMENT FROM THE CHAIR

Stewart Gilliland
Non-Executive Chair

I am pleased to provide the overview to a strong performance during the year across a number of dimensions. This places the Group in a stronger position than twelve months ago, putting it on the road to recovering profits, margins and financial strength. The pivot to focus on near-term delivery whilst not losing sight of our longer-term strategy required a lot of hard work from everyone across the organisation. I would like to thank my colleagues throughout the Group for their hard work, and positive approach to addressing the challenges that face us.

As I pass on executive responsibility to Paul Bal, our recently appointed Group CEO, I am delighted to see a new growth-focused strategy taking form. This strategy will guide our teams to deliver more sustainable success in the coming years, built on a resilient foundation.

Operating results

Profit delivery was a lot stronger than our first expectations, as the Group returned to profitability in terms of adjusted profit before tax. This turnaround came a year ahead of our planning, and is testament to the focus on simplifying the DG Americas business model, to strong cost management, as well as working capital reduction and cash generation.

The challenges of high inflation were partly countered through such strong actions, and partly through justifying pricing to our customers. Times like now can put stress on customer relationships, and so I am proud to say that we have worked hard to continue delivering to our high service levels and commitments notwithstanding the backdrop. I am pleased to see this rewarded through our customers' loyalty.

It was good to see a positive conclusion to the bank re-financing and I was encouraged to see the support of some of our original banking partners who saw the potential for the future of the Group and were keen to be part of the financing for that.

With the new facilities in place for at least three years, we have a secure base from which to grow the business.

Priorities

The consumer demand backdrop remains difficult in some of our markets, and this makes our recovery more challenging. Therefore the short-term focus on recovery must remain. However, I am also very pleased to see the Board and the Operating Board looking to better leverage the opportunities for growth ahead and secure the Group's relevance in a world where our impact has to be more considered. The emerging new strategy rightly focuses on establishing a sound base of talented people with strong capabilities and unique skills, working in our well-invested footprint to help our customers win and our consumers celebrate – today and tomorrow.

People

The creativity and innovation at the heart of our products, and the high level of service we provide daily to our customers, relies on our people. Their passion for, and belief in, our business never ceases to impress me. I have seen even more of this as we took some difficult decisions in the year to restructure some of our businesses to better position them for turnaround in performance and future success.

Key senior leadership roles have been filled during the last few months, with DG Americas welcoming a new CEO and CFO. In the past weeks, we have announced new leadership of the DG UK business as well as the Anchor International business in DG Europe. Both of these appointments have been internal, demonstrating the quality in our talent pipeline, and further improves our gender diversity at senior levels. These changes, coupled with other senior appointments across the Group are strengthening our talent base to support our drive to grow.

Relationships

Our business model's success also relies on working together with both our customers and our suppliers in collaboration to excite our consumers. The longevity of our relationships with both of these is the envy of many, especially in the current challenging environment. As an example, DG UK recently received Tesco's supplier innovation award for our collaborative work on category development.

Maintaining and nurturing these relationships, and forging new links is key to our future success. This is therefore a key element in our future strategy.

Board

As previously mentioned, Paul Bal successfully moved into the role of Group CEO, on 1 April 2023, following a thorough recruitment process involving both internal and external candidates. This has enabled me to revert to the Non-Executive Chair role on 1 April 2023, following 9 months as Interim Executive Chair in the absence of a Group CEO. The Board is grateful to Paul for the financial management of the year and covering both executive roles in these recent months.

Lance Burn stepped down from the Board on 31 March 2023 and will remain with the business until 31 October 2023 in a project-based role.

The Board is very grateful to him for his years of service, and more recently setting DG Americas on the path to recovery through his leadership.

Rohan Cummings, previously Group CFO at Devro plc, has agreed to join the Board as Group CFO with effect from 3 July 2023.

As highlighted in last year's report, Claire Binyon joined the Board on 1 June 2022 as a Non-Executive Director.

With these changes, I believe the Board's composition is appropriate to work with the Operating Board to oversee our recovery and return to overall growth.

Conclusion

With a strengthened Board, additions to senior leadership and our financing secure, the Group is well set to complete its recovery, and embark on an exciting growth strategy. Whilst the general economic backdrop could be better, the continued support of our customers and suppliers, working with our talented teams positions us well to deliver better shareholder value. Finally, I would like to thank our shareholders for their continued patience and support as the business is re-positioned.

The strategic report which follows on pages 01 to 55 is approved by the Board of Directors on 19 June 2023.

Stewart Gilliland

Non-Executive Chair

19 June 2023

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:** Strengthening balance sheet

Our goals

1. Partner of choice to our customers and suppliers
2. Creative and winning culture
3. Deliver consistent returns to our investors

What we do

Innovative product design & development

Over 230 designers, across four continents, producing thousands of designs a year

Responsible sourcing and manufacturing

Over 80,000 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 change
- 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' providing fulfilment and fun

What makes us different

Award-winning service

provided through our strong, long-lasting relationships with our customers as evidenced by the recent supplier innovation award from Tesco in the UK

Geographic diversity

Sales in **77** countries

Broad range of products across five 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

192%
Year-on-year share price appreciation to 31 March 2023

Employees
Training and development, strong teams and relationships

3,092
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

46%
Single-use products are fully recyclable

Communities
Local initiatives supporting local communities and national charities

$1.8m
Amount donated to charity

Our strategy

As we experience some momentum on our journey to restoring our margins and financial strength, it has been our focus to establish a plan for the next stage of our development. A growth-focused strategic review was completed recently, and we are pleased to be in a position to share our early thoughts.

Last year's strategic focus

In recent years the Group had focused on a 3-pillar strategy of:

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

The speed and the scale of the challenges experienced in FY2022 caused the Board to revisit this, favouring more immediate plans and aspirations with the objective of quickly making the Group's operations more resilient, and stopping further deterioration in profitability. This resulted in a 5-point focus on:

- Reducing complexity, better leveraging expertise and scale and improving mix
- Improving margins
- Making the supply chain more resilient
- Lowering working capital
- Strengthening leadership and teams

Notwithstanding the tough economic backdrop that we have faced, including significant inflationary pressure, this focus on strengthening our business model has enabled us to deliver a stronger than anticipated improvement in profitability, margins and balance sheet strength over FY2023.

We have also assembled a stronger team which has enabled us to take the first steps to recovering pre-pandemic margins by FY2025 in line with the Board's aspirations. Details of our delivery over FY2023 are set out in the Executive Review.

Our people are vital as we look to take the next steps on our journey. Over the last 12 months we have hired a new CFO, new DG Americas CEO and CFO, and internally promoted new MDs in DG UK and the Anchor International business within DG Europe. This new leadership has the experience and strategic thinking that is required to bring the business back to delivering organic growth. In addition, we are also committed to providing all our colleagues with training and development opportunities to ensure they have the capabilities to drive our new strategy to successful outcomes.

We did not lose sight of the original three pillars and have continued to use them to guide our overall strategic direction. We remain committed to working with the winners, fostering design and innovation throughout our business as well as being a business of scale. Our progress in this regard is highlighted in the following pages.

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?

Strengthening revenue 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.

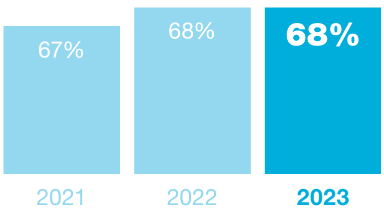
Sales by channel (%)

Definition: Growing our revenues across different sales channels, with a focus on our 'winners': value and mass

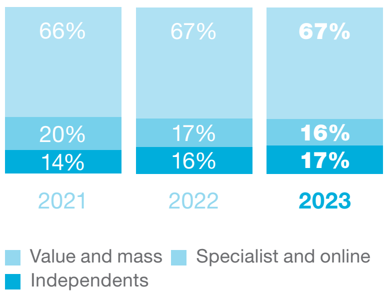
Why chosen: Our 'winners' are a broad range of customers across various sales channels including national and regional mass and discount retailers.

Progress in FY2023

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



Sales by channel
(%)



Continuing strong relationships with our customers remains a priority for the Group. We partner with those customers that we see have growth potential, and focus on excellent customer service and quality products at good value to ensure we grow as our customers do.

Our top 20 customers have consistently made up c68% of Group revenue over the past three years. Many of these customers belong to the value and mass channel which have dominated the market in recent years. Sales to the value and mass channel represent 67% of Group revenues.

Priorities

Our key priorities in FY2024 include:

- Growing revenues with our top retail partners whilst ensuring these revenues drive a recovery of margins
- Reducing the complexity of our assortment
- Improving 'strike rates'
- Developing a more segmented product mix

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.

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. 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 proportion of adjacent non-celebration product category revenue 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.

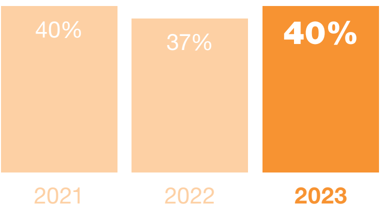
Diversifying revenue (%)

Definition: The share of Group revenues 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 FY2023

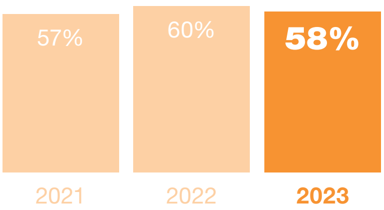
Product diversity
(% of total revenue)



Non-celebration revenues

Celebration-related products are a core part of our business. Developing on-trend adjacent products improves our offering to our customers. Non-celebration product category revenues are 40% of Group sales which is up slightly on last year, with craft and giftware ranges such as photo frames performing well.

Diversifying revenue
(%)



Non-Christmas revenues

Christmas remains an essential part of our business and will continue to do so, however in recent years we have endeavoured to broaden our offering to extend to other special occasions throughout the year such as Valentines Day. Our non-Christmas revenues now represent 58% of our turnover.

Priorities

Our key priorities in FY2024 include:

- Developing products and ranges in core and adjacent categories allowing our customers to merchandise on-trend ranges
- Leveraging the skills of our designers across the globe

Efficiency & Scale

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

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.

Our key performance indicators

Adjusted EBITDA margin (% of total revenue)

Definition: Adjusted EBITDA as a percentage of revenue

Why chosen: Delivering underlying value to our customers is essential and we must ensure we can continue to compete in our marketplace and win against other competitors.

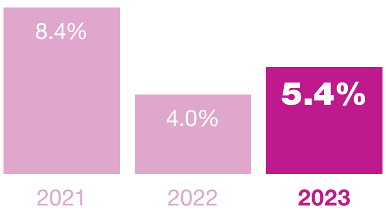
M&A and investment ($m)

Definition: Capital expenditure and corporate acquisitions

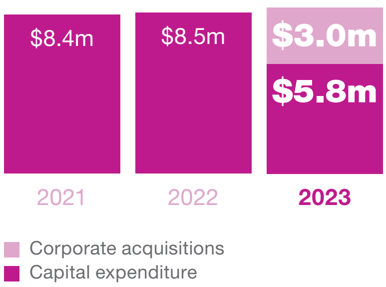
Why chosen: Our ability to invest in efficiency-improving projects helps support our competitive position, while our ability to execute earnings-accretive M&A ensures the Group continues to grow its scale and reach.

Progress in FY2023

Adjusted EBITDA margin
(% of total revenue)



M&A and investment ($m)



It has been a year of turnaround for the Group with significant progress made in driving efficiencies resulting in adjusted EBITDA margin improving to 5.4%, particularly due to the execution of a number of strategic initiatives in DG Americas.

Capital expenditure this year has remained at a lower level as the Group recovered from the operational challenges experienced last year. The $3.0m acquisition investment arose from the Group purchasing the remaining 49% interest in APP.

Priorities

Our key priorities in FY2024 include:

- A focus on rebuilding resilience of the business going forward
- Onboarding the new senior management to ensure strong leadership going forwards to fully execute Group strategy
- Leveraging scale where possible across the Group, such as improved sourcing

OUR STRATEGY
CONTINUED

The new emerging growth-focused Group strategy

Our experience from delivering the FY2023 results under continued tough retail conditions, coupled with the significant leadership and organisational changes taking place across the Group, means that having the right strategy is more important than ever to put the Group back onto a sustainable organic growth trajectory. And with this intent, during the last quarter of FY2023, in conjunction with the Operating Board, a professional firm of external consultants was commissioned to work with our local leadership teams and carry out a diagnostic of the strategic challenges faced by our businesses as they seek to grow. The findings were reported to the Board in March, and the Board and Operating Board have since distilled the report into strategic priorities.

These have now been articulated as a high-level Group strategy which we see as an evolution based upon where the business is today, rather than a complete change in strategy. In parallel, our Business Units started compiling their own 3-year strategic plans taking the diagnostic work as input. These plans should be completed and aligned over the coming months. At our half-year reporting in November 2023, we anticipate being able to set out further details of our aspirations, plans and key initiatives. Further down the line we will also share some case studies to illustrate the activities being undertaken.

The new Group strategy

The strategy concentrates on further developing and sustaining the critical attributes our customers require of us. This will enable us to continue to be the partner of choice that working together with our customers, wins in the retail environment.

Be the partner of choice that is:

Strategic
- Purposeful
- Providing good value

Adaptive
- Design-led
- Innovative

Dependable
- Resilient supply chain
- Responsible

Strong
- Talent-rich
- Flexible footprint

Collaborative
- Open-minded
- Learning

Informed
- Data driven
- Seasoned

Enabling us to win together

Through excellent partnering to grow our categories
- Identifying and developing the required capabilities

Bringing consumer-focused solutions
- Brand and product development
- A better shopper experience
- Sustainable products and solutions

Strategic

Ensuring the adoption of a longer-term perspective with vision and purpose, supported by clearly defined objectives for the business and our categories.

Mapping the journey to deliver sustained value for the consumer, the shopper, our customers and ourselves, in a commercial, disciplined and efficient manner.

Creating a strong leadership culture throughout the business which is relentlessly focused on value-creation, whether through sales growth, greater efficiency, cost management, or flexibility.

Adaptive

Adopting a more consumer and buyer-focused approach when we innovate, design, and develop our categories, products, offerings and services. This will include better segmentation, including brand development, to make us more responsive.

Taking a more mindful approach toward consumer trends and the retail experience, as well as other societal shifts such as sustainability.

Adapting, evolving and extending our offering and solutions to stay consumer relevant.

Dependable

De-risking our categories for our customer as it is a critical part of the service that we provide.

Focusing on supply chain resilience, responsible supplier management, and the ability to quickly respond appropriately to changing circumstances, be they short-term shifts or longer-term trends.

Ensuring we keep our customers' trust in our ability to deliver today and tomorrow is fundamental to us.

Committing to be a responsible business is a core principle for us. We will play our part in addressing the needs of our stakeholders and the wider environment.

Strong

Maintaining a well-invested, low cost, flexible manufacturing footprint, coupled with an extensive supplier base providing security for our customers.

Developing and maintaining a deep pool of international talent across the business, including in the important aspects of our service delivery such as; creative, technical, commercial and leadership.

Collaborative

Leveraging the complete range of skills and resources available to the Group, both internal and external. This is critical to our strong, efficient delivery to every customer everywhere.

Identifying and unlocking the synergies within the Group's global operations and its extensive supplier network.

Informed

Underpinning our creative work and decision-making with strong insights developed from widely drawn, quality data. This extends to having a deeper understanding of our consumers, shoppers, customers, and markets.

Drawing from a strong bench of experienced and seasoned insightful managers and leaders therefore providing additional insight.

Excellent partnering

Assembling world-class capabilities in category management as well as strong key account management. Building some of these capabilities will require further investment in the training and development of our teams.

Identifying and developing the key skills that are pertinent to supporting our journey ahead, such as brand development, procurement, supply chain and financial.

Consumer focused solutions

Developing and curating our solutions, be they our in-house designs, our brands, our products or our services cognizant of the end-consumer and shopper anticipating their needs and demands.

Through this, developing and extending the value-proposition of our categories, prolonging their appeal and relevance. This includes being at the forefront of innovations providing more environmentally-sensitive solutions for our customers and consumers.

EXECUTIVE REVIEW

Paul Bal
CEO

Overview

Twelve months ago, as we looked at the coming year, it was expected to be a year where our focus would be on stabilising the Group's falling profitability. It is therefore pleasing to report that during the year ended 31 March 2023 we have stabilised profitability, delivering a significant improvement in **adjusted profit before tax** ($9.2 million up from $1.3 million loss in the prior year). This highlights a good start in the journey to turnaround performance, growing profitability and margins as a result.

Whilst FY2023 was not without its challenges, as consumer demand weakened in the last quarter in some markets and paper and energy-driven costs continued to rise, the Group has delivered adjusted profit growth ahead of our earlier expectations. The **adjusted operating profit** more than quadrupled to $16.1 million, with the **reported operating loss** at $12.0 million which includes a non-cash $29.1 million impairment of goodwill. **Adjusted operating profit margins** similarly more than quadrupled to 1.8%. The Group remains on track to meet its aspiration to return to pre-pandemic operating profit margins by FY2025.

The two main drivers behind this result were stronger than anticipated trading within DG International, notably in continental Europe, and benefits coming from the turnaround initiatives underway in the DG Americas division which resulted in the division returning to profitability. During the year we have strengthened the DG Americas leadership team and are currently in the process of doing the same in DG international.

These improvements more than offset a weakening in the UK market in the last quarter of the year, predominantly driven by lower consumer demand, and will have consequences for the outlook for the year ahead. It has also led to a significant non-cash write-down of historically acquired goodwill in that market.

Adverse currency movements and softening of demand in some of our markets are reflected in the year's **revenue** performance. Group **revenue** was down 4% in constant currency (8% in reported terms) versus prior year. Much of the revenue decline was experienced in DG Americas, where revenue was 10% lower. This resulted from a combination of the strategic decision to exit loss-making business, as well as lower volume in the second half of the year. DG International, though down 3% in reported **revenue**, grew 10% in constant currency with growth in all markets on a full-year basis.

The improved profit generation has been complemented by better than expected cash generation, with the Group ending the year with a net cash balance of $50.5 million, a year-on-year improvement of over $20.0 million. Improving working capital management has been a focus for the year, and this should continue to deliver further benefits in the year ahead. We have just completed a re-financing of the Group, which secures the funding of our working capital cycle for at least 3 years. Further details of the new arrangements are set out in note 15.

As previously anticipated, in light of the Group's current position on the path to profit recovery and the challenges around reduced consumer demand, the Board is not proposing a dividend in respect of the year ended 31 March 2023.

Board changes

Paul Bal was appointed Group Chief Financial Officer (CFO), joining the Board in May 2022. Giles Willits, the outgoing CFO left at the end of June 2022.

In November 2022, following an extensive selection process involving internal and external candidates, Paul Bal was appointed Group Chief Executive Officer (CEO), effective from April 2023 when the Chair of the Board, Stewart Gilliland, stepped down from the Interim Executive Chair role that he had assumed in June 2022.

Rohan Cummings will be joining the Board in July 2023 as the new Group CFO. Rohan joins the Group from Devro Limited (formerly Devro plc which was listed on the LSE), a global leader in the supply of collagen casing and films, where he has been the group's CFO since 2020. Rohan has extensive PLC experience, as well as significant commercial and strategic capabilities having worked in complex global operations.

Lance Burn, Interim Chief Operating Officer (COO), stepped down from the Board at the end of March 2023, and will stay with the Group to the end of October 2023. The Board is very grateful for his dedication and contribution to the business for over a decade, and especially as it navigated the various challenges of the past eighteen months.

The leadership team of DG Americas, which Lance had been supporting since March 2022, has been strengthened with the appointment of a new DG Americas CEO and CFO. The DG International leadership team is also being strengthened, and this will remove the requirement for a COO.

Claire Binyon joined as a Non-Executive Director in June 2022.

Incentive schemes

The Value Creation Scheme (VCS) was terminated in June 2022 as it was no longer aligning the interests of shareholders and employees, and all awards were cancelled.

Awards under a new Long-Term Incentive Plan (2022-2025 LTIP) were granted on 11 August 2022. This incentive plan is considered a more appropriate and standard mechanism to align interests and reward sustained future financial delivery and value creation. Further details are set out in note 23.

EXECUTIVE REVIEW
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Our strategy

The challenges experienced in FY2022 caused the Board to revisit its priorities, plans, strategy and aspirations. The sheer speed and scale of the impact required an immediate pivot toward quickly making the Group's operations more resilient. This was done with a 5-point focus on:

- reducing complexity and better leveraging expertise and scale, and improving mix,
- improving margins,
- a more resilient supply chain,
- lowering working capital levels, and
- strong leadership and management teams at all levels of the Group.

Good overall progress has been made in these areas, ahead of our expectations. This is witnessed through the delivery of the improved profit margins, stronger cash generation in the year, and strengthening leadership. The current difficult economic environment, with pressure on consumer spend, dictates that we must continue to concentrate on these areas for now.

Nevertheless, given the long planning cycles associated with our business, we must look beyond our current goal of recovering to pre-pandemic operating profit margins, and chart a course that will also grow the business. To that end, in late 2022, the Board commissioned a strategic exercise using professional external support. The output from that exercise has been articulated into a high-level strategy aimed at returning the Group to profitable growth over the coming 3 to 4 years.

In summary, the new strategy concentrates on two areas:

- being the partner of choice for our customers, by strengthening and better leveraging our unique business model, particularly where there is opportunity for competitive advantage, and
- winning together with our customers, through better execution and developing sustained category value

The strategy is being rolled-out across the business units over the summer and will be driven through a combination of centrally co-ordinated as well as local initiatives. At the half-year, we hope to share with shareholders further details of our progress as well as sharing case studies further down the line to highlight some of the initiatives underway. Further details on the new strategy are set out on pages 14 and 15.

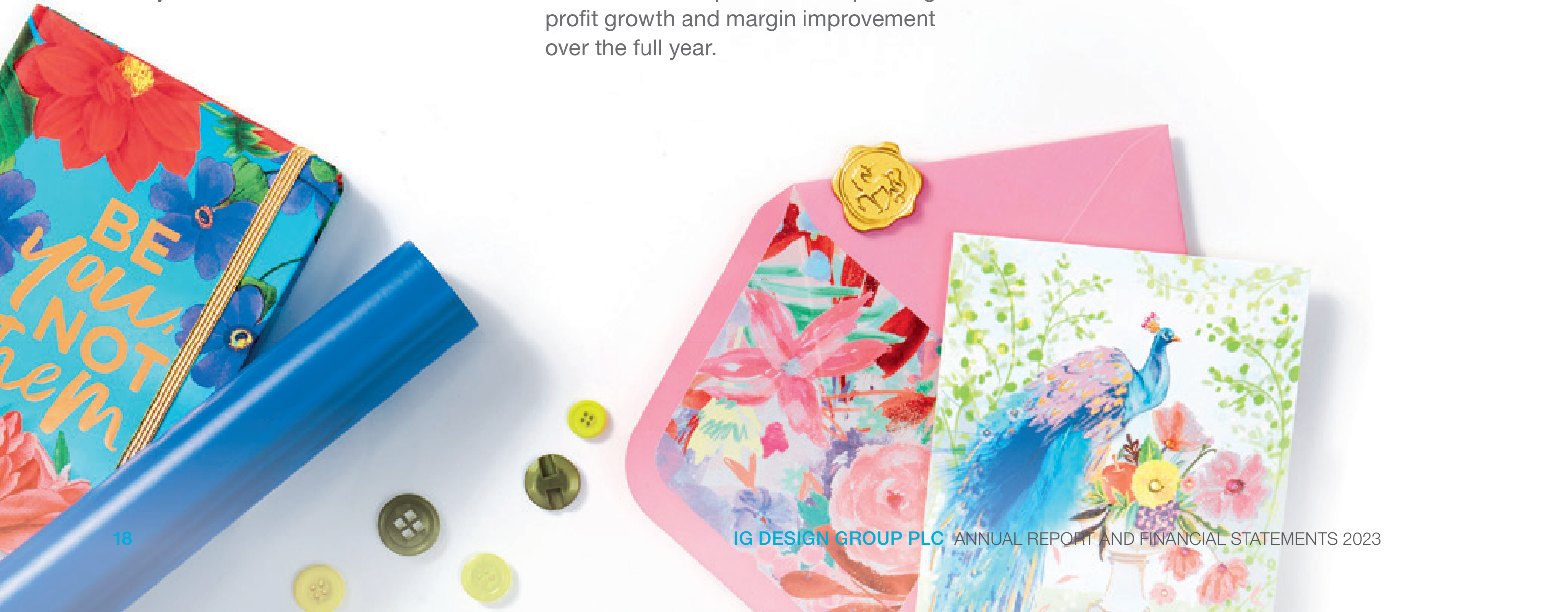
Outlook

FY2023's financial performance exceeded our aspirations for the year. Not only was the profit decline stabilised, but it was also turned around. This performance puts us ahead in our journey to restore pre-pandemic operating profit margins in FY2025. The Board does however now expect FY2024 to present continued demand and pricing challenges given the depressed consumer demand experienced in several of our markets since Christmas 2022. This may temper some of our progress during FY2024, but we still anticipate further operating profit growth and margin improvement over the full year.

Within the year, we anticipate a return to a more normalised H1/H2 split, reversing the accelerated ordering experienced in H1 FY2023. The Board remains encouraged by the enduring strength of our longstanding customer relationships, which has already generated an orderbook representing 62% of FY2024's budgeted revenues (71% at this stage last year). We still believe our FY2025 operating profit margin aspiration to be achievable. Additional support to deliver this will come from the new strategy as initiatives get underway.

The combination of continued improvements in cash generation and management, as well as the terms of the new financing arrangements should limit the rise in financing costs being driven by higher market interest rates. Over the coming year average net debt should continue to reduce from the current levels of c$17.0 million. This means that operating profit gains in the year ahead should substantially pass through to improved adjusted profit before tax.

The Board still aspires to return to paying dividends, but based on the immediate outlook, and the need to strengthen the business model, the Board does not expect to be in a position to do so during FY2024.



Summary FY2023 results

Revenue at reported rates fell by 8%, due in part to adverse currency effects. The decline in constant currency terms was 4%, with a 10% decline in DG Americas more than offsetting the 10% growth in the smaller DG International division. The decline resulted from a combination of softer consumer demand in the later stages of the year in some markets more than offsetting growth in others, coupled with a conscious exit from unprofitable or very low margin business in DG Americas.

The Group's **adjusted operating profit margin** rose 140 basis points, to 1.8%, with the growth coming from DG Americas returning to profitability, as the various restructuring and turnaround initiatives gained traction and delivered benefits. Consequently, DG Americas' **adjusted operating profit margin** rose 230 basis points to 0.5%. Some slippage in the DG International **adjusted operating profit margin** predominantly reflected the adverse foreign exchange effects and the tougher UK market. The improved operating profits, helped by better cash generation, kept interest costs below expectation and resulted in an adjusted profit before tax of $9.2 million, versus last year's loss of $1.3 million.

Taking into account the tax charge, this resulted in a small **adjusted diluted loss per share** of 0.2 cents versus last year's loss of 7.7 cents.

The year's adjusting items are a net cost of $28.1 million (FY2022: $3.5 million credit). This mainly results from the non-cash write-down of the goodwill allocated to the UK and Asia Cash-Generating Unit (CGU); offset by insurance receipts related to a prior acquisition, net proceeds from surplus site disposals and other business restructurings, some minor prior year provision releases; and the amortisation of acquired intangibles.

The goodwill write-down results in an enlarged **reported loss before tax** of $18.9 million (FY2022: $2.2 million profit). The effective tax rate for the year is largely distorted by the mix of profits and losses generated across the jurisdictions in which the Group operates and certain loss making units not realising a tax benefit due to restrictions on recognition of deferred tax assets. The **diluted reported loss per share** of 28.6 cents (FY2022: loss of 3.3 cents) reflects the reported loss, driven by the goodwill write-down.

The Group ended the year with a net cash balance of $50.5 million (FY2022: $30.2 million), reflecting our focus on cash generation and management, especially through working capital improvements. Correspondingly, average leverage for the year has improved to 0.6 times (FY2022: 1.0 times), also benefitting from the improved (both pre-IFRS 16 basis and post) EBITDA.

As the Group is still on a path to profit-recovery and given the challenging retail outlook in a number of markets, the Board is not recommending a dividend in respect of the year ended 31 March 2023.

Regional highlights

Overall, there was a reduction in Group **revenue** of 8% with **adjusted operating profit** up to $16.1 million (FY2022: $3.8 million) as the Group benefits from the execution of the turnaround in DG Americas. The split between our DG Americas and DG International segments is as follows:

			Segmental revenue			Adjusted operating profit/(loss)			Adjusted operating margin	
% Group revenue			**FY2023**	FY2022	% growth	**FY2023**	FY2022	% growth	**FY2023**	FY2022
66%	**DG Americas**	$m	**593.0**	659.0	(10.0%)	**2.9**	(11.7)	124.9%	**0.5%**	(1.8%)
34%	**DG International**	$m	**299.6**	307.9	(2.7%)	**19.8**	20.8	(4.8%)	**6.6%**	6.8%
—	**Elims/Central costs**	$m	**(2.3)**	(1.8)		**(6.6)**	(5.3)			
100%	**Total**	$m	**890.3**	965.1	(7.7%)	**16.1**	3.8	321.2%	**1.8%**	0.4%

Design Group Americas

Our business in the US, which makes up about two-thirds of the Group's total revenues, saw **revenue** decline 10% to $593.0 million (FY2022: $659.0 million). This was driven by a combination of softer demand for certain categories in the second-half of the year, as well as the conscious decision to exit loss-making, marginally profitable, and unduly onerous business. Categories particularly impacted by these factors were Celebrations and Craft & creative play, the latter having benefitted from the Covid-19 lockdowns in recent years. These declines more than offset the benefits that came from catch-up pricing through two waves in order to recover margins lost in the previous year.

Despite the decline in revenues, DG Americas returned to profitability, and delivered an **adjusted operating profit** of $2.9 million (FY2022: loss of $11.7 million). The drivers behind this turnaround are benefits coming from the various initiatives set in motion last year following the collapse in the division's profitability.

The initiatives focused on delivering pricing, cost-savings and simplifying our commercial proposition. They delivered benefits of c$56 million at an adjusted operating profit level in the year. The initiatives included: the closure of 4 surplus sites; sale of the Manhattan, Kansas site in April 2022 for net proceeds of $6.7 million, yielding a profit on disposal of $4.6 million; further utilisation of Mexican facilities for near-shoring; more effective procurement and shipment; and a net headcount reduction of 100. In addition, our category teams were reorganised and underpinned with additional support for product development, design, sales and account management. New initiatives and opportunities continue to be identified, and the Design Group Americas team expects further value to be generated from these activities in FY2024 and beyond.

Capabilities are also being developed and strengthened to support future profitable revenue growth. This is being complemented by further reorganisation, investment in technology, and training and development of our commercial organisation to streamline our product cycles and improve execution in the retail environment.

Good progress was also made with working capital reduction, especially with inventory levels and trade receivables.

On 23 May 2022, the Group purchased the remaining 49% interest in Anker Play Products LLC (APP), bringing our total ownership to 100%. This was completed pursuant to the exercise of a put option by the holder of the 49%, which the Group was legally obliged to purchase under a 2017 agreement. APP develops and sources craft products, toys and games for the US retail market. The transaction, made through DG Americas, was satisfied by a cash payment of $3.0 million funded from existing banking facilities.

Design Group International

This division largely comprises the Group's businesses in the United Kingdom, continental Europe, the Far East and Australia. It saw a 3% **revenue** year-on-year decline at reported rates, to $299.6 million. The main driver of this decline was adverse foreign currency impacts due to the strength of the US dollar versus all of the other key currencies transacted by the businesses in the segment. At constant exchange rates, revenues were up 10%, with increases experienced in all key markets.

The second half of the year saw marked softening in DG UK, and a slight reduction in our DG Australia joint venture as the economic environment deteriorated and put pressure on consumer discretionary spend.

Adjusted operating profit at $19.8 million (FY2022: $20.8 million) was down 5%. However at constant currency rates **adjusted operating profit** was up 10%. This result was driven by the strong trading performance from our businesses operating in continental Europe, which did not experience the same degree of softness in the second half of the year.

Consumer sentiment in Europe was more resilient, and our key customers emerged as "winners" in the current value-focused retail environment. The weakness in the UK market in the second half of the year was volume-driven and meant DG International's **adjusted operating profit** margin retreated slightly by 20 basis points to 6.6%.

DG UK's **revenue** for the year grew just over 5%, but the second half was challenging as demand declined after Christmas. As a result, the business only delivered a small operating profit with continued inflation in paper and energy costs largely offsetting improved pricing. Our key brands in the UK have continued to perform well with Eco Nature™ sales and profits growing 10% and 11% respectively, with more details set out in the section on sustainability on pages 30 to 47. Our premium Tom Smith® brand celebrated the 175th birthday of the Christmas cracker, holding a Royal Warrant for the supply of Christmas crackers to the Royal Household since 1906. Recently DG UK was proud to receive Tesco's supplier innovation award for our collaborative work on category development. Looking ahead, in response to the demand challenges experienced in the second half, we have recently undertaken a restructuring of the UK business, which represents c15% of the Group's FY2023 revenues. The intention is to develop a more competitive and agile business model that is better suited to today's UK retail environment. Whilst this has regrettably involved a net headcount reduction of 31, the leadership team is being strengthened. The business has also formed a creative collaboration with the University of Northampton to leverage their capabilities as well as foster relationships with up and coming design talent.

DG Europe benefitted from strong demand from our more value-orientated key customers which are winning in the current economic climate. The business enjoyed very strong **revenue** growth of 18%, which included improved pricing to recover continued inflation in paper and energy prices.

Adjusted operating profit grew 41%, and margins improved further, as the team continues to adopt a continuous improvement approach, combined with high automation.

Similarly, DG Australia saw **revenue** growth of 5% as its Independents customer channel grew market share. The business continues to be active in new product development, developing a compelling assortment. Unfortunately, labour shortages and cost inflation in that market reduced **adjusted operating profits** by 10%.

Our products, brands and channels

The Group continues to aspire to be our retail customers' "partner of choice" for our categories, and our diverse product portfolio is a good demonstration of this.

Revenue by product category	FY2023		FY2022	
Celebrations	60%	$533.7m	63%	$604.1m
Craft & creative play	17%	$150.8m	16%	$154.3m
Stationery	5%	$45.0m	4%	$44.8m
Gifting	11%	$96.9m	10%	$94.4m
'Not-for-resale' consumables	7%	$63.9m	7%	$67.5m
Total		**$890.3m**		$965.1m

The 12% decline in the Celebrations category was driven by the sales performance in DG Americas, with declines in most product-types, but especially gift wrap and ribbons and bows. This more than offset the growth in these product types in all DG International markets and the progress with cards in DG Americas. Whilst stationery remained stable, giftware gains were driven by photo frames in DG International. The decline in 'not-for-resale' consumables came from reduced demand for floral packaging in DG Americas. The Craft & creative play category continued to normalise from Covid-pandemic lockdown highs.

Revenue by customer channel	FY2023		FY2022	
Value & mass	67%	$597.1m	67%	$643.9m
Specialist	14%	$120.4m	15%	$144.4m
Independents	17%	$153.7m	16%	$156.5m
Online	2%	$19.1m	2%	$20.3m
Total		**$890.3m**		$965.1m

The Value & mass channel saw a small decline of 7% driven by the adverse DG Americas dynamics. This more than offset good progress in all of the DG International businesses where this channel benefitted from recent consumer-driven focus on value. Similarly, the 17% decline in Specialists is largely driven by DG Americas, where we consciously exited unprofitable business, offsetting the progress in continental Europe. Overall, our top 20 customers represent 68% of our sales (FY2022: 68%).

Revenue by season	FY2023		FY2022	
Christmas	42%	$374.7m	40%	$390.9m
Minor seasons	9%	$76.5m	7%	$65.8m
Everyday	49%	$439.1m	53%	$508.4m
Total		**$890.3m**		$965.1m

The reversal of the trend seen in recent years towards more Everyday business reflects the pressures experienced in certain markets post-Christmas 2022, particularly in DG UK. There was also a general reduction in DG Americas revenues, offsetting strong progress in DG Europe, with photo frames in particular.

Revenue by brand	FY2023		FY2022	
Licensed	9%	$82.2m	9%	$84.2m
Customer own brand/Bespoke	54%	$474.3m	48%	$459.8m
Design Group/Generic brand	37%	$333.8m	43%	$421.1m
Total		**$890.3m**		$965.1m

The reduction in DG branded sales reflects the adverse DG Americas revenue dynamics, which more than offset the gains in all DG International markets.

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Sustainability

The Board launched the Group's sustainability framework 'helping design a better future' in FY2021, which defined the Group's approach by identifying three pillars that will deliver a more sustainable future. These three pillars are People, Product and Planet.

The Group's sustainability strategy is underpinned by our overall aim to minimise our impact on the environment by constantly challenging ourselves to find ways in which we can use our scale and people to influence and drive positive, proactive change. 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 continue to believe we have a moral as well as a commercial necessity to strive for the highest standards of ethical behaviour and to innovate to reduce the environmental impact of our operations to protect and preserve our planet, for this and future generations.

Over the past year we have continued to refine the Group's approach to sustainability and the associated key performance sustainability indicators (KPIs). We report our performance against these and the progress the Group has made during the year as seen in the Sustainability report on pages 30 to 47. We recognise that we are on a sustainability journey so as we move forward, we'll seek to further enhance the metrics we monitor whilst also looking to set targets by which to measure our success.

In the year we have made more progress in our journey towards compliance with Taskforce for Climate-related Financial Disclosures (TCFD) through the completion of a risk assessment exercise to identify the Group's climate-related risks and opportunities over the short, medium and long term. In future this will be integrated into our wider risk management processes.

People – Our people are key to the success of our business, and in the challenging times we are facing it is even more important to ensure that we are recognising performance and loyalty, and investing in the many talented individuals and teams across the Group. Given the "cost of living crisis" being experienced across the world, we took various additional steps in our businesses, over and above the normal, to try and mitigate the impact on our employees and their families.

This year saw the launch of the first Group-wide employee engagement survey: "Your Voice. Our Future". There was a pleasing 78% participation rate, and it was encouraging to learn that despite the significant changes taking place across the business, our teams remain positive about their roles, Design Group as a place to work, and its future. The survey has also provided management with areas for further improving the working environment, and these are now being followed-up.

Other notable achievements in FY2023 include the launch of the "DG Bravo" recognition programme in DG Americas, training opportunities such as our leadership development programmes for emerging leaders in DG UK and DG Americas, and a women's development network providing training opportunities for aspiring female leaders in DG Americas. Extending beyond leadership, the DG Europe Academy has had another successful year with internal training programmes available for our employees to develop their knowledge and skills across a range of topics. DG UK has trained mental health first aiders across the business and run a monthly health programme focused on both mental and physical wellbeing with challenges for employees to get involved with.

Product – There is no question that the nature of our products requires us to be innovative in our design to create more sustainable solutions and collections to promote to our customers and theirs. A notable achievement is the continued development of our shrink-free wrapping paper, which eliminates plastic waste through the use of recyclable paper labels, with the launch of Smartwrap™ in continental Europe this year. This complements our Eco Nature™ ranges already established in the UK which have continued to perform well. We will look to further improve our sustainable solutions in these markets where there is traction with consumers. Numerous other initiatives are underway finding innovative solutions with both customers and external specialists and academic institutions to continue to reduce the environmental impact of our products. For example, in DG Europe, all plastic frames now have 100% recycled frames.

Planet – The Group has formally incorporated Climate Change as a principal risk (formerly an emerging risk) acknowledging our responsibility to protect and preserve our planet and its environment, as well as the sustainability of our business. Notable achievements in FY2023 include DG Europe being awarded Ecocert's climate neutral status on their giftwrap collections following investment in innovative Smartwrap™ technology to provide next-generation shrink-free solutions. This, coupled with DG UK and DG Europe powering their manufacturing, warehousing, and office facilities with 100% renewable electricity, drives us forward on our journey towards net zero emissions. In the area of sea freight, DG Europe is seeking to achieve carbon neutrality on half of its shipments. Finally, also testament to our efforts was DG Americas achieving Walmart's Giga-Guru status, recognising our collaboration with our biggest customer in the area of supply chain carbon reduction.

Detailed financial review

The Group's financial results are summarised below, setting out both the reported and the adjusted results.

	FY2023			FY2022		
	Reported $m	Adjusting items $m	Adjusted $m	Reported $m	Adjusting items $m	Adjusted $m
Revenue	890.3	—	890.3	965.1	—	965.1
Gross profit	131.7	1.4	133.1	122.2	(2.5)	119.7
Overheads	(143.7)	26.7	(117.0)	(114.5)	(1.4)	(115.9)
Operating (loss)/profit	(12.0)	28.1	16.1	7.7	(3.9)	3.8
Finance charge	(6.9)	—	(6.9)	(5.5)	0.4	(5.1)
(Loss)/profit before tax	(18.9)	28.1	9.2	2.2	(3.5)	(1.3)
Tax	(7.6)	(0.2)	(7.8)	(2.5)	(0.8)	(3.3)
(Loss)/profit after tax	(26.5)	27.9	1.4	(0.3)	(4.3)	(4.6)
Operating (loss)/profit	(12.0)	28.1	16.1	7.7	(3.9)	3.8
Impairment of goodwill	29.1	(29.1)	—	—	—	—
Depreciation and impairment of PPE and software	14.6	—	14.6	16.4	0.3	16.7
Depreciation and impairment of right-of-use assets	18.4	(0.7)	17.7	15.3	2.5	17.8
Acquisition amortisation	2.8	(2.8)	—	2.8	(2.8)	—
EBITDA	52.9	(4.5)	48.4	42.2	(3.9)	38.3
Diluted loss per share	(28.6c)	28.4c	(0.2c)	(3.3c)	(4.4c)	(7.7c)

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Revenue for the year ended 31 March 2023 reduced by 8% to $890.3 million (FY2022: $965.1 million) driven by combination of adverse foreign exchange movements in DG International, the strategic decision to exit loss-making business in DG Americas, and lower volume in the second half of the year in a number of our markets. Constant currency Group revenues reduced by 4% year-on-year.

Adjusted operating profit saw an increase year-on-year to $16.1 million (FY2022: $3.8 million) and **adjusted gross margin** increased to 14.9% (FY2022: 12.4%), reflecting stronger than anticipated trading within DG International particularly continental Europe, benefits from the turnaround initiatives in DG Americas and some catch-up pricing to offset some of the inflation continuing in our inputs. Inventory provisions made in the year were $19.3 million (FY2022: $18.3 million) and inventory provision releases were $6.3 million (FY2022: $5.0 million).

Adjusted overheads as a percentage of revenue increased to 13.1% (FY2022: 12.0%). **Adjusted operating margin** at 1.8% (FY2022: 0.4%) was up year-on-year, reflecting the higher gross margins and cost management. Overall **adjusted profit before tax** was $9.2 million (FY2022: loss before tax $1.3 million). The Group finished the year with a reported **loss before tax** of $18.9 million (FY2022: profit before tax of $2.2 million). This is significantly adverse to the improvement in **adjusted profit before tax** reflecting the (largely non-cash) adjusting items in the current year of $28.1 million compared to a net credit of $3.5 million in the prior year. Further details of the adjusting items are detailed below.

Adjusted profit after tax was $1.4 million (FY2022: adjusted loss after tax of $4.6 million) with loss after tax for the year at $26.5 million (FY2022: $0.3 million).

Finance charges

Finance costs were higher than the prior year at $6.9 million (FY2022: $5.5 million), resulting from higher financing costs at $4.0 million (FY2022: $2.0 million) which reflected the significant increase in interest rates during the year. The IFRS 16 related lease liability interest was marginally lower than the prior year at $2.9 million (FY2022: $3.5 million), of which $0.4 million was treated as an adjusting item in the prior year.

Adjusting items

Adjusting items are material items or items of an 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 2023 result in a (largely non-cash) net charge of $28.1 million compared to a net credit of $3.5 million in the prior year. Details of all adjusting items are included below:

Adjusting Items	FY2023	FY2022
Goodwill impairment	$29.1m	—
(Gains)/losses and transaction costs relating to acquisitions and disposals of businesses	($1.5m)	$3.7m
Acquisition integration and restructuring (income)/costs	($2.0m)	($1.7m)
Reversal of impairment of assets	($0.2m)	($2.6m)
IT security incident income	($0.1m)	($5.7m)
Amortisation of acquired intangibles	$2.8m	$2.8m
Total	**$28.1m**	($3.5m)

Goodwill impairment – $29.1 million charge

In the year an impairment of $29.1 million has been recorded to write down the goodwill from historical acquisitions in the UK and Asia CGU.

Following the deterioration of the result experienced in UK and Asia CGU already referred to, especially in the second half of FY2023, the longer-term impacts on the forecasts for future cash flows have resulted in an impairment.

The calculation was further exacerbated by the significant increase in the discount rate, mainly as a result of higher interest rates. Further details of this impairment are set out in note 9.

(Gains)/losses and transaction costs relating to acquisitions and disposals of businesses – $1.5 million credit (FY2022: $3.7 million charge)

In the year $1.5 million of insurance income was received relating to the Impact Innovations, Inc acquisition Representations & Warranties insurance settlement relating to accounting and tax issues present at acquisition.

Acquisition integration and restructuring (income)/costs – $2.0 million credit (FY2022: $1.7 million credit)

In order to realise synergies from acquisitions, or existing businesses, integration and restructuring projects are respectively 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 it is appropriate that costs associated with projects of this nature be included as adjusting items. The costs incurred in the year relate to the reorganisation, business simplification and impairment expenses in DG Americas and the reorganisation of the DG UK businesses as follows:

Site closures – In April 2022, the Manhattan, Kansas property was sold for proceeds of $6.7 million resulting in a profit on disposal of $4.6 million recognised as an adjusting item. In March 2023, a decision was made to exit a surplus site in Clara City, Minnesota. This resulted in an impairment of the right-of-use asset associated with the underlying lease of $0.8 million. Additional costs of $0.3 million were incurred in relation to the relocation and closure of these sites, as well as the consolidation of other US sites.

DG America and DG UK business reorganisation – In the year further restructuring costs, relating to staff, of $0.8 million have been recognised in DG Americas following the announcement of further business reorganisation. Similarly, in March 2023 the UK business internally announced a business simplification in light of the downturn of the UK market outlook, resulting in the recognition of one-off restructuring costs of $0.7 million.

Reversal of impairment of assets – $0.2 million credit (FY2022: $2.6 million credit)

At the onset of the Covid-19 pandemic a review of inventory, trade receivables and fixed assets was undertaken. Inventories were assessed at 31 March 2020 for the net realisable value and an impairment of $7.4 million was recognised. Trade receivables were assessed for their expected credit loss in line with IFRS 9 and an impairment of $3.8 million was recognised. The UK's bag-line machines were impaired by $0.3 million based on expected future cash flows associated with the 'not for-resale' consumables business.

In the year a credit of $0.2 million has been recognised relating to reversal of impairments no longer required. There are no remaining provisions relating to these costs.

IT security incident income – $0.1 million credit (FY2022: $5.7 million credit)

The IT security incident which occurred in DG Americas in October/November 2020 resulted in one-off costs of $2.2 million being incurred during the year ended 31 March 2021. This did not include the lost profits incurred as a result of downtime in the business for which an insurance claim was made. In the year final insurance income was received of $0.1 million in relation to this incident.

Amortisation of acquired intangibles – $2.8 million charge (FY2022: $2.8 million charge)

Under UK IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer lists and trade names 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 their useful economic lives. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. These comprise mainly trade names and brands acquired as part of the acquisition of Impact Innovations Inc. (Impact) and CSS Industries Inc. (CSS) in the USA.

Taxation

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

The Group's **adjusted tax** charge for the year is $7.8 million (FY2022: $3.3 million) against an **adjusted profit before tax** of $9.2 million (FY2022: loss of $1.3 million). Deferred tax assets relating to the entities in the UK (both UK trading and PLC) are not being recognised as the assessment of future taxable profits shows insufficient future taxable profits against which to utilise the deferred tax assets. Consequently, the absence of tax relief on current year tax losses significantly inflates the effective tax charge for the Group. The profits in DG Europe and Australia, which are the main contributors to adjusted profit before tax, are taxed at higher statutory tax rates (25.8% and 30% respectively).

In DG Americas, the impact of movements in uncertain tax positions together with permanent items adds to the tax charge. Further details of this tax charge are set out in note 11.

Tax paid in the year was $7.3 million (FY2022: $5.2 million). This is $2.1 million higher than the prior year, reflecting higher profits in the Group's tax-paying jurisdictions.

Loss per share

Diluted adjusted loss per share at 0.2 cents (FY2022: 7.7 cents) is improved year-on-year driven by the significantly higher adjusted earnings attributable to equity holders of the Company. **Diluted loss per share** at 28.6 cents (FY2022: 3.3 cents) is significantly lower than adjusted, reflecting the adjusting items charge in the FY2023 year. Further details are set out in note 21.

Dividend

In light of the Group's current position on the path to profit and margin recovery, and the challenges due to forecast reduced consumer demand in certain markets, the Board are not recommending a final dividend (FY2022: nil). As a result, the full-year dividend is nil (FY2022: 1.68 cents (1.25 pence) based on the interim dividend which was paid in January 2022).

Return on capital employed

Improving the **return on capital employed** continues to be a key target for each of the business units as well as the Group overall. The Group saw the **return on capital employed** increase year-on-year to 5.6% (FY2022: 1.3%), reflecting the improved profitability and our efforts to reduce our working capital requirements.

Cash flow and net cash

The Group ended the year with its net cash balance at $50.5 million (FY2022: $30.2 million). The significant increase in the cash balance year-on-year is a direct result of the higher EBITDA contribution and the improved working capital management resulting in **adjusted cash generated from operations** significantly higher at $60.4 million (FY2022: $5.8 million).

Cash flow	FY2023	FY2022
Adjusted EBITDA	**$48.4m**	$38.3m
Add back for share-based payment charge/(credit)	**$0.8m**	($0.8m)
Movements in working capital	**$11.2m**	($31.7m)
Adjusted cash generated from operations	**$60.4m**	$5.8m
Adjusting items within cash generated from operations	**($1.4m)**	($1.9m)
Cash generated from operations	**$59.0m**	$3.9m
Adjusting items within investing and financing activities	**$8.3m**	($4.3m)
Capital expenditure (net of disposals of property, plant and equipment)	**($5.8m)**	($8.3m)
Acquisition of non-controlling interest	**($3.0m)**	—
Tax paid	**($7.3m)**	($5.2m)
Interest paid	**($5.3m)**	($4.2m)
Lease liabilities principal repayments	**($20.4m)**	($16.8m)
Dividends paid (including those paid to non-controlling interests)	**($3.0m)**	($12.6m)
Purchase of own shares	**($0.9m)**	—
FX and other	**($1.3m)**	$1.2m
Movement in net cash	**$20.3m**	($46.3m)
Opening net cash	**$30.2m**	$76.5m
Closing net cash	**$50.5m**	$30.2m

Working capital

The working capital cash flow improved from a $31.7 million outflow in the prior year to a $11.2 million inflow. This was driven primarily by improved working capital management across the Group. The lowering of working capital levels will remain a focus of the Group.

More than ever, 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 0.1% of revenue (FY2022: 0.2%), reflecting our continued proactive approach to mitigating credit risk exposure.

Capital expenditure

Capital expenditure in the year reduced in relation to the prior year at $5.8 million (FY2022: $8.3 million). There were no significant capital projects in the year to 31 March 2023. Capital expenditure in FY2024 is expected to be higher with investment in new ERP and manufacturing capabilities.

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. As at 31 March 2023 **average leverage** was 0.6 times, improved from 1.0 times in the prior year. This reflects the improvement in **adjusted EBITDA** compared to the prior year and stabilised average debt at $17.1 million (FY2022: $17.2 million).

Our measure of average leverage excludes lease liabilities from our measurement of debt and we reduce adjusted EBITDA for lease payments. This mirrors the approach taken by our banks in measuring leverage for the purposes of the banking facilities and therefore is considered the most relevant measure for management to adopt.

Banking facilities

On 1 June 2022 the Company amended and extended the term of its revolving credit facility, and operated under revised covenants during the financial year. The Group operated well within these covenant requirements with excess headroom throughout the year.

On 2 June 2023, the Group announced the successful negotiation of a $125.0 million three-year refinancing with HSBC and NatWest banks. The new facility is structured as an Asset Backed Lending (ABL) arrangement secured with an all-assets lien in the USA and an all-assets security in the UK. The Group has also extended its overdraft facility provided by HSBC. This facility replaces the previous revolving credit facilities originally agreed in 2019.

The new facility carries an initial bank margin of 1.75% to 2.25%, based on average excess availability (plus 0.1% spread adjustment) over the forward-looking term rate based on the US Secured Overnight Financing Rate (SOFR) which is lower than the margins on the 2019 facilities.

The Board believes that the new ABL facility, which flexes in line with the receivables in the USA, provide more than sufficient headroom to fund the Group's working capital needs over the period of the facility.

Further details are set out in note 15.

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. The Group's reporting currency is US dollars in light of the fact that a significant proportion of the Group's revenues and profits are in US dollars. There remains a smaller part of the Group whose functional currency is something other than US dollars. The constant currency results recalculate the prior year based on the exchange rates of the current year to enhance the comparability of information between reporting periods. The overall impact on **revenue** and profits from currency movements in FY2023 when compared to FY2022 is significant relative to the balances. The increase in revenue would have been $36.4 million higher if FY2022 revenues are translated at FY2023 foreign currency exchange rates, and the growth in **adjusted loss before tax** would have been $2.4 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 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 decreased by $35.3 million to $334.4 million at 31 March 2023 (FY2022: $369.7 million), primarily reflecting impairment of goodwill in the current year.

As at the 31 March 2023 balance sheet date, in light of the FY2023 results and the outlook for FY2024, the Directors have paid particularly close attention to their assessment of going concern in preparation of these financial statements. The Group is appropriately capitalised at the year end with a net cash position of $50.5 million.

The Directors of the Group have performed an assessment of the overall position and future forecasts for the purposes of going concern. The going concern assessment has been performed using the Group's FY2024 and FY2025 budgets and plans. These forecasts have been reviewed in detail by the Board and take into account the seasonal working capital cycle of the business. They have been sensitised to reflect severe but plausible adverse downturns in the current assumptions including the potential impact of a significant disruption in one of our major customer's business, as well as increased inflationary pressures in the DG International and DG Americas business segments, beyond those risks already factored into the budgets and plans.

The base forecasts and additional sensitivity analysis have been tested against the ABL facility limits and covenants. The analysis demonstrated that the Group has sufficient 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 all covenants within this time frame and beyond. 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 UK IFRS metrics. The Directors believe that these APMs provide important additional information regarding the underlying performance of the business including trends, performance and position of the Group. APMs are used to enhance the comparability of information between reporting periods and segmental business units by adjusting for exceptional or uncontrollable factors which affect UK 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 or items of an unusual or non-recurring nature.

The APMs and the definitions used are listed below:

- Adjusted EBITDA – Profit/(loss) before finance charges, tax, depreciation, amortisation, impairment (EBITDA) and adjusting items
- Adjusted gross profit – Gross profit before adjusting items
- Adjusted operating profit/(loss) – Profit/(loss) before finance charges, tax and adjusting items
- Adjusted profit/(loss) before tax – Profit/(loss) before tax and adjusting items
- Adjusted profit/(loss) after tax – Profit/(loss) after tax before adjusting items and associated tax effect
- Adjusted tax – Tax before adjusting items
- Diluted adjusted earnings/(loss) per share – Diluted earnings/(loss) per share before adjusting items and associated tax effect
- Adjusted overheads – Selling costs, administration expenses, other operating income, profit/(loss) on disposal of property, plant and equipment (overheads) before adjusting items
- Adjusted cash generated from operations – Cash generated from operations before the associated cash impact of those adjusting items
- Net cash – Cash and cash equivalents, bank overdraft and loan arrangement fees

In terms of these APMs, a full reconciliation between our adjusted and reported results is provided in the detailed financial review above, from which the following key performance metrics have been derived:

- Adjusted gross margin – Adjusted gross profit divided by revenue
- Adjusted operating margin – Adjusted operating profit divided by revenue
- Adjusted EBITDA margin – Adjusted EBITDA divided by revenue
- Cash conversion – Adjusted cash generated from operations divided by adjusted EBITDA

In addition, the Group calculates the following key performance measures using the above APMs:

- Return on capital employed – Adjusted operating profit divided by monthly average net capital employed (where capital employed is net assets excluding net cash and intangible assets)
- Average leverage – Average bank debt (being average debt measured before lease liabilities) divided by adjusted EBITDA reduced for lease payments

Further details of the items categorised as adjusting items are disclosed in more detail in note 3.

Paul Bal
Director
19 June 2023

Helping design a better future

As a market leader in our industry, we aim to minimise our impact on the environment by constantly challenging ourselves to find ways in which we can use our scale and people to influence and drive positive, proactive change. We understand that our impact and responsibilities extend beyond our immediate surroundings, into the lives of our employees and stakeholders, the environment, and our local and global communities.

It is a moral and commercial necessity that we strive for the highest standards of ethical behaviour and innovate and improve to reduce the environmental impact of our operations to protect and preserve our planet, for this and future generations.

Our sustainability framework 'helping design a better future', aims to shape the Group's approach to sustainability and enable us to demonstrate, monitor and improve our environmental, social and governance (ESG) performance and to drive our business forward sustainably. The framework is underpinned by the United Nations Sustainable Development Goals (SDGs) which were reviewed to identify the areas which are most relevant to Design Group.

People

People are at the heart of our success

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

Product

Sustainable by design

- Sustainable sourcing
- Sustainable product and packaging

Planet

Innovating to reduce our footprint

- Reducing our environmental footprint
- Design with the environment in mind

Not only has the Group made progress in striving towards TCFD reporting in the past year, we have continued to leverage our innovation and customer relationships to develop, produce and supply sustainable ranges. Our performance, KPIs and progress in each of the three pillars are reported over the next few pages.

We are pleased with our progress in recent years, however we recognise that we are still early on in our sustainability journey and there is further work required. We will continue to develop our sustainability framework, in particular to further refine our KPIs, targets and goals in order to drive positive change and strive to be the most sustainable we can be.

Link to strategy

Our sustainability framework, 'helping design a better future', has worked alongside our previous strategic drivers: working with the winners; design & innovation and efficiency & scale. We believe that adopting a holistic business-wide approach to sustainability is a significant driver of commercial advantage, and this is evident in the role that this approach continues to have in the new strategy.

Link to business model

The environment is one of our key stakeholders which we see as an integral part of our agenda going forward.

Read more on page 09

Working with the winners

We have prided 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 becoming a more pertinent matter.

Design & innovation

In order to be our customers' partner of choice, our design teams have focused on providing fresh, new and on-trend ideas for our product ranges. This innovation has been critical in designing and producing sustainable products and packaging.

Efficiency & scale

Both capital and people investment have helped to drive efficiencies and strengthen our performance.

This principle extends to sustainability whereby product design right through to operations and logistics have been continually 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.

Partner of choice

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 Group. This principle also extends to our suppliers, where we endeavour to source the most responsible materials that we can, and manufacture as environmentally sensitively as we can.

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 used, particularly non-recyclable plastic packaging, to reduce the waste contributing to landfills, as well as the pollution of our ecosystems and marine life.

Winning together

Adapting our habits will drive positive change in relation to global warming, the pollution of our ecosystems as well as biodiversity.

Influencing our customers and consumers habits through offering innovative solutions

TCFD

We are committed to implementing the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and this year we have continued to make progress to position us well ahead of the FY2024 reporting requirements.

Governance structure

Board

The Board has overall accountability and oversight over how the Group responds to climate change and its associated risks and opportunities.

The Board reviews climate change risks in line with the risk management framework.

In addition to this, ESG is an agenda item of the Board and other sub-committees.

Operating Board

The Operating Board is responsible for the oversight and management of climate change and its associated risks and opportunities.

Sustainability Forum

The sustainability forum is a cross-Group committee made up of representatives from each territory. Over the past year the sustainability forum has met five times.

It is a working group with the aim of formulating a commercially-led response to climate change and its associated risks and opportunities.

The aim is to educate and create a holistic, business-wide, sustainable mindset, whilst sharing best practice across territories.

Business units

Business units are responsible for the identification, assessment and mitigation of sustainability associated risks and opportunities.

This will be explicitly integrated into our existing risk management framework and process.

Business units are also responsible for day-to-day management of business and decisions relating to our people, product and planet.

Making progress in the year towards TCFD by conducting a climate risk assessment to identify the Group's risks and opportunities over the short, medium and long-term.

Strategy

This year we have conducted a risk assessment to identify the Group's climate-related risks and opportunities over the short, medium and long-term through a series of workshops involving various stakeholders from across the Group. These workshops centred around the TCFD recommended categories of; physical (acute and chronic) and transitional (policy and legal, technology, market and reputation) risks and opportunities. These risks and opportunities were prioritised by assessing their impact and likelihood through scenario analysis, in line with the Group's risk management framework scales. The output of the scenario analysis conducted is not a forecast, but instead a directional understanding of the resilience of our strategy to these risks and opportunities under different climate risk scenarios.

Risk management

Last year climate change transitioned from an emerging risk to a principal risk for the Group. An overall approach to risk management and a summary of our principal risks can be found on pages 50 to 55. The risks associated with climate change are considered in line with our existing risk management framework. A bottom-up assessment is carried out in each territory which is then presented to the Audit Committee to review the Group's established principal risks and emerging risks.

However as part of the climate risk assessment exercise carried out this year, the Group will now have a more detailed climate risk register covering acute and chronic (physical), and policy and legal, technology, market and reputation (transition) risks. The two different streams of risk; physical and transition are assessed in different ways. Physical climate-related risks were assessed using leading models and databases within the risk and insurance industry based on the Group's footprint. Transition climate-related risk assessment used the Group's enterprise risk management approach to ensure outputs align with our wider risk landscape. The climate risk registers will form part of the existing risk management framework processes going forwards.

Metrics and targets

The climate-related risks and opportunities are assessed through the KPIs we established as part of the Group's 'helping design a better future' framework and were reviewed by the Board last year. These KPIs are reported on pages 34 to 47. The Group's scope 1 and 2 emissions will be reported on from next year in line with TCFD, the UK emissions can be seen on page 47. We will continue to develop the sustainability framework and KPIs as we progress through the coming year, which will then allow us to formulate climate related targets.

People are at the heart of our success

People

At Design Group we employ over 3,500 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. We 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.

United Nations Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

People continued

Employee engagement, talent and skills

Why it's important to us:

We want to create an engaged and motivated workforce, giving everyone 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 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.

Our key performance indicators:

Employee turnover

20% 2022: 24%

Definition: The voluntary turnover of permanent employees in the year (%)

Why chosen: It is important to us that we create an environment where our employees enjoy coming to work

Employee turnover has reduced this year from 24% to 20%, which reflects positively on our working environment.

This year we have launched our first Group-wide employee engagement survey, 'Your Voice. Our Future', to understand our people better and learn how to improve as an employer. Participation was anonymous and voluntary, yet encouraged across the Group. It was incredibly pleasing to have a high participation rate of 78% which suggests that our employees are engaged and keen to share their views. Furthermore, despite the vast amounts of change across the Group in recent years, the results indicate that our employees on the whole remain positive about their roles and the company. The proxy for employee satisfaction was the question "I would recommend Design Group as a good employer", which was positively rated by 76% of the Group. Areas for improvement have been established and actions have been identified following the feedback of results to all employees.

We employ a great team of people where we encourage personal and professional development which we have continued to facilitate over the year. Across the Group there are emerging leadership programmes in place where selected employees are given the opportunity to work with external consultants to develop leadership and other key skills to enable career progression. These opportunities also help to develop and mature the Group's talent pipeline. Our development and training opportunities extend beyond emerging leaders, with Design Group Academy established since 2013 in DG Europe. Design Group Academy is an internal training institute striving to develop knowledge and skills of our employees through internal and external trainers across a broad range of topics. In the US, all of our employees are eligible for tuition reimbursement for programmes that align with the advancement of their careers, allowing our people to take control of their own career progression.

This year the US business launched a reward and recognition programme, 'DG Bravo!', which facilitates peer-to-peer and manager praise amongst employees to create a positive environment where our employees feel recognised and appreciated. The platform also provides access to a wellbeing centre, and blog content which is geared towards keeping employees informed and motivated.

Health, safety and wellbeing

Why it's important to us:

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

Our key performance indicators:

Number of accidents

83 2022: 116

Definition: The number of accidents in the year across our global manufacturing, warehouse and office facilities. An accident is where first aid or other medical treatment was required

Why chosen: Keeping people safe and healthy is a moral and a business imperative that applies to all who work for Design Group

As a manufacturing business, the health and safety of our employees is paramount across our facilities. In the year, 83 accidents were recorded across our locations. This is a lower level than last year as we have maintained a more stable operational workforce in the year, and continued with ongoing training. We hope to continue to improve this through further training and collaborative meetings at manufacturing locations to encourage open dialogue and address any suggested improvements.

Employee wellbeing remains a key focus for our local teams with many initiatives taking place throughout the year. Once again, the UK division wellbeing calendar initiative, with a different wellbeing campaign for each month of the year continued. Men and women's health week was another successful event focusing on key topics for men and women's health. The week included a yoga session, self defence classes, a health session on prostate and testicular cancer, mental health awareness and the benefits of physical activity. The UK has also launched a menopause policy and a guide for managers to better support colleagues going through the menopause and provide a greater understanding of what our colleagues experience and how to talk positively, respectfully and openly about the menopause. The US team has a social committee which coordinates company events and programmes to promote wellbeing, engagement and appreciation of colleagues across the organisation, examples from the year include a company cookbook, employee day of service and holiday-based events. Across the Group we offer a free Employee Assistance Programme to our employees to provide mental health support. We also have an increasing number of mental health first aiders on hand to lend a listening ear, and provide first line support to colleagues whilst directing to professional help where necessary.

People continued

Diversity, equality and inclusion

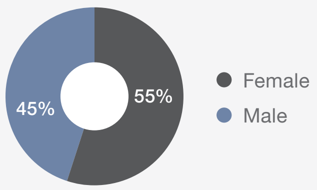
Why it's important to us:

Our international culture promotes diversity, equality and inclusion and in line with our Group values, we strive to treat everybody with dignity and respect. We strive for a workplace that has integrity, is fair and inclusive and upholds the highest standards of human rights.

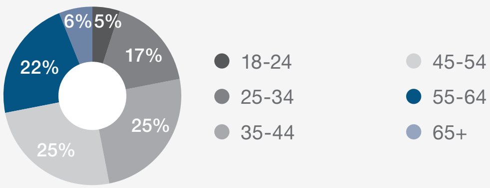
Our key performance indicators:

All employees

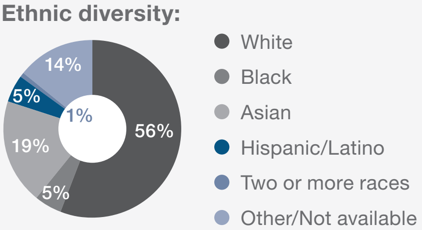
Gender diversity:



Age diversity:

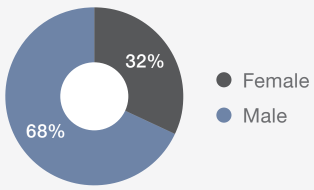


Ethnic diversity:

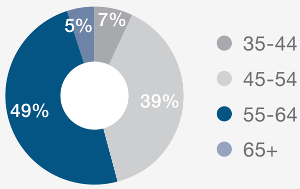


Senior management team

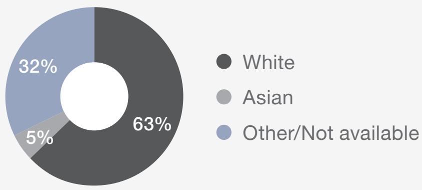
Gender diversity:



Age diversity:



Ethnic diversity:



Note that senior management team (SMT) is as defined locally across the Group. These figures also include the Board as at 31 March 2023. For more detail on the latest Board diversity, please see page 59.

Why chosen: Our aim is to create equal opportunities for all. 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.

Diversity, equality and inclusion continued

We make employment decisions in a non-discriminatory manner; on the basis of job-related skills, achievements and performance, using clearly defined and fair criteria. The Group's Code of Business Conduct lays out our expectations which every employee must agree and adhere to. We take human rights seriously and continuously strive to strengthen and protect the systems and management in this area.

Where possible we facilitate flexible working around the Group which supports diversity in both our current teams and in new hires, allowing us to reach a greater pool of talent. Women are generally still the primary caregivers in families, limiting their capacity to return to full time roles. Greater flexibility in the workplace for everyone enables women to progress more as it gives them the ability to balance home and family commitments. The importance of flexible working was also reflected in our employee engagement survey, so we therefore recognise the impact flexible working practices have on diversity and opportunity, as well as on engagement, retention, and progression in the Group.

In total across the Group, the annualised full-time equivalent salary of women is in line with men (1% median and 0% mean pay gap). This is a small gap partly due to half of our workforce being hourly paid employees who get paid the same rate within a location regardless of gender. The other driver of our low gender pay gap is high female representation at senior and mid-senior levels, particularly in the USA and UK. Despite our low gender pay gap at a Group level, amongst the senior leadership team of the Group the pay gap is higher due to executive director positions currently being held by men. The Board is committed to gender equality and wishes to maintain a fair approach to pay management across the Group going forward.

Giving back to our communities

Why it's important to us:

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 place to work.

Our key performance indicators:

Charitable donations

$1.8m 2022: $735,000

Definition: The total value of cash and inventory donated to charity over the year

Why chosen: 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.

Across the Group, each of our regions support local charities and events to give back where they can and encourage the mindset of being a good citizen. We donate both cash and inventory to charity, the latter making up the majority of our donations this year. We continue to support the Trussell Trust in the UK through the sale of Tom Smith® crackers, and as part of this partnership we presented them with a cheque for £88,000 in December 2022. The Trussell Trust support a nationwide network of food banks and together they provide emergency food and support to people locked in poverty, and campaign for change to end the need for food banks in the UK.

In Australia, we have donated over A$176,000 to causes that matter to our team and our customers; the Kmart Wishing Tree appeal, Australia's largest and longest running gift giving appeal, and The Salvation Army who do significant work in the area of homelessness and drug and alcohol support, amongst other charity work. These amounts were generated through the sales of selected items. The Australian team were also involved with a community initiative in partnership with Officeworks and Restoring Australia by tree planting to help make a positive difference to the environment, native wildlife, landholders and local communities around Australia.

DG Americas has donated product to a variety of causes this year, for example our largest manufacturing site in the US donated over 100,000 rolls of wrapping paper and bows to the local community over the holiday season to charities aiding abused women, women and children's shelters, schools and fire and police departments.

Within the UK businesses, a charity committee has been recently established which welcomes nominations of charities from employees which are close to their heart.

Sustainable by design

Product

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.

United Nations Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

15 LIFE ON LAND


Made
Recycled &
Celebrations
Merry Christmas
I AM MADE IN THE UK FROM RECYCLED MATERIALS

Product continued

Sustainable product and packaging

Why it's important to us:

Successfully designing, promoting and selling our sustainable greetings collections means we are encouraging a circular economy which reduces waste and the impacts of production, consumption and disposal on the environment.

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.

Our key performance indicators:

Fully recyclable product ranges

46% 2022: 47%

Definition: The proportion of Design Group single-use[(a)] products which are fully recyclable

(a) Single-use products make up 53% of Group sales (2022: 49%).

Fully recyclable packaging

66% 2022: 66%

Definition: The proportion of Design Group consumer sales packaging which is fully recyclable

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

46% of the Group's single-use products such as gift wrap and greeting cards are fully recyclable at either household level or at local supermarkets; with single-use products representing 53% of total Group sales. The sales value of recyclable single-use products has remained in line year-on-year, despite the decline in Group sales.

The proportion of fully recyclable ranges is largely in line with last year (46% vs 47%), with the slight decline due to changes in customer and product mix. 66% of all primary packaging is recyclable, which is in line with prior year. We have made progress with this KPI across the Group, however we encountered a setback in Australia where local recycling arrangements became less accessible, resulting in less product packaging being able to be classified as recyclable.

Around the Group we continue to develop, explore and design new solutions to reduce the single-use plastic content of our products and packaging, aiming to deliver excellent sustainable solutions to customers, reducing both waste and pollution of the environment.

In recent years we have invested in technology to enable the manufacture of shrink-free gift wrap in two of our key manufacturing locations. Shrink-free gift wrap eliminates the use of plastic from the product and the packaging, which reduces the volume of waste sent to landfills and pollution of our ecosystems.

This year saw the launch of Smartwrap™ in our European market. Smartwrap™ was created from the innovation and research of a student working within our team in the Netherlands, with trials, testing and investment which followed to create a sustainable, plastic free, climate neutral gift wrap solution. In its first year 611,000 rolls of Smartwrap™ have been sold to 18 customers and we are excited about its future. Similarly, the Eco Nature™ range was launched in the UK market in FY2021 and has grown further in the current year with products in the range spanning from celebration products such as; gift wrap, cards and bags to stationery ranges. The Eco Nature™ range is manufactured locally at our Wales site and is gaining increasing support from our customers including two of the UK's largest retailers; Tesco and Sainsbury's. In FY2023 we achieved revenues of $2.0 million across our two eco ranges.

We continue to work with the leading retailers of the world, such as Walmart on Project Gigaton, with further progress made by removing plastic from their gift bag ranges. We will continue to develop sustainable solutions across the Group going forward.

Sustainable sourcing

Why it's important to us:

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, 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.

Our key performance indicators:

Supplier audits

600

across 354 suppliers

Definition: The number of ethical audits carried out across our supplier base in the year

Why chosen: We recognise that having a wide global supplier base requires a detailed level of engagement to ensure our suppliers fundamentally comply with regulations and guidelines and respect human rights. Ethical audits allow us to gain insight into supplier conduct and fair working conditions across our supplier bases.

Innovating to reduce our footprint

Planet

We believe we have a responsibility to protect and preserve our planet and its environment and that our success as a Group 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.

United Nations Sustainable Development Goals

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND

Planet continued

Reducing our environmental footprint

Why it's important to us:

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

Our key performance indicators:

Waste sent to landfill

28% 2022: 29%

Definition: The proportion of waste sent to landfill at our operational facilities

Why chosen: It is important that we employ the most sustainable practices where we can and reducing the waste sent to landfill directly reduces our carbon footprint.

Although the proportion of operational waste sent to landfill this year was in line with prior year (28% vs 29%), the tonnage of waste sent to landfill was significantly lower. The volume of waste is 34% lower than prior year due to last year being inflated following the exit of several properties in the US. Our sites in the UK and Netherlands continue to operate a no waste to landfill policy.

Design Group Europe have been awarded climate neutral status on all their gift wrap collections. Looking forwards into FY2024, they have also been awarded climate neutral status on their gift bag ranges, which is another great step forward for the Group. Across the Group the local manufacture of giftwrap and bags, supported by our investment in manufacturing and technology, helps to reduce our reliance on freight and therefore our carbon footprint, as well as supports our local economies around the globe.

Around the Group we are using renewable electricity where possible including in the UK and Europe. Next year we will endeavour to report our total Group greenhouse gas emissions which will provide more clarity around our carbon footprint. It will also allow us to track and monitor our emissions going forward in our journey to net zero.

UK environmental reporting

The UK businesses' total energy use and associated greenhouse gas emissions have been reviewed 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 for the year ended 31st March 2023 were:

CO_2 emissions by source

	2023		2022	
Source	Consumption	Tonnes CO_2e	Consumption	Tonnes CO_2e
Electricity	**7,654,472 kWh**	**1480.22**	7,944,417 kWh	2,030.59
Gas	**8,633,870 kWh**	**1,576.03**	9,549,107 kWh	1,755.60
Diesel oil	**48,321 litres**	**123.82**	65,058 litres	174.87
LPG	**2,491 kg**	**102.50**	3,128 kg	9.19
Company vehicles	**260,387 miles**	**60.48**	234,510 miles	50.99
Total		**3,343.05**		4,021.24

Energy emissions ratio: Total tonnes CO_2e / (1) million (£) annual turnover		**27.82**		38.11

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. The emissions cover Scope 1 and 2 (which are not practical to separate at this stage), as well as Scope 3 emissions from business travel.

Over the last few years, the UK have looked at ways to become more energy efficient and have taken actions such as: ESOS (Energy Savings Opportunities Scheme) activities, low energy use LED type light fittings, electric/hybrid company vehicles, reducing waste to landfill activities, procuring more energy-efficient machinery when required, and ISO 14001 internal objectives.

STAKEHOLDERS

We value strong and open relationships where mutual trust and respect are key.

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

We are committed to promoting the success of the company for the benefit of its shareholders, whilst taking into account the long-term interests of its employees, customers, suppliers, the environment, and the wider community in which we operate. In discharging our duties, we will act with integrity, honesty, and transparency, and seek to maintain a culture of ethical behaviour throughout the organisation. We recognise the importance of engaging with our stakeholders, listening to their views, and taking them into account in our decision-making processes. Our Board and senior management team will continue to work collaboratively to ensure that we meet our obligations under section 172 of the Companies Act 2006.

During FY2023, we continued to identify five key stakeholders as critical for the success of our future business. Below we highlight who they are, 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

How we engage

- Structured onboarding and induction programmes
- Ongoing training and development, including wellbeing initiatives
- Regular employee briefings including 'town hall' briefings through to team briefings and one-to-ones

Outcomes of engagement/key decisions this year

In order to boost awareness and co-operation with the wider workforce, the Board made a number of trips to visit the majority of our businesses this year. In addition the HR directors from DG Americas and DG UK were invited to become regular attendees of the Remuneration Committee and regular contributors to the Nomination Committee. This has provided the Board with valuable insight into the challenges and successes which our employees face and how the Board can support them. We also held the Group's first ever Group-wide employee engagement survey and were extremely pleased to see a high participation rate and strong support from our employees with a high number stating that they would recommend Design Group as a good employer.

Customers and Suppliers

How we engage

Each business is structured to ensure strong, dedicated engagement with customers and suppliers via key account managers and strong supporting teams.

Regular meetings held with with customers and suppliers both in-person and online.

Outcomes of engagement/key decisions this year

Ongoing external challenges have meant that our businesses have had to rely on their close relationships with both customers and suppliers over the past year. The Board has been keen to hear about the positive conversations and the new initiatives that have resulted.

At the latter end of FY2023 BDO, our external business assurance providers, undertook a review of the Group's supply chain which to date has been led by the individual businesses. The outcomes of that review are currently being digested and the Board is keen to see the improvements and cross-Group initiatives which will no doubt result from that.

Communities

How we engage

With a Group of businesses spread across the globe and across regions within specific countries, it is important that community initiatives are led by each business and focused on the specific needs of the communities in which they are based.

Outcomes of engagement/key decisions this year

Our employees were supported to engage with local community projects and initiatives that had a positive impact on the areas we work in. Examples of some of these initiatives can be found on page 39.

Shareholders

How we engage

Individual meetings are held with large institutional shareholders throughout the year and particularly following interim and full-year results.

Investor information, regular trading updates and reports are posted on our website.

Shareholders are invited to attend the Annual General Meeting and submit questions.

Outcomes of engagement/key decisions this year

FY2023 has continued to bring change particularly in our senior executive team and therefore the Board was keen to bring our shareholders on the journey with us. Our Chair continued his visibility and availability to shareholders and we have continued to provide regular updates on matters which we believe to be of key concern and note to our shareholders.

Our Remuneration Committee Chair also wrote to key institutional shareholders to update them on remuneration decisions and give them an opportunity for feedback on future remuneration plans.

Across Design Group there are many examples of stakeholder engagement:

- Employees – see pages 22 and 34 to 39
- Shareholders – see page 63
- Customers – see pages 11 to 13
- Communities – see page 39
- Suppliers – see pages 42 to 43 and 53

RISK MANAGEMENT

Risk is an inherent part of business, especially as Design Group seeks to become more resilient in its performance going forward.

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

Operating Board
- Responsible for the overview of management of key risks at business unit level
- Assessment of materiality of key risks

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

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

Risk strategy and appetite

As part of the risk management process each principal risk, as identified in the next few pages, is considered in the context of achieving the Group's strategy.

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. Our 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.

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 who are the teams within the business managing and mitigating risks as part of their operational model. The second line of defence is internal via 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 Audit Committee with independent assurance over the management of risks around the Group.

Emerging risks

As part of the risk management process, we discuss and review emerging risk areas to determine whether they should be considered as principal risks and be actively monitored as a principal risk within the risk management process going forward. There are no emerging risks identified this year.

Principal risks

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 cost areas of raw materials, freight and people

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

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
- Maintaining open dialogue and strong relationships with our customers to allow for contract renegotiations where necessary

Change:

↔

Unchanged

This risk remains significant. There has been a succession of geopolitical events impacting our business: Covid-19, the Ukraine/ Russia conflict, and the cost of living crisis triggered by sudden high inflation. The impact of these span our suppliers, customers, consumers and workforce. Over the past twelve months the impact has been mitigated where possible, however the Group remains partially vulnerable to changes in the cost and availability of raw materials and freight which ultimately impact our margin.

Link to previous strategy:

Consumers

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

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

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 relationships 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

Change:

↔

Unchanged

This risk is significant with the current cost of living crisis and high inflation resulting in reduced consumer discretionary spend.

Link to previous strategy:

Key

Working with the winners | Design & innovation | Efficiency & scale

Principal risks continued

Strategy

A lack of appropriate corporate strategy (organic and M&A) could affect attainment of the Group's growth ambitions, leading to shareholder dissatisfaction

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

MITIGATION

- Ongoing review of market opportunities and trends
- Regular Operating Board meetings to discuss business updates along with operational and strategic decisions
- Review and monitor long-term key performance indicators
- Maintaining regular open dialogue with major shareholders
- New growth-focused strategy has recently been developed and is being rolled out

Change:

Unchanged

New strategy requires embedding within the organisation.

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

Financing capacity

A loss of support from our principal banking partners restricting our ability to deliver on our strategy

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

MITIGATION

- Continued ongoing communication with active shareholders
- Maintaining strong relationships and communication with existing banks
- An asset-backed lending facility, with two lending partners, better suited to financing our seasonal working capital
- Regular cash budgeting, forecasting and monitoring across the Group and senior management

Change:

Unchanged

The Group has secured a new financing arrangement to June 2026.

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

Financial control and insight

A failure in adherence with the Group's financial control framework and lack of insight into performance may result in financial under/over performance

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

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
- Regular forecasts and projections for the business

Change:

Unchanged

Link to previous strategy: Efficiency & scale

Key

Working with the winners   Design & innovation   Efficiency & scale

Information security

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

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

MITIGATION

- Policies, procedures and regular training for employees
- IT directors in each territory to ensure global best practice sharing
- Enhanced physical and logical security controls, in addition to appropriate network design and segregation
- SOC service and SIEM software

Change:

↔

Unchanged

Link to previous strategy:

Climate change

An inability to effectively transition to a low-carbon economy or anticipate the physical effects of climate change which could lead to a disruption to business, reduced revenues, increased operating costs and reduced margins

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

MITIGATION

- Development of sustainable product ranges
- Investment in improvement to carbon footprint of operations
- Strategic plans to address climate change risk
- Engagement with key stakeholders

Change:

↔

Unchanged

Link to previous 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

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

MITIGATION

- Working closely with suppliers to maintain good relationships and limit cost impact
- Expansion and review 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

Change:

↔

Unchanged

Link to previous strategy:

Key

Working with the winners

Design & innovation

Efficiency & scale

Principal risks continued

Manufacturing operations

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

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

MITIGATION
- Monitor key operations 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/site risk assessments performed
- Group insurance policy for a range of operational risks

Change:
↔
Unchanged

Link to previous strategy: Design & innovation, Efficiency & scale

People

Inappropriate organisational design and talent strategy that cannot keep pace with the demands of the business leading to a failure to deliver business objectives

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

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

Change:
↔
Unchanged

Link to previous strategy: Efficiency & scale

Acquisition investment

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

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

MITIGATION
- 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
- Reduced M&A agenda

Change:
↔
Unchanged

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

Key
Working with the winners | Design & innovation | Efficiency & scale

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

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

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 business assurance function
- Open dialogue with relevant parties (e.g. tax authorities)

Change:

↔

Unchanged

Link to previous strategy:

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

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

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

Change:

↔

Unchanged

Link to previous strategy:

Key

Working with the winners Design & innovation Efficiency & scale

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.

Stewart Gilliland
Chair

Date of appointment: Stewart joined the Board as a Non-Executive Director on 5 July 2021 and became Non-Executive Chair on 20 September 2021.

Experience: Stewart has a wealth of experience in senior and board roles at fast-moving consumer goods businesses, both listed and private. Both as an executive and non-executive, he established a strong track record in supporting businesses to achieve their growth ambitions and encouraging engagement with stakeholders.

External appointments: Stewart is currently a Non-Executive Director at Chapel Down Group plc, Tesco plc and Natures Way Foods Limited.

Skills: Stewart has over 30 years' experience and knowledge in international marketing, logistics and general management.

Committees:

N* A R

Paul Bal
Chief Executive Officer

Date of appointment: Paul joined the Board on 1 May 2022 as Chief Financial Officer and was subsequently appointed Chief Executive Officer on 1 April 2023.

Experience: Paul joined the Board from Stock Spirits plc, where he was CFO since 2017. Paul was instrumental in the turnaround of the then LSE-listed group, leveraging his experience in the management of a complex portfolio of over 70 brands selling across 50 markets.

Skills: Qualifying as a Chartered Accountant in England and Wales in 1993 and a Fellow since 2005, Paul has had an international career. He held global and regional management roles within British American Tobacco plc, Rothmans International Limited and the Tupperware Brands Corporation, Inc. before joining Stock Spirits plc.

Anders Hedlund
Founder and Non-Executive Director

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.

A Audit Committee

R Remuneration Committee

N Nomination Committee

* Chair

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.

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

Clare Askem
Non-Executive Director

Date of appointment: Clare joined the Board as a Non-Executive Director on 5 July 2021.

Experience: Clare was managing director of Habitat at Sainsbury's plc. Prior to her role at Habitat, Clare was Director of Strategic Development at Home Retail Group plc and previously held a number of executive positions at Dixons plc.

External appointments: Clare is a Non-Executive Director on the Board of Portmeirion Group plc and The Law Debenture Corporation plc.

Skills: Strategy and leadership, digital transformation and change management.

Committees:

R * N

Claire Binyon
Non-Executive Director

Date of appointment: Claire joined the Board as a Non-Executive Director on 1 June 2022.

Experience: Claire has held senior corporate development and strategic planning roles with multinational, manufacturing and consumer goods businesses, including GE Capital, InBev SA, Cadbury plc, DS Smith plc and Fenner plc (a Michelin company).

External appointments: Claire is a non-Executive Director for Murray International Trust plc, JP Morgan American Investment Trust plc and NHBS Ltd.

Skills: Corporate development, strategic planning, corporate finance and transactions and listed company governance. Claire is also a Chartered Accountant.

Committees:

A R

A Audit Committee

R Remuneration Committee

N Nomination Committee

* Chair

CORPORATE GOVERNANCE REVIEW

Stewart Gilliland
Chair

Dear Shareholder,

On behalf of the Board I am pleased to present the Corporate Governance Review for the year ended 31 March 2023. This provides an overview of the Board's activities during the year, along with our governance arrangements.

Last year I remarked on the changes to the Board membership in FY2022 and how I expected this to bring fresh insights, a new mix of skills and experience and a strengthening of our commitment to good corporate governance. I am pleased to report that my expectations were realised and that will be highlighted in this review.

Key Board Activities

Changes to the Board and Senior Management

Further changes in Board membership were seen this year:

Paul Bal successfully moved into the role of Group CEO, on 1 April 2023, following a thorough recruitment process involving both internal and external candidates.

I reverted to the Non-Executive Chair role on 1 April 2023, following 9 months as Interim Executive Chair in the absence of a Group CEO.

Lance Burn stepped down from the Board on 31 March 2023 and will remain with the business until 31 October 2023 in a project-based role.

Rohan Cummings has agreed to join the Board as Group CFO with effect from 3 July 2023.

As highlighted in last year's report, Claire Binyon joined the Board on 1 June 2022.

We have also strengthened some of our Senior Management Teams across the Group with both a new CEO and CFO appointed in DG Americas, new MDs appointed in DG UK and the Anchor International business within DG Europe, and a new FD appointed in DG Europe.

Although it is early days for these changes, it has been a pleasure to see the new appointees settling into their roles and, as a Board, we are excited to see how they will shape the future of the company and deliver long term value for all of our stakeholders.

Board Visits

This year the Board was keen to visit some of our businesses and meet with the senior management teams face-to-face. We had excellent trips to DG UK in Wales and Newport Pagnell, the southern parts of our DG Americas business and DG Europe. In addition to meeting with the senior management teams, we toured each site engaging with employees in the factories and distribution centres as well as those based in the offices. We were particularly impressed with the level of commitment and support that we saw from the teams in terms of moving the Group forward.

We also spent time visiting key customer retail stores in some of the locations to increase our understanding of their needs and challenges which will inevitably help us in developing the ongoing strategy for the Group.

We intend to repeat these visits, as a Board, in FY2024 with the focus on the DG Americas visit being the operations in the northern states.

Personally I was able to visit the site in DG Australia, spending time with both the senior management team and the wider workforce, and while I was out there I visited the DG Americas (legacy CSS Australia) team. In FY2024 Paul and Rohan will be aiming to visit a number of our businesses including the China teams.

Bank re-financing

In June 2023 it was good to see a positive conclusion to the bank re-financing and I was encouraged to see the support of some of our original banking partners who saw the potential for the future of the Group and were keen to be part of the financing for that.

Strategy

The Board, in conjunction with the Operating Board, undertook a review of the Group's strategy. The results can be seen on pages 14 and 15.

AGM

Finally, I was very pleased to see the support of our shareholders this year, as demonstrated in the voting at the AGM. Votes in favour averaged 99.96% which were a marked improvement on the prior year. I trust that we will continue to see strong shareholder support as we continue on our journey of promoting the success of the company for all our stakeholders.

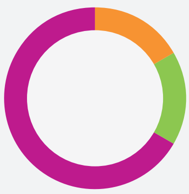
The remainder of this review sets out our Governance framework and adherence to the QCA Corporate Governance Code.

Stewart Gilliland
Non-Executive Chair

19 June 2023

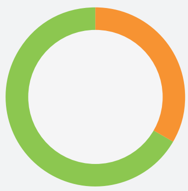
Current Board demographics

Role



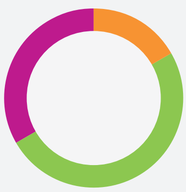
Chair | 1
Executive Directors | 1
Non-Executive Directors | 4
(with one additional Executive Director joining on 3 July 2023)

Gender



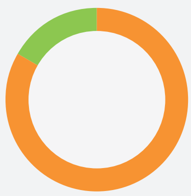
Female | 2
Male | 4

Board age



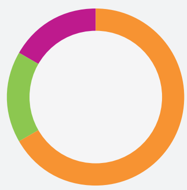
45-54 years | 1
55-64 years | 3
65+ years | 2

Diversity



White | 5
Asian | 1

Length of tenure



0-2 years | 4
5-10 years | 1
10+ years | 1

Our governance framework

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. The Board has adopted the QCA Corporate Governance Code and strives 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 ten principles of corporate governance:		Read more
1.	Establish a strategy and business model which promote long-term value for shareholders.	See page 08
2.	Seek to understand and meet shareholder needs and expectations.	See pages 48 to 49 and 63
3.	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	See pages 30 to 47
4.	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	See pages 50 to 55
5.	Maintain the Board as a well-functioning, balanced team led by the Chair.	See pages 56 to 63
6.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	See pages 56, 57 and 69
7.	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	See page 63
8.	Promote a corporate culture that is based on ethical values and behaviours.	See pages 08 and 34 to 39
9.	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	See pages 50, 61 and 62
10.	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	See pages 48, 49 and 63

Board governance

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.

There is a distinct division of responsibilities between the Chair and the CEO. The Chair 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.

From 1 June 2022 Stewart Gilliland performed the role of Interim Executive Chair. He reverted to his role as Non-Executive Chair on 1 April 2023 after overseeing the recruitment process for the new CEO.

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.

For the full policy see the Group's website.

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 and his family hold significant interests in the shareholding of the Company. As reported in the financial statements, there are also some related party transactions between certain of the subsidiaries within our Group and companies under the ultimate control of the Hedlund family.

Following a review by the Board, the other Non-Executive Directors (other than Stewart Gilliland whilst he was in the role of Interim Executive Chair) are considered to be independent.

Committees

The Board has three committees – Audit, Nomination and Remuneration. Each of these committees is comprised solely of independent Non-Executive Directors, with Executive Directors being invited to meetings as appropriate. For the membership of each committee, including its Chair, see the individual reports on pages 56 and 57.

The Audit Committee satisfies itself on the integrity of financial information and ensures 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 auditors. 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 auditors report to the Board. Further details about the activities undertaken by the Audit Committee this year can be found on pages 64 to 67.

The Nomination Committee is responsible for regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and other senior executives, and making recommendations to the Board with regard to any changes. It also keeps under review the leadership needs of the organisation, to ensure succession plans are in place, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace. Further details about the activities undertaken by the Nomination Committee this year can be found on pages 68 and 69.

The Remuneration Committee assists the Board in fulfilling its responsibilities to shareholders to ensure that: (i) the remuneration policies and practices of the Company are designed to promote the long-term success of the Company, and are aligned with the Company's strategy and values, having regard to all statutory and regulatory requirements and to the views of stakeholders; and (ii) senior executives are provided with fair and sustainable remuneration which is linked to the delivery of strong personal and corporate performance. Further details about the activities undertaken by the Remuneration Committee this year can be found on pages 70 to 77.

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 and the NOMAD 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, FIT Remuneration Consultants LLP continued to provide advice to the Remuneration Committee on a retained basis and BDO LLP ('BDO') continued to provide business assurance support to the Audit Committee.

CORPORATE GOVERNANCE REVIEW
CONTINUED

Other key Board activities

During FY2023, 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 auditors;
- approval of the strategy, plans and budget;
- review of the Group's principal risks;
- reviewing the output from the employee engagement survey;
- approval of changes to key personnel including their remuneration;
- approval of the granting of Awards under the 2022-2025 LTIP scheme;
- approval of annual bonus targets for the following financial year;
- approval of a project to assess climate-related risks and opportunities under different climate scenarios; and
- approval of the Group tax strategy.

Time commitments

The Board is satisfied that the Directors can devote sufficient time to meet their Board responsibilities and carry out the Company's business.

Board performance

In February 2023 the Board conducted a self-evaluation of its performance. As in previous years, the Directors were asked to complete a questionnaire based on the ten principles of the QCA Corporate Governance Code (Code) and answer additional questions allowing Directors to give their views on the main achievements of the Board over the past twelve months, and the Board's main strengths and weaknesses.

The results were initially reviewed by the Chair and Company Secretary and then shared and discussed with the full Board.

The results show an improvement across all the principles of the Code, other than Principle 1. Such improvements reflected the Board's focus over the prior 12 months on key areas such as:

- Focusing on shareholder needs and expectations and communicating with them well,
- Working well together as a Board,
- Promoting an ethical corporate culture.

Principle 1 relates to establishing a strategy and business model. The Board is fully aware of its obligations under this Principle and is currently reviewing the strategy, as highlighted in the Executive Review on page 18.

In November 2022 and January 2023, the Audit, Nomination and Remuneration Committees conducted self-evaluations of their performance. Similar questionnaires were used which incorporated the applicable QCA guidance with tailoring to the specific tasks of each committee.

Memberships and attendance

Member	Member since	No. of meetings attended	Maximum possible meetings
Stewart Gilliland	5 July 2021	●●●●●●●●●●	●●●●●●●●●●
Anders Hedlund	23 October 1995	●●●●●●●●●●	●●●●●●●●●●
Mark Tentori	1 January 2016	●●●●●●●●●●	●●●●●●●●●●
Clare Askem	5 July 2021	●●●●●●●●●●	●●●●●●●●●●
Claire Binyon[(a)]	1 June 2022	●●●●●●●●	●●●●●●●●●
Paul Bal	1 May 2022	●●●●●●●●●	●●●●●●●●●
Lance Burn	17 October 2012 – 31 March 2023	●●●●●●●●●●	●●●●●●●●●●
Giles Willits	1 January 2018 – 30 June 2022	●●	●●

(a) Claire Binyon was unable to attend the June Board meeting due to an existing board meeting with one of her other boards, which pre-dated her appointment.

Topics covered included:

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

Audit Committee:

The results showed year-on-year improvement across all areas.

It was noted that the FY2022 area for improvement was in Professional Development with a focus to appoint a new member of the Committee who had the relevant experience. This was achieved in FY2023.

The two main areas for improvement this year were in the areas of Risk and Business Assurance. Paul Bal was tasked with addressing risk assessment improvement through the Operating Board and the Committee approved the FY2024 Business Assurance Plan with a further review of the Business Assurance strategy planned for later in the year.

Nomination Committee:

This was the first year that the Committee had reviewed its performance. The results were good with members believing that the Committee operated 'above-average' to 'fully satisfactory'.

Two areas of improvement were noted: 1) succession planning, and 2) the members required a greater understanding of skill sets and recruitment processes in the wider Business Units (outside of US and UK). As a result the DG Americas and DG UK HR directors (HRDs) were tasked with creating and reviewing succession plans across the Group and this is now a bi-annual review on the Committee's agenda. The HRDs will also provide regular updates on the skill sets and recruitment processes across the Group.

Remuneration Committee:

The responses showed an improvement across all the above-mentioned topics since FY2022, with a noticeable improvement in skills and shareholder engagement. Participants recognised that the Committee now operated with more objectivity and independence than in the past and valued the input received from FIT Remuneration Consultants LLP.

The need for a greater understanding of US/Rest of World remuneration differences was noted, particularly considering the absence of a Group HR Director. As a result, the Committee decided to invite the DG Americas and DG UK HR directors to regularly attend meetings, which they have done since November 2022.

Early on the HRDs were able to educate the Committee on the performance reviews which existed in each BU, whether they were factored into remuneration and what the future plans were. They also organised a Group-wide employee engagement survey, the results of which can be found on page 36.

Evaluation of the Chair and Non-Executive Directors

Mark Tentori, Senior Independent Director, met with the Board members (excluding Stewart Gilliland) to obtain feedback on Stewart's performance as Chair. The feedback was extremely positive, with each member confirming their full support for the Chair.

Stewart met with each Director individually to discuss their individual contributions to the Board, assessing their effectiveness and highlighting any areas of improvement.

It has been good to see the continued widening of the overall skill set and experience on the Board. The Board is in a strong position to drive the Group forward and bring about improvements in its performance.

Shareholder engagement calendar 2022/2023

27 April 2022	Trading update
3 May – 19 May 2022	Investor calls
28 June – 4 July 2022	Full Year results announcement followed by investor meetings and calls
15 August – 16 August 2022	Various investor calls
25 August 2022	Investor call
22 September 2022	Annual General Meeting
20 October 2022	Trading update
14 November 2022	Investor call
30 November – 6 December 2022	Interim results announcement followed by investor meetings and calls
13 December – 20 December 2022	Investor calls
10 January 2023	Investor call
11 January 2023	Investor visit to DG UK
13 January 2023	Investor call
20 February 2023	Investor call
4 March 2023	Investor call
16 March 2023	Investor call

AUDIT COMMITTEE REPORT

Mark Tentori
Chair of the Audit Committee

Dear Shareholder,

On behalf of the Board I am pleased to present the Audit Committee report for the year ended 31 March 2023. This report provides an overview of the Committee's activities in the year and looks ahead to our anticipated activities in the coming year.

Year in review

The Committee throughout the year continued 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 provided 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 works to a structured agenda which is closely linked to the Group's reporting cycle, and over the year the Committee met on three occasions. After each Committee meeting, I provided an update to the Board on the key topics discussed during our meetings. I also met separately with the external audit partner and senior management on a number of occasions during the year.

The Committee is supported by the Group's established financial controls framework and the finance functions across the business. Employees, auditors, and consultants around the Group continue to work both on-site and via remote working. While the historic transition to hybrid working arrangements presented challenges in terms of ensuring that businesses were operating effectively within our financial controls framework, the Group's learnings and adaptations have ensured that the processes now run smoothly.

In June 2022, Claire Binyon joined the Committee. I would like to thank my colleagues and fellow Board members for their contribution and counsel over the past twelve months which enabled the Committee to fulfil its role in providing effective challenge and scrutiny.

This year, against an inflationary backdrop, the Group has had to deal with increased material, labour and overhead costs. This has required a rigorous approach to pricing and a sharp focus on product profitability, as well as working capital management. The process simplification and product rationalisation coming out of our review of the priorities and plans in the DG Americas business has further assisted our financial results for the year including releasing cash tied up in working capital.

In the last quarter of the financial year, weakening consumer demand, particularly in the UK market, has lead to a non-cash write down of the carrying value of the goodwill associated with the UK and Asia CGU.

The Committee's primary focus as always, is on the integrity of the financial reporting process. The Committee had a particular focus on areas such as going concern, asset impairment testing, inventory provisioning and deferred tax asset recognition. In addition, the Committee concentrated on the accounting judgements and disclosures with regard to adjusting items.

The year ahead

The Group will focus its efforts on the roll-out of the new strategy: to build a more resilient platform for sustained growth beyond the current recovery. However, we must also in the coming financial year, continue to focus on mitigating the impacts of the headwinds likely to be faced, as well as on the ongoing turnaround in the DG Americas and DG UK businesses, thereby continuing to deliver margin improvement and growing operating profit. In addition, the gathering momentum of the Group's sustainability framework 'helping design a better future' and the upcoming TCFD reporting requirements will lead to a focus in respect of the Group's reporting in this area.

The Committee plays a key role in assisting the Board in ensuring the integrity of the financial statements, and that the effectiveness of the Group's internal financial controls and risk management framework are maintained. I am comfortable that the Committee is well placed to meet these challenges and to fulfil its duties over the coming year. I would like to thank Paul Bal for his financial management of the Group over the past year, and I look forward to working with the incoming Group CFO, Rohan Cummings, when he arrives in July.

On behalf of the Board.

Mark Tentori
Chair of the Audit Committee

19 June 2023

Role and responsibilities of the Committee

The core duties of the Committee include:

- ensuring the Group has suitable arrangements and policies in place to prevent fraud, anti-bribery and corruption and other compliance concerns (and to enable employees to report such matters);
- 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 financial statements, taken as a whole, are fair, balanced and understandable;
- ensuring the Group operates with an appropriate internal controls framework and adopts appropriate risk management systems;
- monitoring and reviewing the effectiveness of the Group's Business Assurance function in the context of the Group's overall risk management framework; and
- overseeing the relationship with the external auditors, including their appointment, remuneration, terms of engagement and annual audit plan.

The Terms of Reference set out the duties in more detail and can be found on our website 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.

Membership and attendance

All members of the Committee (other than Stewart Gilliland whilst he was in the role of Interim Executive Chair) are, and were considered by the Board to be, independent throughout the year in review. As a qualified Chartered Accountant, I am considered by the Board to have recent and relevant financial experience.

The Committee has access to the Group's finance team, to its outsourced business assurance function and to its external auditors and can seek further training and advice, at the Group's cost, as appropriate.

The Committee met on three occasions during the financial year. The quorum necessary for the transaction of business by the Committee is two, each of whom must be a Non-Executive Director. Only members of the Committee have the right to attend Committee meetings, however during the year, the Group CEO/CFO, along with members of the Group finance team, were invited to attend the meetings. In addition, our external auditors, PricewaterhouseCoopers LLP ('PwC'), and our business assurance providers, BDO LLP ('BDO'), have also attended Committee meetings at our invitation.

The Group Company Secretary and General Counsel is Secretary to the Committee.

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 2022 and the full-year audited statements for the year ending 31 March 2023. In reviewing the financial statements, the Committee considered reports from the Group finance function as well as the external auditors.

The key matters reviewed and evaluated by the Committee are set out below:

Memberships and attendance

Member	Member since	No. of meetings attended	Maximum possible meetings
Mark Tentori	1 January 2016	●●●	●●●
Stewart Gilliland	5 July 2021	●●●	●●●
Claire Binyon	1 June 2022	●●●	●●●

AUDIT COMMITTEE REPORT
CONTINUED

Key activities and actions over the year continued

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.

Throughout the year, finance teams around the Group, along with the Group finance function, have worked to ensure that the business provides the required level of disclosure on significant issues to the Committee in relation to the financial statements. 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 Committee and the Board reviewed and challenged the evidence and assumptions supporting the adoption of the going concern basis for the financial statements for the year ended 31 March 2023. With specific focus on the Group's turnaround in the current financial year, the Committee paid particular attention to the forecasts prepared by management, assessing cash forecasts for the period ending 30 September 2024, the 'going concern assessment period', along with profitability and revenue assumptions for the period beyond 30 June 2024. In April 2022, the Committee and the Board approved the amending and extending of the Group's then financing facilities. The Committee and Board also approved the terms of Group's new re-financing on the 5 June 2023, thereby securing funding for the Group over the 'going concern assessment period' and beyond.
2. The Committee received reports from management covering the key judgements, forecasts and valuation metrics supporting the impairment reviews of goodwill, specifically those associated with the UK and Asia CGU. The Committee challenged the information and analysis prepared by executive management including assumptions on future cash flows (which were the same as those used for the going concern assessment), discount rates used and long-term growth rates, and concurred with management's conclusion that an impairment of the goodwill related to the UK and Asia CGU should be recorded. The same cash flows and assumptions were used in assessing the underlying investment values in the PLC Company only accounts and the Committee concurred with management's conclusion that an impairment of the investment values in the UK and Asia CGU should be recorded.
3. The Committee reviewed the use of alternative performance measures (APMs) to present adjusted metrics alongside statutory counterparts and concurs with management's assessment that the items presented as adjusting items, represent adjusting items in accordance with the Group's accounting policy. Adjusting items are reviewed and approved by the Board. These include costs and income that are considered by the Directors to be material or one-off in nature, or the amortisation of acquisition intangibles. In addition, the Committee is satisfied that the rationale and explanations behind the use of APMs is clearly disclosed and reconciled.
4. The recognition of deferred tax assets around the Group were assessed using the same forecasts that were used for the going concern and asset impairment testing, the Committee reviewed the recognition criteria and agreed with the continued derecognition of certain deferred tax assets in the Group.
5. The Committee reviewed the level of inventory provisioning around the Group at year end in respect of aged inventory, or anything deemed to be obsolete. In addition, the reported provision release of \$6.4 million (2022: \$6.2 million) and utilisation of any brought forward provisions from the prior year end have been reviewed and challenged, specifically those related to DG Americas, and have been deemed to be appropriate.

Other areas of focus

The Committee also during the year:

- approved the business assurance plan and agreed the external auditors' work plans for the Group;
- considered regular reports from our outsourced business assurance function on their findings;
- reviewed the Group's risk register;
- reviewed the Group's governance policies;
- approved the tax strategy of the Group;
- approved the Group's centrally-driven insurance arrangements;
- approved the project proposal for the assessment of climate-related risks and opportunities under different climate scenarios which will support future TCFD disclosure and strategy considerations;
- reviewed the external auditors' independence and objectivity, the re-appointment of the external auditors and approval of the external auditors' remuneration; and
- conducted post implementation reviews of capital expenditure.

Internal controls and risk management

The Committee oversees the Group's risk management framework, monitoring and reviewing the risk assessment process and advising the Board on risk exposures.

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.

Financial controls

The Committee continually reviews the effectiveness of the Group's internal financial controls. As the Group operates as a decentralised business, each business unit has its own finance function, while recognising the benefits of leveraging the Group. Each business unit 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. As the Committee continuously seeks to raise the bar around financial controls, a review of the key financial controls was performed by the business assurance provider.

This process has highlighted further opportunities for the Group to refine the financial control framework, enhance training, and provide greater central oversight over the controls process. The Committee will oversee the implementation of these enhancements during the course of the next financial year.

The Committee also noted the internal control findings highlighted in the external auditors' reporting to the Committee and confirmed that it is satisfied that there is no material misstatement and that relevant action is being taken to resolve the control matters that were raised.

Business Assurance

The Group's risk management framework operates within a 'three lines of defence' assurance 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.

To gain further comfort, the Group operates an outsourced business assurance function as a third line of defence, which was performed by BDO during the financial year ended 31 March 2023.

In the prior years, an initial detailed review of principal risks and associated risk appetite by the Board, and a Group-wide risk assurance mapping assessment was performed. The Committee has guided the activities of BDO in order to address the gaps between risk appetite and risk assurance mapping. Following on from the review performed over cyber security in the prior year and the finalisation of the review on governance and compliance framework assessment, BDO has undertaken reviews over key financial controls and supply chain and sourcing.

External audit

The Committee monitors the Company's relationship with the external auditors to ensure that external independence and objectivity are maintained. In March 2023, the Committee met with PwC to agree the audit plan for the year, highlighting the key financial statements and audit risks, to ensure the audit was appropriately focused. In June 2023, the Committee received a report from PwC with their key audit findings including the significant accounting matters discussed above, and also considered the Letter of Representation that PwC requires from the Board. The Committee met with PwC privately on a number of occasions during the year to discuss any matters necessary without management present.

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

Non-audit services

The Group has a policy in place governing the provision of non-audit services by the external auditors in order to ensure the external auditors' objectivity and independence is safeguarded. Under this policy, a 'white list' of permitted services is outlined, which includes the interim review undertaken by the external auditors during the financial year. No non-audit service can be provided to the Group without the express approval of the Committee.

Evaluation of the Committee

The evaluation of the Committee was completed during the financial year as part of the FY2023 Board evaluation programme. An explanation of the process and conclusions arising from it are set out on page 63.

This report was approved by the Board of Directors on 19 June 2023.

NOMINATION COMMITTEE REPORT

Stewart Gilliland
Chair of the Nomination Committee

On behalf of the Board I am pleased to present the Nomination Committee report for the year ended 31 March 2023.

Duties

The primary duties of the Committee are to:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- keep under review the leadership needs of the organisation, and to ensure succession plans are in place, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected; and
- work and liaise as necessary with other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly.

Terms of Reference

The full Terms of Reference, which are reviewed and approved annually, can be found on our website.

Activities during the year

This year the Committee oversaw several changes in our Board and senior leadership teams:

Non-Executive Directors

As stated in last year's Annual Report, on 1 June 2022 Claire Binyon joined the Board as a Non-Executive Director.

Also on 1 June 2022, I agreed to take on additional responsibilities on a temporary basis in the role of Interim Executive Chair. This continued until 1 April 2023 when I reverted to my role as Non-Executive Chair.

Executive Directors

Giles Willits was an Executive Director and employee of the Company until 30 June 2022. As announced on 30 March 2022, Paul Bal succeeded Giles as Group CFO, joining the Board on 1 May 2022.

Following a thorough internal and external recruitment process in Q3, Paul Bal was appointed Group CEO, effective as of 1 April 2023.

Lance Burn resigned as a Director on 31 March 2023 but remains with the Company undertaking a key project role.

Rohan Cummings has agreed to join the Board as Group CFO with effect from 3 July 2023.

The Company used the services of Warren Partners for all the executive and non-executive recruitments.

Wider workforce

We have also strengthened some of our Senior Management Teams across the Group with both a new CEO and CFO appointed in DG Americas, new MDs appointed in DG UK and the Anchor International business within DG Europe, and a new FD appointed in DG Europe.

The Committee took an active role in overseeing the above appointments, taking into consideration the needs of the business and aligning those with the skills, knowledge and experience of both the existing and new Directors. The Board was kept fully informed at each step with the ultimate decisions regarding the Executive Directors being made by the full Board.

Diversity and inclusion

The Committee is keen to embrace a diverse culture and wants to see that reflected in the make up of the Board. The percentage of women on the Board is now 33.3% (dropping to 29% when the new CFO joins) which is a great improvement from a few years ago. Last year the Board undertook a skills assessment to identify where the strengths lay and to identify any gaps. The recruitment of Claire Binyon, with additional financial skills, was a key output of that. This year the skills matrix has been updated to include the new directors.

The skills matrix was comprised of four ‘core’ skills and a number of sector-specific skills. The results are set out below:

Succession Planning

We have now introduced a formal succession planning and review process. The DG Americas and DG UK HR directors (HRDs) are tasked with creating and reviewing succession plans across the Group and these are now reviewed bi-annually by the Committee.

Board skills matrix

Skill	Number of Directors: Not skilled	Number of Directors: Partially skilled	Number of Directors: Highly skilled
M&A/Capital Markets		3	3
International Markets		2	4
Cyber Security/IT	6		
Manufacturing/Supply Chain	1	2	3
Health & Safety	2	4	
Environmental/Social	3	3	
Senior Executive			6
Legal/Public Policy	6		
Financial/Audit & Risk	2	2	2
Core Industry	1	4	1

Not skilled | Partially skilled | Highly skilled

Self-evaluation

In January 2023, in accordance with Principle 7 of the QCA Code, the Nomination Committee conducted its annual self-evaluation. This was the first review undertaken by the Committee and more information is provided on page 63.

Memberships and attendance

Member	Member since	No. of meetings attended	Maximum possible meetings
Stewart Gilliland	5 July 2021	●●●●●●	●●●●●●
Mark Tentori	1 January 2016	●●●●●●	●●●●●●
Clare Askem	5 July 2021	●●●●●●	●●●●●●

Executive Directors attend by invitation when appropriate.

Stewart Gilliland
Chair of the Nomination Committee

DIRECTORS' REMUNERATION REPORT

Clare Askem
Chair of the Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present to you the Remuneration Committee's report for the year ended 31 March 2023. This report is split into 3 parts: Part 1 my statement and details of the remuneration committee; Part 2 the remuneration policy; and Part 3 the annual report on the application of the remuneration policy for the year ended 31 March 2023.

The other members of the Committee are Mark Tentori, Stewart Gilliland and Claire Binyon. We met ten times during the year, five of these were planned and the remaining ones were scheduled as required. The full Terms of Reference for the Committee, which are reviewed and approved annually, are available on our website. These were last reviewed in November 2022.

In a continuing year of change and challenge across the Group, I'd like to thank all our colleagues for their continuing hard work, dedication and commitment.

Part 1: Chair statement

This year we have continued the change journey in terms of Board membership and that of the wider senior management teams. We have also taken steps to engage with the wider workforce across the Group with the aim of broadening our understanding of the challenges they face, their motivations and how we can support them in building a better future within Design Group. We have considered this broader context when making our remuneration decisions.

In the absence of a Group HR Director, we asked the DG Americas and DG UK HR directors (HRDs) to become regular attendees of the Committee meetings. This has been a success, giving the HRDs' insight into the key external drivers affecting our remuneration policies but more importantly it has also given the Committee members greater visibility of our colleagues' perspective of working for the Group.

To further our Board understanding of our wider workforce, I attended the Group HR Forum where the HR teams across the business share updates and collaborate on best practice. Stewart Gilliland attended a number of "skip level" meetings in the UK which are designed to give employees an opportunity to raise feedback without their managers present. We also initiated the first ever Group-wide employee engagement survey this year: "Your Voice. Our Future." and were extremely pleased to achieve a participation rate of 78% across the Group. Following the challenges both internally and externally over the last couple of years, it was encouraging to see that 76% of participants said they would recommend Design Group as a good employer. Areas of improvement were also noted and these will be worked on over the coming year. As a Board we also visited DG Americas, DG UK and DG Europe to meet the senior management teams in person and build stronger relationships as a result.

We are a National Living Wage employer in the UK. However, we were very aware of the cost-of-living crisis faced by our employees and wanted to help in a way that was meaningful but also affordable. Although it was widely recognised that cost-of-living issues disproportionately impact lower paid employees, it was also clear that each country within which we operate had its own variations in cost-of-living impacts, and so it was delegated to the local Managing Directors to make the decision as to how to best provide any support. In practice, DG UK, DG Europe, Anchor and DG Australia all gave financial support to their employees below senior management level by way of one-off payments or a time limited monthly payment.

In addition, in July 2022 DG Europe decided, in consultation with the works council, to grant an increase of 3% to those employees subject to the collective labour agreement (which was additional to the increase agreed by the trade unions and industry delegates under the agreement). They also increased the shift allowance by a further 3%, recognising that the lower paid employees needed a higher increase.

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

- shareholder engagement
- key management changes and implications on remuneration
- salaries and annual bonus
- share schemes

Shareholder engagement

The Committee had historically engaged with shareholders via the AGM, responding to correspondence or at individual meetings with shareholders when requested.

In addition, in May and September 2022, I wrote to key institutional investors to update them on remuneration decisions which had been taken or were due to be taken and to give them opportunity to give feedback on future remuneration plans.

We also introduced an advisory vote on the Directors' remuneration report at the AGM in September 2022. The result was that 99.98% of votes cast were in favour of the remuneration decisions taken by the Committee in FY2022. This was a significant outcome for us and, we believe, demonstrated that we had listened and responded appropriately to previous shareholder views and that our shareholders supported the changes which we had made and which we were then communicating.

Key management changes

This year we have announced the following Board changes:

Executive Directors

- As announced on 30 March 2022, Paul Bal joined the Board on 1 May 2022 as Group CFO. He was then successful in the Group CEO recruitment process and took up the position formally on 1 April 2023.
- Lance Burn resigned from the Board on 31 March 2023. He has remained with the Group, performing a key project role.
- Giles Willits stepped down as Group CFO and resigned from the Board on 30 June 2022.

Non-Executive Directors

- Claire Binyon joined the Board on 1 June 2022.
- Stewart Gilliland took up the role of Interim Executive Chair from 1 June 2022 and reverted to his Non-Executive Chair role on 1 April 2023.

In addition to the Board changes, the Committee also reviewed the remuneration arrangements for the new DG Americas CEO, the new DG Americas CFO, new Group Financial Controller and the senior management teams across the Group.

Only two meetings were not fully attended and these were unscheduled meetings for which the non-attendees had prior commitments.

Executive Directors attend by invitation when appropriate.

Memberships and attendance

Member	Member since	No. of meetings attended	Maximum possible meetings
Clare Askem	5 July 2021	●●●●●●●●●●	●●●●●●●●●●
Mark Tentori	1 January 2016	●●●●●●●●●	●●●●●●●●●●
Stewart Gilliland	5 July 2021	●●●●●●●●●	●●●●●●●●●●
Claire Binyon	1 June 2022	●●●●●●●●●	●●●●●●●●●

Part 1: Chair statement
continued

Salaries and annual bonus FY2023

As noted in last year's report, other than Stewart Gilliland's increase in fees for taking on the role of Interim Executive Chair, the Directors did not receive a salary increase in FY2023.

Anders Hedlund stepped down from his consultancy role within DG UK on 31 December 2022 and therefore only received the standard Non-Executive Director fee of £45,000 from that date.

Bonus

We used a mix of Group Adjusted EBITDA (80% weighting) and Net Cash (20% weighting) targets for our FY2023 annual bonus.

Our performance against both metrics was strong and significantly ahead of expectations notwithstanding challenging market conditions continuing. We were pleased that our participating executive directors earned bonuses of 120% of salary. The Committee considered these outcomes to be appropriate having regard to overall company performance in the year.

Share incentive schemes

VCS 2020-2023

As noted in last year's report, this was cancelled as of 28 June 2022.

LTIP 2022-2025

On 11 August 2022, a total of 410,759 conditional awards and 480,536 nil cost options over ordinary shares of 5 pence each in the capital of the Company were awarded to Lance Burn and Paul Bal respectively, under the Company's 2022 Long Term Incentive Plan (Plan). The reference value of a share used to set the number of shares under the Awards was 94.946p being the average of the volume weighted average price of shares on AIM for each of the 30 Dealing Days immediately preceding the Grant Date of 11 August 2022.

The awards were weighted two-thirds towards a Relative Total Shareholder Return (TSR) metric and one-third Earnings Per Share (EPS) metric as the performance measures. Following advice from our remuneration consultants, it was decided that a measurement of TSR by the Group relative to a peer group of the FTSE SmallCap excluding Investment Trusts would be an appropriate performance criterion.

For the Relative TSR measure, qualifying performance is within the median quartile on a straight-line sliding scale with 25% of entitlement vesting at a 50th percentile (median) ranking rising to 100% vesting at a 75th percentile (upper quartile) ranking performance. There is no vesting below the median ranking.

For the EPS measure, we used a performance range for the Adjusted EPS metric in absolute value terms, modelled from the recovery plan presented at the time of the FY2023 Budget after inclusion of relevant LTIP charges. Upper and lower limits were modelled for FY2025 EPS performance (reflecting a 3-year performance period of FY2023, FY2024 and FY2025), with 25% vesting at Threshold of 19 cents EPS and a straight-line sliding scale to Maximum at 27 cents.

An underpin condition was also applied to the awards that allows the Committee to reduce vesting levels if it determines that vesting outcomes reflect unwarranted windfall gains from share price movements.

Awards under the Plan were also granted to 70 key leaders and senior managers across the Group. We were pleased to be able to broaden the participation of the Plan recognising the importance of aligning senior manager and shareholder objectives.

Taking into consideration the effect on the existing share plans' dilution authority, the Board requested that the Employee Benefit Trust purchased up to one million ordinary shares in the Company at the best price possible. The EBT agreed with this request and in September 2022 purchased one million shares at a price of 77.5p per share.

Payments made to former Directors and payments for loss of office

No payments were made to former Directors for loss of office.

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 63 for further detail
- Approved the remuneration section of the Company's annual report and financial statements
- Reviewed the Executive shareholding policy and the Head Office expenses policy
- Received presentations from the HRDs and received feedback on the Group-wide employee engagement survey
- Wrote to institutional shareholders to update them on recent remuneration decisions and future plans
- Reviewed pensions across the group in light of the alignment of Executive pensions reported last year
- Received an update on talent development and performance management across the Group to better understand how we are supporting colleagues

Assistance to the Committee

During the year the Committee received input from the CFO, the Company Secretary and the HRDs. In addition, it continued to receive advice from FIT Remuneration Consultants LLP.

Implementation of policy in FY2024

Salary/fees review

The annual salary review process for Executive Directors took into account Paul Bal's new role as Group CEO for which he was given a salary of £470,000 effective on appointment, with no additional inflationary increase for FY2024.

Rohan Cummings was appointed as Group CFO effective from 3 July 2023 and was given a salary of £370,000 with additional benefits in line with the Remuneration Policy.

The Non-Executive Directors did not receive any increase to their fees.

FY2024 incentive plans

The Committee continues to believe that it is in shareholders' best interests that 'market normal' incentive plans are operated in FY2024 to support the ongoing recovery journey. The current intention is to:

- operate an annual bonus plan; and
- award an LTIP in summer FY2024 ('2023-2026 LTIP') to a population of senior executives.

When awarding the LTIP we will continue to be mindful of the risk of windfall gains and also the dilution effects of the scheme.

The table on the next page sets out further detail of how the remuneration policy will be applied for FY2024.

Conclusion

I hope that you have found my introductory statement useful and the accompanying report informative and clear. We hope that shareholders will give their support to the DRR advisory resolution at the AGM in September 2023.

Clare Askem

Chair of Remuneration Committee

19 June 2023

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:

Element (and purpose)	Link to business model and strategy	Operation and performance	Maximum opportunity	Operation in FY2023
Base salary To attract and retain individuals of the required calibre to successfully deliver the business strategy.	'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.	Interim Executive Chair – £420,000 p.a. paid pro-rata while holding this role CFO – £365,000 p.a. Interim COO – £425,000 p.a. paid pro-rata for the period in which he holds the Interim COO role
Annual bonus To align the interests of Executive Directors with shareholders.	The annual bonus encourages individuals to actively support and engage with the delivery of the Group strategy, with payout directly based on Group performance.	The Remuneration Committee sets the performance measures and targets each year. Bonuses are paid in cash once the annual results have been audited and are subject to the approval of the Committee.	The maximum achievable is 120% of base salary for the Executive Directors.	Maximum bonuses at 120% of base salary Metrics: 80% Group Adjusted EBITDA; 20% Net cash
LTIP schemes To align the interests of Executive Directors with shareholders and support retention.	The primary purpose of the long-term incentive schemes 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.	265% of base salary, 325% in exceptional circumstances.	2022-2025 LTIP CFO was awarded 125% of base salary Interim COO was awarded 125% of his non-interim base salary Three-year vesting period and two-year holding period Metrics – two-thirds relative TSR vs FTSE SmallCap (ex IT) constituents; one-third EPS
Pension To provide market normal pensions.	To enable Directors to make long-term provisions for their future retirement at market competitive rates.	Pensions are provided in line with market practice and relevant statutory requirements.	5%	The Interim COO was on 7.5% which was reduced to 5% at the end of December 2022, ensuring all Executive Directors receive 5%. This is in line with the wider workforce.
Other benefits To provide market normal 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.	No changes

Dilution of share capital by employee share plans

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

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 LTIP, the Executive Directors are subject to a two-year holding period, during which time they are prevented from exercising any shares which have vested under the scheme.

Shareholding guidelines

The Company operates a shareholding policy which requires Executive Directors 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 and been exercised count towards the requirement.

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 Chair and approved by the Executive Directors. The Chair'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 six months' 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.

FY2024

No additional significant changes to the remuneration policy are envisaged for FY2024; 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

The summary of Directors' remuneration is as follows (audited):

	Aggregate for all Directors		Highest paid Director	
	FY2023 £000	FY2022 £000	**FY2023 £000**	FY2022 £000
Salary and bonus	**2,529**	1,611	**935**	500
Benefit	**43**	79	**15**	39
Pension contribution	**56**	142	**29**	75
LTIP(a)	**97**	—	**—**	—
Total remuneration(b)	**2,725**	1,832	**979**	614

(a) Giles Willits, an Executive Director up until 30 June 2022, exercised on 29 June 2022 previously vested LTIP options over 119,626 Ordinary Shares at a price of 81.0 pence.

(b) Total remuneration for FY2022 does not include Paul Fineman's payment for severance of £612,900 and compensation for accrued holiday of £39,692.

DIRECTORS' REMUNERATION REPORT
CONTINUED

Part 3: Annual report on remuneration continued

Directors' remuneration continued

The remuneration in respect of the year ended 31 March 2023 to the Directors, by individual, was as follows (audited):

Year ended 31 March 2023	Salary/fees £	Bonus[a] £	Benefits[b] £	Pension £	LTIP £	Total £
Executive Directors						
Paul Bal[c]	**334,584**	**401,500**	**18,894**	**16,729**	**—**	**771,707**
Lance Burn	**425,000**	**510,000**	**15,086**	**29,219**	**—**	**979,305**
Stewart Gilliland	**373,333**	**—**	**—**	**—**	**—**	**373,333**
Giles Willits[d]	**126,000**	**117,000**	**5,730**	**9,750**	**—**	**258,480**
Total Executive	**1,258,917**	**1,028,500**	**39,710**	**55,698**	**—**	**2,382,825**
Non-Executive Directors						
Clare Askem	**55,000**	**—**	**—**	**—**	**—**	**55,000**
Claire Binyon[e]	**37,500**	**—**	**—**	**—**	**—**	**37,500**
Anders Hedlund[f]	**89,332**	**—**	**3,131**	**—**	**—**	**92,463**
Mark Tentori	**60,000**	**—**	**—**	**—**	**—**	**60,000**
Total Non-Executive	**241,832**	**—**	**3,131**	**—**	**—**	**244,963**
Total Directors	**1,500,749**	**1,028,500**	**42,841**	**55,698**	**—**	**2,627,788**

(a) Bonuses are accrued and will be paid in June 2023.
(b) The benefits relate primarily to private health and car benefits. Anders Hedlund's entitlement to benefits ended on 31 December 2022.
(c) Appointed 1 May 2022.
(d) Resigned 30 June 2022. Figures above include compensation for accrued holiday entitlement of £28,500. Bonus for FY2023 relates only to period worked.
(e) Appointed 1 June 2022.
(f) Salary/fees for Anders Hedlund include £45,000 for his Non-Executive Director role with the balance relating to his consultancy role with the UK business. His consultancy role ended on 31 December 2022.

The highest paid Director was Lance Burn (2022: Paul Fineman).

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

The remuneration in respect of the year ended 31 March 2022 to the Directors, by individual, was as follows (audited):

Year ended 31 March 2022	Salary/fees £	Bonus £	Benefits[a] £	Pension £	LTIP £	Total £
Executive Directors						
Lance Burn	318,910	—	15,163	29,543	—	363,616
Giles Willits	375,000	—	14,799	37,500	—	427,299
Total Executive	**693,910**	**—**	**29,962**	**67,043**	**—**	**790,915**
Non-Executive Directors						
Clare Askem[b]	36,250	—	—	—	—	36,250
Stewart Gilliland[c]	105,000	—	—	—	—	105,000
Anders Hedlund[d]	101,837	—	4,249	—	—	106,086
Mark Tentori	60,000	—	—	—	—	60,000
Total Non-Executive	**303,087**	**—**	**4,249**	**—**	**—**	**307,336**
Total Directors	**1,490,997**	**—**	**72,715**	**142,043**	**—**	**1,711,755**

(a) The benefits relate primarily to private health and car benefits.
(b) Appointed 5 July 2021.
(c) Appointed 5 July 2021.
(d) Salary/fees for Anders Hedlund include £45,000 for his Non-Executive Director role with the balance relating to his consultancy role with the UK business.

Long Term Incentive Plan[a]

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

	LTIP vested 2017-2020	LTIP vested 2018-2021	LTIP not yet vested 2022-2025
Paul Bal	—	—	480,536
Lance Burn	48,025	55,915	410,759
Giles Willits[b]	—	—	—

(a) Audited.
(b) Giles Willits exercised 119,626 share options on 29 June 2022. No other options were exercised in the financial year by Executive Directors.

Further information can be found in note 23 to the consolidated financial statements.

Directors' interests[a]

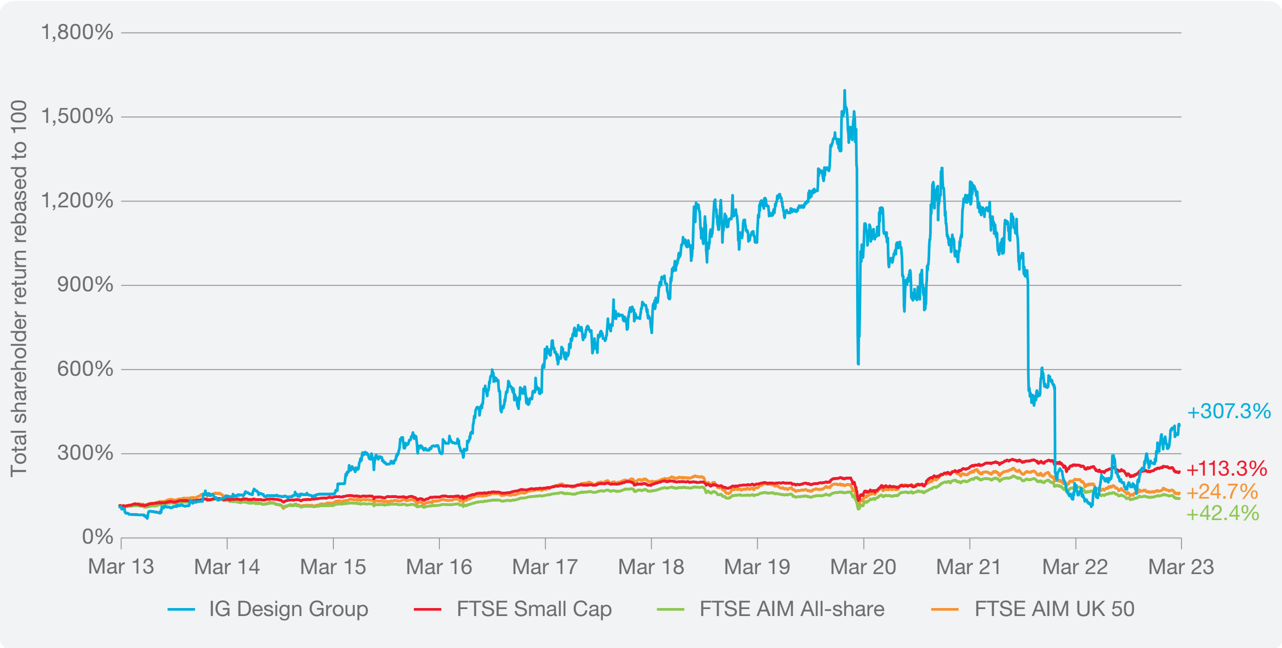
The Directors who held office during the year had the following direct interests in the ordinary shares of the Company:

Interest in ordinary shares at the end of the year	FY2023	FY2022
Clare Askem	**24,096**	—
Paul Bal	**110,000**	83,300
Claire Binyon	**13,605**	—
Lance Burn	**25,679**	—
Stewart Gilliland	**57,500**	7,500
Anders Hedlund[b]	**100,448**	448
Mark Tentori	**39,665**	11,111

(a) Audited
(b) In addition to the above holdings: (a) 16,642,640 (2022: 16,642,640) and 5,275,116 (2022: 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 22,918,994 ordinary shares, representing 23.39% of the current issued share capital of Company.

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

The graph below shows the percentage change in total shareholder return for the last ten 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 and the Company, together with the audited financial statements and independent auditors' report for the year ended 31 March 2023.

Directors

The Directors who were in office during the year were:

- Clare Askem
- Paul Bal (appointed on 1 May 2022)
- Claire Binyon (appointed on 1 June 2022)
- Lance Burn (resigned on 31 March 2023)
- Stewart Gilliland
- Anders Hedlund
- Mark Tentori
- Giles Willits (resigned with effect from 30 June 2022)

Results and dividends

Results for the year ended 31 March 2023 are set out in the consolidated income statement on page 90. The Directors are not recommending a final dividend for FY2023.

Articles of association

A copy of the full articles of association is available on request from the Company Secretary and is 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 2023, the Company has been notified of the following substantial shareholders of the issued ordinary share capital of the Company:

Largest shareholders[a]	% of issued share capital
Hedlund Family	23.39%
Canaccord Genuity Wealth Management (Inst)	13.64%
Octopus Investments	11.28%
Fidelity International	9.40%
Rowan Dartington, stockbrokers	3.99%

(a) Information taken from Equiniti Share Register Analysis 31 March 2023.

Acquisition of the Company's own shares

At the AGM held on 22 September 2022, 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 9,788,781 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 Directors have the benefit of an indemnity provision contained in the Articles of Association which is a qualifying third-party indemnity (as defined by section 234 of the Companies Act 2006).

The Company has purchased Directors' and officers' liability insurance during the year as allowed by the Company's articles and is in place at the point of signing the financial statements.

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 50 to 55 along with financial risk in note 24 to the consolidated financial statements. 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.

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 28 of the strategic report.

Post balance sheet events

See note 30 for details.

Political donations

No political donations were made during the year 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. For further information please refer to the Section 172 (1) statement on pages 48 and 49.

The Group conforms to current employment laws on the employment of disabled persons ensuring (i) full and fair consideration to applications for employment; (ii) the continued employment of, and appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company, and (iii) the ongoing training, career development and promotion of disabled persons employed by the company.

Stakeholder engagement

Please refer to the Section 172 (1) statement on pages 48 and 49.

Health and safety

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

Following the end of each quarter, the Board receives a report setting out the number and type of accidents which have occurred in the quarter. The quantitative data is tracked in order to provide a comparison against prior years; to identify trends in types of accidents; and to ensure corrective actions can be implemented and best practice identified. 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.

Disclosure of information to the auditors

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 auditors for the purpose of their audit report, of which the auditors are 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 auditors are aware of it.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors 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 13 June 2023.

Environmental reporting

During FY2023 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 47.

Future developments

The Board aims to pursue its corporate strategies as detailed in the strategic report on pages 10 to 15.

By order of the Board

Joy Laws

Company Secretary

19 June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 UK-adopted international accounting standards 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, 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 UK-adopted international accounting standards 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the group's 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

On behalf of the Board.

Paul Bal

Chief Executive Officer

19 June 2023

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF IG DESIGN GROUP PLC

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 2023 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions 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, including 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 balance sheet and the company balance sheet as at 31 March 2023; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the 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 other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We conducted an audit of one financially significant component, which is a sub-consolidation of 12 individual reporting entities, as well as five other reporting components.
- Four of the other reporting components were audited by the group engagement team with the financially significant component and one other reporting component audited by PwC network firms.
- Specified audit procedures were performed by the group engagement team over specific balance sheet line items in two non-significant components.
- The group engagement team audited the group consolidation and related areas of judgement, including the valuation of goodwill and the refinancing of debt facilities.
- Our scoping resulted in audit coverage of 75% of revenue.

Key audit matters

- Refinancing of debt facilities (group and parent)
- Valuation of goodwill – UK & Asia CGU (group)
- Valuation of DG Americas inventory provisions (group)
- Valuation of investments and intercompany receivables (parent)

Materiality

- Overall group materiality: $4,435,000 based on 0.5% of total revenues (FY2022: $3,000,000 based on professional judgement and with reference to key financial metrics).
- Overall company materiality: £2,397,000 (FY2022: £2,300,000) based on 1% of net assets.
- Performance materiality: $3,326,000 (FY2022: $2,250,000) (group) and £1,798,000 (FY2022: £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.

Report on the audit of the financial statements continued

Our audit approach continued

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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Refinancing of debt facilities (group and parent) Refer to note 1 (Accounting policies) to the consolidated and company financial statements. The financing facilities in place at 31 March 2023 were due to expire within the going concern period. New facilities have been entered into subsequent to this date, which are different to those they replaced, which has required the Directors to perform new and different methods of analysis as part of the liquidity modelling and going concern assessment. This assessment has included the period to 30 September 2024 and has considered the level of liquidity available through the new financing facility in both a base case and a severe but plausible downside scenario. The Directors concluded that it was appropriate to prepare the financial statements on a going concern basis and that no material uncertainty exists with regards to going concern. We focused on the refinancing of debt facilities given the previous facilities were expiring within the going concern assessment period and the new and different financing facilities have been put in place subsequent to the year end. The new facilities are an asset backed loan, where the level of borrowing capacity at any point in time is derived from the group's trade receivables balance in its US business, and an uncommitted overdraft.	See the section "Conclusions relating to going concern" below for how we addressed this key audit matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill – UK & Asia CGU (group) Refer to note 1 (Accounting policies) and note 9 (Intangible assets) of the consolidated financial statements. In accordance with IAS 36 (Impairment of assets), goodwill must be tested for impairment on at least an annual basis. The determination of recoverable amount, being the higher of value-in-use and fair value less costs of disposal, requires estimations on the part of management in both identifying and then valuing the relevant cash-generating units ("CGU"). Management has charged an impairment of $29.1 million to goodwill in the year to the UK & Asia CGU, which is due to the increase in discount rates and the decline in trading conditions in the UK & Asia CGU specifically. There remains $2.6 million of goodwill allocated to this CGU. The impairment charge has been reported as an adjusting item in note 3. We focused on the risk of impairment within the UK & Asia CGU as the impairment test involves a number of subjective judgements and estimates by management, many of which are forward looking. These estimates include key assumptions in relation to the future cash flows of the CGU including considering the impact of climate change, the long term growth rates and appropriate discount rates.	At the planning stage of the audit, we assessed the design and implementation of controls over the impairment review process. As part of our audit of management's impairment assessment and underlying discounted cash flow model: • We obtained the impairment model prepared by management which calculates the value-in-use based on three year forecast cash flows. We verified these cash flows to underlying support. These cash flows are then used in the calculation of the terminal value. • We tested the mathematical accuracy and methodology of the impairment model to validate that it was prepared in line with the guidance provided in IAS 36. • We identified the key assumptions within the cash flow forecast for the next three years and focused our work on these. We challenged the basis of the forecasts to validate that all key assumptions were supportable and that the cash flows reflected the CGUs current strategic plan, including the restructuring as referenced in note 3. In performing this assessment we also challenged management on the potential impact of climate change to the cash flow forecast, including the potential impact of carbon offset costs. • We used our internal valuation experts to determine that management's discount rate was within an acceptable range through reference to suitable third party comparator information. • We used our internal valuation experts to determine that the long-term growth rate used in the impairment model was consistent with external sources of evidence. • We reperformed management's sensitivity analysis by reducing cash inflows through lower growth, and separately sensitised the discount rate and long-term growth rates to understand the impact that possible changes could have on the impairment charge. • We obtained management's assessment of the fair value less costs of disposal of the CGU and evaluated the reasonableness of the assumptions applied, specifically the estimated costs of disposal. We evaluated the disclosures included in the financial statements, including the sensitivity analysis, to validate that these were in compliance with IAS 36. We concluded that the impairment charge of $29.1 million is appropriate based on the testing and sensitivities applied and that the disclosures included in the financial statements are appropriate.

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
Valuation of DG Americas inventory provisions (group) Refer to note 1 (Accounting policies) and note 12 (Inventory) of the consolidated financial statements. Inventory represents a significant asset of the group and is carried at the lower of cost and net realisable value ("NRV") in accordance with IAS 2 (Inventories), with the year-end inventory value being $206.4 million (FY2022: $230.9 million). Management's approach to estimating inventory provisions is to apply a standard methodology based on inventory ageing and inventory category. Additional provisions are made by management where the standard methodology basis is not considered to generate sufficient provision for specific stock keeping units ("SKUs"). Management validates their total provision to be appropriate based on the results of retrospective reviews. A significant proportion of the group's inventory and provision is recorded within the DG Americas business, which is where the majority of our audit effort has been directed. We focus on this as the level of provision held is judgmental and involves a number of estimates, involving a number of different data sources being utilised in generating the total provision.	At the planning stage of the audit, we assessed the design and implementation of controls over the inventory provisioning process. As part of our audit of the provision methodology and evaluation of how the estimate was made by management: • We tested the integrity of the NRV provision calculation to validate that it was using the underlying data accurately and calculating the provision amounts in accordance with the provision policy. • We assessed the sufficiency of the provisioning policy through retrospective reviews of previous provisions made under the same policy. • We agreed the key inputs to the provision calculation, being the value and ageing of inventory, to external purchase documentation or evidence of production date. • We challenged any incremental provisions made by management and validated these to corroborating evidence that supports the additional provisioning requirement at a SKU level. • We challenged management on the fact that the current year results include a $6.4 million provision release group wide, the only material element of which relates to DG Americas. We understood the causes of the release and substantively tested these transactions back to source evidence. We concluded that the overall inventory provision was sufficient, supportable and consistent with the evidence obtained.
Valuation of investments and intercompany receivables (parent) Refer to note 4 (Investments), note 7 (Debtors – due after more than one year) and note 15 (Accounting estimates and judgements) of the company financial statements. The company has Investments in subsidiaries of £208.7 million, which reflects the company's interest (directly and indirectly) in all of the group's trading businesses. The company also has amounts owed by group undertakings of £26.8 million. Management has charged an impairment of £6.5 million to investments in the year, specifically in relation to the investment in the UK & Asia subsidiaries. This is due to the increase in discount rates and the decline in trading conditions in the UK & Asia CGU (see Key Audit Matter – "Valuation of goodwill – UK & Asia CGU"). We focused on the risk of impairment as the impairment charge to goodwill in the consolidated financial statements was a trigger to potential impairment in the investments and intercompany receivables balances held by the company.	At the planning stage of the audit, we assessed the design and implementation of controls over the impairment review process. As part of our audit of management's impairment assessment: • We obtained a schedule of investments and intercompany balances which we validated to supporting evidence. • We used the work performed as described in the Key Audit Matter – "Valuation of goodwill – UK & Asia CGU" above, to assess the valuation of the related investments and therefore the impairment charge, and to assess that impairment indicators did not exist outside of the investments relating to UK and Asia subsidiaries. • Our testing validated that sufficient headroom exists on the remainder of investments and intercompany balances in other subsidiaries when comparing the carrying value to the recoverable value. This also included after the assessment of management's sensitivities. We concluded the impairment charge of £6.5 million is appropriate based on the testing and sensitivities applied and that the disclosures included in the financial statements are appropriate.

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 and the parent company together with consolidation entities. We defined a component to be the reporting entity level at which management prepares and reviews the financial information, which in certain territories is at a sub-consolidation level.

We identified one financially significant component, which is a sub-consolidation of 12 individual reporting entities within the DG Americas business, based on its contribution to the group's revenue. A full scope audit was performed over this component, as well as over the company and four other trading components; two in the UK, and one in both the Netherlands and in Australia, giving a total of six components subject to full scope audits of their financial information.

Four of these components were audited by the group engagement team with the financially significant component and one other reporting component audited by other PwC network firms.

Specified audit procedures were performed over specific balance sheet line items in two additional non-significant components by the group engagement team in order to ensure sufficient coverage at the financial statement line item level.

The overseas component audit teams worked under the instruction of the group engagement team and were in regular contact with the group engagement team throughout the audit cycle. This started at planning, including a site visit to the DG Americas business by the Group Engagement Partner, through to completion utilising video conferencing at multiple intervals and other frequent communication. In addition, the group engagement team performed workpaper reviews of both overseas components.

The group engagement team audited the group consolidation, including its consolidation adjustments and related areas of judgement, including the valuation of goodwill and the refinancing of debt facilities.

Analytical procedures were performed by the group engagement team on all components not subject to a full scope audit.

The approach outlined above provides audit coverage over 75% of revenue. The company consists of one reporting unit which was subject to a full scope audit by the group engagement team for the purpose of the company financial statements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements. This is further discussed in our Key Audit Matter in relation to the Valuation of goodwill – UK & Asia CGU.

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	$4,435,000 (FY2022: $3,000,000).	£2,397,000 (FY2022: £2,300,000).
How we determined it	0.5% of total revenues (FY2022: Based on auditor judgment with reference to key financial metrics)	1% of net assets
Rationale for benchmark applied	Revenue is a key metric used by management and external stakeholders in assessing the ongoing performance of the group that appropriately reflects the size and scale of the group. It is also a generally accepted auditing benchmark. When considering the relevant percentage of total revenue to apply, we have considered a range of potential other benchmarks, which is comparable to the approach taken in FY2022.	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.

Report on the audit of the financial statements continued

Our audit approach continued

Materiality continued

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 $1,500,000 and $4,000,000.

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% (FY2022: 75%) of overall materiality, amounting to $3,326,000 (FY2022: $2,250,000) for the group financial statements and £1,798,000 (FY2022: £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 $220,000 (group audit) (FY2022: $150,000) and £120,000 (company audit) (FY2022: £115,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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:

- At the planning stage of the audit, we assessed the design and implementation of controls over management's budgeting process which forms part of the going concern assessment. We have also assessed the design and implementation of control procedures that relate to the preparation, review and approval of the going concern assessment and related modelling.
- We obtained and reviewed the renewed bank facilities agreement dated 5 June 2023 and validated that the facility terms were consistent with those management had modelled in the liquidity assessment.
- Reviewed the mathematical accuracy of the Directors' going concern assessment, forecasts and updated covenant compliance for a period of at least 12 months from the date of approval of the financial statements. This included understanding headroom against the relevant covenant.
- Validated that the forecasts were consistent with the latest Board approved budgets.
- Performed detailed enquiries and challenged the Board and management on the reasonableness of the assumptions made in the preparation of these forecasts. This included drawing comparisons to actual results achieved in the year, including challenging any significant one-off items or changes in revenue or cash conversion metrics.
- We assessed management's calculations in arriving at the liquidity and covenant headroom in their severe but plausible scenario.
- We reviewed management's assessment of actions available to preserve cash in the event of their severe but plausible scenario in the going concern period and challenged management on the ease with which these mitigations could be accessed.
- We stress tested the model by taking management's severe but plausible scenario and applying more severe changes to trading, removing certain of the cash preservation actions which we consider more difficult to access and removing the benefit of the uncommitted overdraft from the liquidity assessment.
- We assessed the historical forecasting accuracy and future assumptions by comparing these to the underlying support and third party data.
- We also considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and severe but plausible test assessment.

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 2023 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.

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements continued

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 employment regulation and the AIM rules for companies, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, Pension Schemes Act and tax legislation. 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 the posting of inappropriate journal entries to manipulate revenue and/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;
- Assessment of matters reported on the group's whistleblowing helpline, and the results of management's investigation of such matters;
- Review minutes of meetings of those charged with governance;
- Identification and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to the valuation of DG Americas inventory provisions, valuation of goodwill in the UK & Asia CGU and the valuation of investments and intercompany receivables (see related Key Audit Matters above).

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.

Daniel Brew

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Milton Keynes

19 June 2023

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2023

	Note	2023 $000	2022 $000
Revenue	2	**890,309**	965,093
Cost of sales		**(758,569)**	(842,926)
Gross profit		**131,740**	122,167
Selling expenses		**(47,097)**	(48,305)
Administration expenses – costs		**(75,112)**	(66,604)
Administration expenses – impairment of goodwill	3	**(29,100)**	—
Other operating income	5	**2,951**	870
Profit/(loss) on disposal of property, plant and equipment	3	**4,595**	(436)
Operating (loss)/profit	3	**(12,023)**	7,692
Finance expenses	6	**(6,873)**	(5,491)
(Loss)/profit before tax		**(18,896)**	2,201
Income tax charge	7	**(7,563)**	(2,517)
Loss for the year		**(26,459)**	(316)
Attributable to:			
Owners of the Parent Company		**(27,987)**	(3,277)
Non-controlling interests		**1,528**	2,961

Loss per ordinary share

	Note	2023	2022
Basic	21	**(28.6c)**	(3.3c)
Diluted	21	**(28.6c)**	(3.3c)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2023

	2023 $000	2022 $000
Loss for the year	**(26,459)**	(316)
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss		
Re-measurement of defined benefit pension and health benefit schemes	**(37)**	(715)
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	**10,621**	8,686
Transfer to profit and loss on maturing cash flow hedges	**(683)**	(301)
Net unrealised gain on cash flow hedges	**419**	686
Income tax relating to these items	**—**	—
	10,357	9,071
Other comprehensive income for the year, net of tax	**10,320**	8,356
Total comprehensive income for the year, net of tax	**(16,139)**	8,040
Attributable to:		
Owners of the Parent Company	**(17,024)**	5,173
Non-controlling interests	**885**	2,867
	(16,139)	8,040

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2023

	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 2022	6,373	228,143	42,549	299	(12,459)	96,806	361,711	7,999	369,710
Loss for the year	–	–	–	–	–	(27,987)	(27,987)	1,528	(26,459)
Other comprehensive income/(expense)	–	–	–	(261)	11,261	(37)	10,963	(643)	10,320
Total comprehensive (expense)/income for the year	–	–	–	(261)	11,261	(28,024)	(17,024)	885	(16,139)
Change in ownership interest									
Option over non-controlling interest (note 18)	–	–	–	–	–	3,069	3,069		3,069
Acquisition of non-controlling interest (note 28)	–	–	–	–	–	(3,558)	(3,558)	607	(2,951)
Transactions with owners in their capacity as owners									
Equity-settled share-based payments (note 23)	–	–	–	–	–	656	656	–	656
Purchase of own shares (note 29)	–	–	–	–	–	(865)	(865)	–	(865)
Options exercised (note 20)	51	–	–	–	–	(51)	–	–	–
Equity dividends paid (note 27)	–	–	–	–	–	–	–	(2,961)	(2,961)
Exchange differences on opening balances	(365)	(13,298)	(2,480)	–	–	–	(16,143)	–	(16,143)
At 31 March 2023	**6,059**	**214,845**	**40,069**	**38**	**(1,198)**	**68,033**	**327,846**	**6,530**	**334,376**

In line with the Group's accounting policies, 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 translation reserve.

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 $1.7 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 (2022: $1.8 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.

	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 2021	6,667	239,142	44,600	(86)	(21,239)	114,438	383,522	8,497	392,019
(Loss)/profit for the year	–	–	–	–	–	(3,277)	(3,277)	2,961	(316)
Other comprehensive income/(expense)	–	–	–	385	8,780	(715)	8,450	(94)	8,356
Total comprehensive income/(expense) for the year	–	–	–	385	8,780	(3,992)	5,173	2,867	8,040
Transactions with owners in their capacity as owners									
Option over non-controlling interest (note 18)	–	–	–	–	–	(3,069)	(3,069)	–	(3,069)
Equity-settled share-based payments (note 23)	–	–	–	–	–	241	241	–	241
Derecognition of deferred tax asset – share-based payments (note 11)	–	–	–	–	–	(1,179)	(1,179)	–	(1,179)
Derecognition of deferred tax asset – IFRS 16 (note 11)	–	–	–	–	–	(346)	(346)	–	(346)
Options exercised (note 20)	13	–	–	–	–	(13)	–	–	–
Equity dividends paid (note 22)	–	–	–	–	–	(9,274)	(9,274)	(3,365)	(12,639)
Exchange differences on opening balances	(307)	(10,999)	(2,051)	–	–	–	(13,357)	–	(13,357)
At 31 March 2022	**6,373**	**228,143**	**42,549**	**299**	**(12,459)**	**96,806**	**361,711**	**7,999**	**369,710**

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2023

	Note	2023 $000	2022 $000
Non-current assets			
Property, plant and equipment	8	**70,306**	78,911
Intangible assets	9	**71,325**	107,398
Right-of-use assets	10	**69,332**	86,731
Long-term assets	13	**5,647**	5,105
Deferred tax assets	11	**15,401**	16,317
Total non-current assets		**232,011**	294,462
Current assets			
Asset held for sale	8	**—**	2,150
Inventory	12	**206,426**	230,885
Trade and other receivables	13	**92,402**	127,850
Income tax receivable		**2,428**	1,234
Derivative financial assets	24	**340**	316
Cash and cash equivalents	14	**85,213**	50,179
Total current assets		**386,809**	412,614
Total assets	2	**618,820**	707,076
Non-current liabilities			
Loans and borrowings	15	**—**	(20)
Lease liabilities	10	**62,717**	80,215
Deferred income	16	**2,038**	523
Provisions	17	**5,474**	5,016
Other financial liabilities	18	**19,071**	21,557
Deferred tax liabilities	11	**221**	381
Total non-current liabilities		**89,521**	107,672
Current liabilities			
Bank overdraft	14	**34,979**	20,380
Loans and borrowings	15	**(250)**	(340)
Lease liabilities	10	**17,470**	19,628
Deferred income	16	**263**	465
Provisions	17	**1,339**	1,342
Income tax payable		**6,918**	7,359
Trade and other payables	19	**92,977**	143,318
Other financial liabilities	18	**41,227**	37,542
Total current liabilities		**194,923**	229,694
Total liabilities	2	**284,444**	337,366
Net Assets		**334,376**	369,710

	Note	2023 $000	2022 $000
Equity			
Share capital	20	**6,059**	6,373
Share premium		**213,187**	226,382
Capital redemption reserve		**1,658**	1,761
Merger reserve		**40,069**	42,549
Hedging reserve		**38**	299
Translation reserve		**(1,198)**	(12,459)
Retained earnings		**68,033**	96,806
Equity attributable to owners of the Parent Company		**327,846**	361,711
Non-controlling interests		**6,530**	7,999
Total equity		**334,376**	369,710

The consolidated financial statements on pages 90 to 137 were approved by the Board of Directors on 19 June 2023 and were signed on its behalf by:

Paul Bal
Director

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2023

	Note	2023 $000	2022 $000
Cash flows from operating activities			
Loss for the year		**(26,459)**	(316)
Adjustments for:			
Depreciation and impairment/(reversal of impairment) of property, plant and equipment	8	**12,532**	13,378
Depreciation and impairment/(reversal of impairment) of right-of-use assets	10	**18,471**	15,284
Amortisation of intangible assets	9	**4,817**	5,817
Goodwill impairment	9	**29,100**	—
Finance expenses	6	**6,873**	5,491
Income tax charge	7	**7,563**	2,517
(Profit)/loss on disposal of property, plant and equipment		**(4,595)**	436
Equity-settled share-based payments – expense/(income)	23	**805**	(848)
Add back income from insurance settlement	3	**(1,500)**	—
Operating profit after adjustments for non-cash items		**47,607**	41,759
Change in trade and other receivables		**36,929**	(994)
Change in inventory		**17,790**	(58,096)
Change in trade and other payables, provisions and deferred income		**(43,352)**	21,237
Cash generated from operations		**58,974**	3,906
Tax paid		**(7,307)**	(5,205)
Interest and similar charges paid		**(5,270)**	(4,626)
Net cash inflow/(outflow) from operating activities		**46,397**	(5,925)
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**6,809**	131
Acquisition of intangible assets	9	**(368)**	(381)
Acquisition of property, plant and equipment	8	**(5,459)**	(8,140)
Proceeds from insurance settlement	3	**1,500**	—
Net cash inflow/(outflow) from investing activities		**2,482**	(8,390)
Cash flows from financing activities			
Acquisition of non-controlling interest	28	**(2,951)**	—
Purchase of own shares	29	**(865)**	—
Lease liabilities principal repayments	10	**(20,428)**	(20,717)
Loan arrangement fees	14	**(1,079)**	(494)
Equity dividends paid	22	**—**	(9,274)
Dividends paid to non-controlling interests		**(2,961)**	(3,365)
Net cash outflow from financing activities		**(28,284)**	(33,850)
Net increase/(decrease) in cash and cash equivalents		**20,595**	(48,165)
Cash and cash equivalents and bank overdrafts at beginning of the year	14	**29,799**	75,727
Effect of exchange rate fluctuations on cash held		**(160)**	2,237
Cash and cash equivalents and bank overdrafts at end of the year	14	**50,234**	29,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2023

1 Accounting policies

a. Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards ('UK IFRS'), with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK IFRS in its consolidated financial statements on 1 April 2021. The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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

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).

The financial statements are prepared under the historical cost convention except for derivative financial instruments which are measured at fair value and defined benefit pension plans where plan assets are measure at fair value and obligations are valued in accordance with IAS 19 Employee Benefits.

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.

Presentation currency

The presentation currency of the Group is US dollars.

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.

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 distribution. 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

The Group financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue trading for a period of at least twelve months from the date of this report, based on an assessment of the overall position and future forecasts for the going concern period. This assessment has also considered the overall level of Group borrowings and covenant requirements, the flexibility of the Group to react to changing market conditions and ability to appropriately manage any business risks.

On 5 June 2023, the business entered into a new banking facility with HSBC and NatWest bank as part of a three-year deal to meet the funding requirements of the Group. This facility comprises an Asset Backed Lending (ABL) arrangement with a maximum facility amount of $125.0 million. Cash balances, borrowing and the financial covenants applicable to the facility are detailed in notes 14 and 15.

In addition to the above facility, the Group has also increased its unsecured overdraft facility provided by HSBC to £16.5 million, which reduces to £8.5 million from August 2023. As such, after making appropriate enquires, 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.

We also have access to supplier financing arrangements from certain customers which we utilise at certain times of the year. The largest of these supplier financing arrangements are subject to the continuing support of the customers' banking partners and therefore could be withdrawn at short notice. As the new ABL arrangement is linked to trade debtors, any withdrawal of these facilities would be largely offset as the borrowing base under the facility would increase.

The Directors have assessed detailed plans and forecasts up to 30 September 2024. These forecasts reflect the fact that the Group has now returned to profitability and continues the journey to more robust performance, growing profitability and margins as a result. They also reflect the seasonal operating cycle of the business and further recovery associated with the DG Americas plan.

1 Accounting policies continued

a. Basis of preparation continued

Going concern continued

These forecasts have been sensitised to reflect severe but plausible adverse downturns in the current assumptions. Specifically, the severe but plausible downside scenario has taken account of the following risks:

- the potential impact of a significant disruption in one of our major customer's business, reflected in a c$20-$25 million reduction in sales performance and related cash and working capital impacts; and
- the potential impact over peak periods by of the effects of inflation on disposable incomes and demand for products in the DG International and DG Americas business segments, reflected in a c$40 million reduction of sales.

In the severe but plausible scenario modelled, there remains sufficient headroom in our forecast liquidity, and sufficient headroom under the covenant requirements.

Based on this assessment, the Directors have formed a judgement that there is a reasonable expectation the Group will have adequate resources to continue in operational existence for the foreseeable future.

Changes in accounting policies

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

Other standards and interpretations

The Group also adopted the following new pronouncements at the start of the year, which did not have any material impact on the Group's financial statements:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptional; Framework – Amendments to IFRS 3

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.

b. Basis of consolidation

(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. Specifically, the Group controls an investee if, and only if, the Group has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries which we consider the Group to have control are included in the consolidated 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 presented in US dollars.

(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.

Share capital, share premium, capital redemption reserve, merger reserve are denominated in pounds sterling, the Parent Company's functional currency. They are translated into US dollars at the rates of exchange at each balance sheet date and the resulting cumulative exchange differences are included in translation reserve.

(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 and put options over non-controlling interests) 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

The movements in the fair value of unhedged derivatives are charged/credited to the income statement.

The potential cash payments relating to put options issued by the Group over the non-controlling interest of subsidiary companies acquired are measured at estimated fair value and accounted for as financial liabilities. Subsequent to initial recognition, any changes to the carrying amount of non-controlling interest put option liabilities are recognised through equity.

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.

h. Trade and other payables

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

1 Accounting policies continued

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
– 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.

Where the Group identifies assets held for sale, they are held at the lower of current value and fair value less costs to sell.

j. Lease liabilities and lease right-of-use assets

The Group leases various offices, warehouses, equipment and motor vehicles. Rental contracts are typically made for fixed periods of one to 20 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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.

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
Computer software	3-5 years
Trade names	3-5 years
Customer relationships	3-15 years
Other intangibles	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') in August 2018.

i. 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 (CGU) 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 are 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.

The reversal of an impairment loss should be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment test was carried out. Impairment losses relating to goodwill are not permitted to be reversed.

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 inventory on hand relating to sales orders already attached to the acquired inventory. 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.

1 Accounting policies continued

n. Income tax continued

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 impaired 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 majority of sales are made with credit terms of 30-120 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.

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.

In the event that any scheme is cancelled, the Group recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The Group calculates this charge based on the number of the awards expected to achieve the performance conditions immediately before the award was cancelled.

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 when deferred tax assets are recognised in that territory.

u. Investment in own shares

The shares held in the Group's Employee Benefit Trust (IG Employee Share Trustee Limited) 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) is 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 deferred income on the balance sheet 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).

1 Accounting policies continued

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/(loss), Adjusted profit/(loss) before tax, Adjusted profit/(loss) after tax and Adjusted earnings/(loss) per share.

Adjusting items are items that are material and/or, 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) including fair value adjustments to acquisitions.

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.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Accounting judgements

(i) Adjusting items

Judgement is required to determine whether items are appropriately classified as adjusting items and that the values assigned are appropriate. Adjusting items relate to impairments of assets, costs associated with acquisitions or disposals, and significant items by virtue of their size or incidence. Adjusting items are approved by the Board. Further details on the rationale for classification are disclosed in note 3.

(ii) Goodwill impairment assessment

In reaching the conclusion that the Fair Value less Costs to Sell (FVLCTS) model does not yield a higher recoverable amount than the Value in Use (VIU) model, management considered various factors, including current market conditions, observable market prices, and assumptions related to potential buyers' perspectives. The judgment was applied in assessing the relevance and reliability of the market-based approach, immediate sale perspective, and market participant assumptions within the FVLCTS model. Additionally, management considered the associated costs and time required for the sale process, considering a conservative and realistic assumption.

The conclusion was reached based on management's experience, market knowledge, and the assessment of available data and information. While the judgments exercised by management were made in good faith and believed to be reasonable, actual results may differ from these judgments due to inherent uncertainties and external factors affecting market conditions.

The assessment of the future impacts of climate change is undoubtedly another area where judgement must be applied. The evolving and dynamic nature of climate change, along with the uncertainties surrounding future regulatory frameworks, technological advancements, and market dynamics, make it difficult to precisely predict the medium and long-term effects on our financial performance, assets, and liabilities.

While the judgments exercised by management were made in good faith and believed to be reasonable, actual results may differ from these judgments due to inherent uncertainties and external factors affecting climate change.

The disclosures in note 9 provide further details regarding the key assumptions and judgments made by management in determining the recoverable amount of goodwill related to the CGUs of the Group.

Accounting estimates

(i) Intangible assets – Goodwill

Goodwill is not amortised but is tested annually for impairment, along with the finite-lived intangible assets and other assets of the Group's CGUs. An estimate is required in identifying the events which indicate potential impairment, and in assessing fair value of individual assets when allocating an impairment loss in a CGU or groups of CGUs. Tests for impairment are based on discounted cash flows and assumptions (including discount rates and growth prospects) which are inherently subjective. They involve a degree of uncertainty, and changes in these estimates could have a material impact on the financial statements in future periods. The Group performs various sensitivity analyses in respect of the tests for impairment, as detailed in note 9.

(ii) Taxation

Estimates are required in determining the Group's tax assets and liabilities. Deferred tax assets have been recognised to the extent that management believe that they are recoverable based on profit projections for future years. These forecasts are consistent with those used elsewhere in the financial statements (including impairment). Note 11 provides information on the gross temporary differences and unused tax losses on which deferred tax assets have not been recognised.

Included within current tax liabilities are estimations related to uncertain tax positions. These calculations are based on management's best estimates of potential tax liabilities that could arise in the future. These estimates are reassessed when facts and circumstances change.

(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 DG Americas integration. This is based on the properties themselves being a CGU in line with IAS 36 as they are being actively marketed for sub-tenants.

The impairments are assessed at each reporting date and if necessary reversed should there be available sub-tenants for the properties, or early termination agreed with the landlord.

The decision was made to exit Clara City, Minnesota in the year, resulting in a lease impairment of $757,000. In the year to 31 March 2022, there was a $2.5 million impairment reversal. As at 31 March 2023, for the remaining impaired properties, the Group had no offers from potential sub-tenants and given that this position is expected to continue for the foreseeable future, these leased properties remain impaired in full. As at 31 March 2023, if there was a reversal of the remaining impaired right-of-use assets, the right-of-use assets would increase by $4.7 million (2022: $6.5 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 inventory for those time frames.

This is not a precise estimate and is based on best data at the time of recognition. Regular monitoring of inventory levels, the ageing of inventory 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. As at 31 March 2023, inventory provisions were $36.5 million against a gross inventory value of $243.2 million (2022: $38.4 million provision, $269.3 million gross inventory value).

This provision estimate is subject to potential material change, for example if market conditions change because expected customer demand fluctuates, or shipping delays reduce our ability to deliver on time and in full.

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.

The business operates under two reporting segments which are reported to, and evaluated by, the Chief Operating Decision Makers for the Group. The DG Americas segment includes overseas operations in Asia, Australia, UK, India and Mexico, being the overseas entities of US companies. The DG International segment comprises the consolidation of the separately owned businesses in the UK, Asia, Europe and Australia.

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.

2 Segmental information continued

	DG Americas[a] $000	DG International $000	Central and eliminations $000	Group $000
Year ended 31 March 2023				
Revenue – external	592,954	297,355	—	890,309
– inter-segment	—	2,283	(2,283)	—
Total segment revenue	592,954	299,638	(2,283)	890,309
Segment profit/(loss) before adjusting items	2,918	19,827	(6,696)	16,049
Adjusting items (note 3)	1,701	(29,773)	—	(28,072)
Operating (loss)/profit	4,619	(9,946)	(6,696)	(12,023)
Finance expenses				(6,873)
Income tax				(7,563)
Loss for the year ended 31 March 2023				(26,459)
Balances at 31 March 2023				
Segment assets	370,276	201,650	46,894	618,820
Segment liabilities	(156,053)	(96,588)	(31,803)	(284,444)
Capital expenditure additions				
– property, plant and equipment	2,452	2,941	66	5,459
– intangible assets	331	37	—	368
– right-of-use assets	727	4,094	24	4,845
Depreciation – property, plant and equipment	7,291	5,226	15	12,532
Amortisation – intangible assets	4,673	144	—	4,817
Impairment – intangible assets	—	29,100	—	29,100
Depreciation – right-of-use assets	12,615	5,090	9	17,714
Impairment – right-of-use assets	757	—	—	757
Profit on disposal of property, plant and equipment[b]	4,493	102	—	4,595

(a) Including overseas entities for the Americas operating segment.
(b) Includes $4.6 million relating to the profit on sale of a property owned by the Group in Manhattan, Kansas; see note 3.

	DG Americas[(a)] $000	DG International $000	Central and eliminations $000	Group $000
Year ended 31 March 2022				
Revenue – external	658,953	306,140	—	965,093
– inter-segment	16	1,725	(1,741)	—
Total segment revenue	658,969	307,865	(1,741)	965,093
Segment (loss)/profit before adjusting items	(11,738)	20,836	(5,290)	3,808
Adjusting items (note 3)	5,667	1,570	(3,353)	3,884
Operating (loss)/profit	(6,071)	22,406	(8,643)	7,692
Finance expenses				(5,105)
Finance expenses treated as an adjusting item (note 3)				(386)
Income tax				(2,517)
Loss for the year ended 31 March 2022				(316)
Balances at 31 March 2022				
Segment assets	451,270	237,625	18,181	707,076
Segment liabilities	(212,083)	(100,500)	(24,783)	(337,366)
Capital expenditure additions				
– property, plant and equipment	5,237	2,860	43	8,140
– intangible assets	223	158	—	381
– right-of-use assets	4,331	4,850	—	9,181
Depreciation – property, plant and equipment	7,803	5,891	11	13,705
Reversal of impairment – property, plant and equipment	—	(327)	—	(327)
Amortisation – intangible assets	5,634	183	—	5,817
Depreciation – right-of-use assets	12,406	5,352	18	17,776
Impairment – right-of-use assets	—	—	22	22
Reversal of impairment – right-of-use assets	(2,514)	—	—	(2,514)

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

- The Group has one customer that accounts for 24% (2022: 23%) of the total Group revenues. In the year ended 31 March 2023 total sales to that customer were $215.2 million (2022: $223.9 million). This customer falls solely within the DG 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 $15.4 million (2022: $16.3 million), income tax receivable of $2.4 million (2022: $1.2 million), income tax payable of $6.9 million (2022: $7.4 million) and deferred tax liabilities of $221,000 (2022: $381,000).

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	
	2023 $000	2022 $000
DG Americas[(a)]	**144,651**	166,823
DG International	**66,312**	106,217
	210,963	273,040

(a) These figures include overseas entities relating to the DG Americas operating segment. The overseas entities element is not material, and this information is not readily available.

	Non-current assets	
DG International is made up as follows:	**2023 $000**	2022 $000
UK	**29,030**	65,103
Netherlands	**25,086**	24,642
Other	**12,196**	16,472
	66,312	106,217

2 Segmental information continued

Revenue by customer destination

	2023 $000	2022 $000	2023 %	2022 %
Americas[a]	**607,470**	665,059	**68**	69
UK	**94,524**	112,539	**11**	12
Rest of the world	**188,315**	187,495	**21**	19
	890,309	965,093	**100**	100

(a) Included within Americas is $577.2 million (2022: $637.7 million) relating to the country, USA.

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	2023 $000	2022 $000
Depreciation of tangible fixed assets	8	**12,532**	13,705
Reversal of impairment of tangible fixed assets	8	**—**	(327)
Depreciation of right-of-use assets	10	**17,714**	17,776
Impairment/(reversal of impairment) of right-of-use assets	10	**757**	(2,492)
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(4,595)**	436
Release of deferred grant income	5	**(111)**	17
Goodwill impairment	9	**29,100**	—
Amortisation of intangible assets – software	9	**2,066**	2,980
Amortisation of intangible assets – other	9	**2,751**	2,837
Sub-lease rental income	5	**(1,253)**	(752)
Write down of inventories to net realisable value	12	**19,295**	18,285
Reversal of previous write downs of inventory	12	**(6,436)**	(6,219)
Loss on foreign exchange		**719**	602

Total administration expenses of $104.2 million (2022: $66.6 million) includes $29.1 million (2022: $nil) goodwill impairment as noted above.

	2023 $000	2022 $000
Operating profit analysed as:		
Adjusted operating profit	**16,049**	3,808
Adjusting items	**(28,072)**	3,884
Operating (loss)/profit	**(12,023)**	7,692

Adjusting items

Year ended 31 March 2023	Cost of sales $000	Selling expenses $000	Admin expenses – costs $000	Other operating income $000	Profit on disposal of property, plant and equipment $000	Admin expenses – impairment of goodwill $000	Total $000
Goodwill impairment(1)	—	—	—	—	—	29,100	29,100
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses(2)	—	—	—	(1,500)	—	—	(1,500)
Acquisition integration and restructuring (income)/costs(3)	1,479	—	1,031	—	(4,493)	—	(1,983)
Reversal of impairment of assets(4)	(154)	—	—	—	—	—	(154)
IT security incident income(5)	—	—	(142)	—	—	—	(142)
Amortisation of acquired intangibles(6)	—	—	2,751	—	—	—	2,751
Adjusting items	**1,325**	**—**	**3,640**	**(1,500)**	**(4,493)**	**29,100**	**28,072**

Year ended 31 March 2022	Cost of sales $000	Selling expenses $000	Admin Expenses – costs $000	Other operating income $000	Loss on disposal of plant $000	Other finance expenses $000	Total $000
Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses(2)	—	—	3,710	—	—	(15)	3,695
Acquisition integration and restructuring (income)/costs(3)	(980)	—	(1,336)	(124)	348	401	(1,691)
(Reversal of impairment)/ impairment of assets(4)	(1,544)	(1,112)	—	—	—	—	(2,656)
IT security incident (income)/costs(5)	—	—	(5,683)	—	—	—	(5,683)
Amortisation of acquired intangibles(6)	—	—	2,837	—	—	—	2,837
Adjusting items	(2,524)	(1,112)	(472)	(124)	348	386	(3,498)

Adjusting items are separately presented by virtue of their nature, size and/or incidence (per each operating segment). These items are material or 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 (gains)/losses relating to the year ended 31 March 2023 are broken down as follows:

(1) Goodwill impairment

In the year an impairment of $29.1 million has been recorded to write down the goodwill from historical acquisitions in the UK and Asia Cash-Generating Unit (CGU).

Following the deterioration of the result experienced in UK and Asia CGU, especially in the second half of FY2023, the longer-term impacts on the forecasts for future cash flows have resulted in an impairment. The calculation was further exacerbated by the significant increase in the discount rate, mainly as a result of higher interest rates. See note 9 for further details.

(2) 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.

In the year, $1.5 million of insurance income was received relating to the Impact Innovations, Inc (Impact) Representations and Warranties insurance settlement in connection with accounting and tax issues present at acquisition in August 2018.

In the year to 31 March 2022, the Group incurred expenditure relating to acquisitions totalling $3.7 million, of which $113,000 related to previous successful acquisitions and the balance related to aborted acquisitions. In addition, the final tranche of acquisition related employee payments which lock in and incentivise legacy talent relating to the Impact acquisition in August 2018 was incurred ($278,000).

3 Operating expenses and adjusting items continued

Adjusting items continued

(3) Acquisition integration and restructuring (income)/costs

In order to realise synergies from acquisitions, or existing businesses, integration and restructuring projects are respectively 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 it is appropriate that costs associated with projects of this nature be included as adjusting items. The costs incurred in the year relate to the reorganisation, business simplification and impairment expenses in DG Americas and the reorganisation of the DG UK businesses as follows:

Profit on sale of property, plant and equipment – In April 2022, the Kansas, Manhattan property was sold for proceeds of $6.7 million resulting in a profit on disposal of $4.6 million recognised as an adjusting item. In addition to this there was a loss on sale of equipment of $100,000 in relation to assets disposed of during the exit of a site in Clara City, Minnesota.

Site closure costs – In March 2023, a decision was made to exit a site in Clara City, Minnesota. This resulted in an impairment of the right-of-use asset associated with the underlying lease of $757,000. Additional costs of $273,000 were incurred in relation to the relocation and closure of this site, the Kansas, Manhattan site, as well as the consolidation of other US sites.

DG Americas and DG UK business reorganisation – In the year further integration costs, relating to people, of $782,000 have been recognised in DG Americas following the announcement of further business reorganisation. Similarly, in March 2023 the UK business internally announced a business simplification in light of the downturn of the UK outlook, resulting in the recognition of one-off people costs of $713,000.

In the year to 31 March 2022, adjusting items relate to the integration of CSS into the enlarged DG Americas business. Two previously impaired properties were sub-let, resulting in a reversal of the impairment, net of associated provisions for costs to run the exited sites, of $2.8 million. In the year to 31 March 2022, ongoing net costs relating to these impaired and sub-leased properties were treated as adjusting items, however given the immaterial and recurring nature of these ongoing net costs the Group will no longer include these as adjusting items.

In the year to 31 March 2022, costs associated with the ongoing consolidation of operations around the Group were incurred. These included the enlarged printing and converting business moving from Memphis to a larger facility in Byhalia, Mississippi that also houses distribution. In addition, costs associated with the exit of the owned property in Manhattan, Kansas to consolidate our pattern printing facilities into one site were incurred. The total costs associated with this integration were $1.1 million. The remaining costs incurred in the prior year relate to severance costs associated with the wider DG Americas restructure programme.

(4) Reversal of impairment of assets

At the onset of the Covid-19 pandemic a review of inventory, trade receivables and fixed assets was undertaken. Inventories were assessed at 31 March 2020 for the net realisable value and an impairment of $7.4 million was recognised. Trade receivables were assessed for their expected credit loss in line with IFRS 9 and an impairment of $3.8 million was recognised. The UK's bag line machines were impaired by $348,000 based on expected future cash flows associated with the 'Not-for-resale' consumables business.

In the year a credit of $154,000 has been recognised relating to reversal of impairments no longer required. During the year to 31 March 2022 there were reversals of impairment amounting to a $2.7 million credit. There are no remaining provisions relating to these costs.

(5) IT security incident income

The IT security incident which occurred in DG Americas in October/November 2020 resulted in one-off costs of $2.2 million being incurred during the year ended 31 March 2021. This did not include the lost profits incurred as a result of downtime in the business for which an insurance claim was made. In the year further insurance income was received of $142,000 (FY2022: $5.7 million) in relation to this incident. The treatment of this income as adjusting, follows the previous treatment of the one-off costs as adjusting.

(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 trade names 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 their useful economic lives. 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. As such, we include these as adjusting items.

The cash flow effect of adjusting items

There was a $6.9 million net inflow in the current period's cash flow (FY2022: $6.2 million outflow) relating to adjusting items which included $1.1m (FY2022: $3.3 million) deferred from prior years. $1.4 million outflow is included within cash generated from operations (2022: $1.9 million) and $8.3 million inflow is included within investing and financing activities (2022: $4.3 million outflow).

Auditors' remuneration:

	2023 $000	2022 $000
Amounts receivable by auditor and its associates in respect of:		
Audit of these financial statements	**1,192**	1,021
Audit of financial statements of subsidiaries pursuant to legislation		
– Overseas subsidiaries	**145**	87
– UK subsidiaries	**—**	103
Other audit related services – review of interim report	**85**	80

4 Staff numbers and costs

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

	Number of employees	
	2023	2022
Selling and administration	**1,215**	1,264
Production and distribution	**1,877**	2,051
Temporary and agency staff	**624**	747
	3,716	4,062

The aggregate payroll costs of these persons were as follows:

	Note	2023 $000	2022 $000
Wages and salaries		**151,284**	159,197
Share-based payments	23	**805**	(848)
Social security costs		**12,993**	14,123
Other pension costs		**3,176**	3,300
Temporary employee costs		**15,023**	20,057
		183,281	195,829

For information on Directors' remuneration please refer to the section titled 'Directors' remuneration' within the Directors' remuneration report (pages 75 to 77), which forms part of these audited financial statements.

5 Other operating income

	2023 $000	2022 $000
Grant income	**111**	(17)
Sub-lease rental income	**1,253**	628
Government assistance	**—**	125
Other	**87**	10
Other operating income before adjusting items	**1,451**	746
Adjusting items (note 3)	**1,500**	124
	2,951	870

6 Finance expenses

	2023 $000	2022 $000
Interest payable on bank loans and overdrafts	**1,992**	598
Other similar charges	**1,854**	1,352
Lease liability interest	**2,903**	3,078
Unwinding of fair value discounts	**106**	80
Interest payable under the effective interest method	**6,855**	5,108
Derivative financial instruments at fair value through the income statement	**18**	(3)
Finance expenses before adjusting items	**6,873**	5,105
Adjusting items (note 3)	**—**	386
	6,873	5,491

7 Income tax charge

Recognised in the income statement

	2023 $000	2022 $000
Current tax charge/(credit)		
Current year	**6,910**	3,898
Adjustments in respect of previous years	**65**	(12)
	6,975	3,886
Deferred tax charge/(credit)		
Derecognition of deferred tax assets	**—**	2,308
Origination and reversal of temporary differences	**(1)**	(3,664)
Adjustments in respect of previous periods	**589**	(13)
	588	(1,369)
Total tax in income statement	**7,563**	2,517
Total tax charge on adjusting items		
Total tax on profit before adjusting items	**7,806**	3,333
Total tax on adjusting items	**(243)**	(816)
Total tax charge in income statement	**7,563**	2,517

Reconciliation of effective tax rate

	2023 $000	2022 $000
(Loss)/profit before tax	**(18,896)**	2,201
Profit before tax multiplied by the standard rate of corporation tax of 19% in the UK (2022: 19%)	**(3,590)**	418
Effects of:		
Income not taxable	**(50)**	(320)
Expenses not deductible for tax purposes – impairment	**5,529**	—
Expenses not deductible for tax purposes – other	**629**	94
Derecognition of deferred tax assets	**—**	2,308
Effect of tax rate changes	**—**	(170)
Differences between UK and overseas tax rates	**1,701**	946
Movement in uncertain tax provisions	**716**	(1,531)
Other items	**(210)**	(182)
Adjustments in respect of previous periods	**654**	(25)
Current year losses for which no deferred tax asset is recognised	**2,184**	979
Total tax charge in income statement	**7,563**	2,517

See note 11 for further details.

8 Property, plant and equipment

	Land and buildings Freehold $000	Land and buildings Leasehold $000	Plant and equipment $000	Fixtures and fittings $000	Motor vehicles $000	Total $000
Cost						
Balance at 1 April 2021	48,514	5,571	114,193	9,889	2,395	180,562
Additions	625	842	5,719	844	110	8,140
Transfer to assets held for sale	(2,150)	—	(664)	—	—	(2,814)
Transfer to intangible fixed assets	—	—	—	(156)	—	(156)
Disposals	(54)	(764)	(3,878)	(3,097)	(53)	(7,846)
Effect of movements in foreign exchange	(1,357)	43	(2,544)	(134)	(61)	(4,053)
Balance at 31 March 2022	45,578	5,692	112,826	7,346	2,391	173,833
Additions	**285**	**271**	**3,888**	**710**	**305**	**5,459**
Disposals	**—**	**(195)**	**(55)**	**(972)**	**(219)**	**(1,441)**
Effect of movements in foreign exchange	**(986)**	**(302)**	**(3,502)**	**(365)**	**(139)**	**(5,294)**
Balance at 31 March 2023	**44,877**	**5,466**	**113,157**	**6,719**	**2,338**	**172,557**
Depreciation and impairment						
Balance at 1 April 2021	(18,189)	(3,712)	(61,666)	(7,206)	(1,586)	(92,359)
Depreciation charge for the year	(2,027)	(990)	(9,068)	(1,377)	(243)	(13,705)
Reversal of impairment in the year	—	—	327	—	—	327
Reclassification between categories	(327)	—	136	265	(74)	—
Transfers from intangible fixed assets	—	—	—	(30)	—	(30)
Disposals	53	739	3,411	3,182	20	7,405
Transfer to assets held for sale	—	—	664	—	—	664
Effect of movements in foreign exchange	818	(57)	1,785	188	42	2,776
Balance at 31 March 2022	(19,672)	(4,020)	(64,411)	(4,978)	(1,841)	(94,922)
Depreciation charge for the year	**(1,930)**	**(892)**	**(8,569)**	**(934)**	**(207)**	**(12,532)**
Disposals	**—**	**186**	**37**	**940**	**214**	**1,377**
Effect of movements in foreign exchange	**728**	**200**	**2,556**	**232**	**110**	**3,826**
Balance at 31 March 2023	**(20,874)**	**(4,526)**	**(70,387)**	**(4,740)**	**(1,724)**	**(102,251)**
Net book value						
At 31 March 2023	**24,003**	**940**	**42,770**	**1,979**	**614**	**70,306**
At 31 March 2022	25,906	1,672	48,415	2,368	550	78,911

During the prior year a property in Manhattan, Kansas with a net book value of $2.2 million was reclassified to assets held for sale. The sale completed on 28 April 2022 (see note 3 for further details).

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 with a cost of $13.2 million in the UK were subject to a fixed charge in support of the RCF 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 2021	102,284	14,541	5,262	24,101	178	146,366
Additions	—	381	—	—	—	381
Transfer from fixed assets	—	156	—	—	—	156
Disposals	—	(484)	—	—	—	(484)
Effect of movements in foreign exchange	(2,216)	(101)	(4)	(15)	(7)	(2,343)
Balance at 31 March 2022	100,068	14,493	5,258	24,086	171	144,076
Additions	**—**	**272**	**—**	**—**	**96**	**368**
Disposals	**—**	**(224)**	**—**	**—**	**—**	**(224)**
Effect of movements in foreign exchange	**(2,662)**	**(186)**	**(27)**	**(99)**	**(6)**	**(2,980)**
Balance at 31 March 2023	**97,406**	**14,355**	**5,231**	**23,987**	**261**	**141,240**
Amortisation and impairment						
Balance at 1 April 2021	(13,319)	(8,290)	(3,281)	(6,453)	(149)	(31,492)
Amortisation charge for the year	—	(2,980)	(1,034)	(1,803)	—	(5,817)
Transfer to fixed assets	—	30	—	—	—	30
Disposals	—	317	—	—	—	317
Effect of movements in foreign exchange	168	89	5	15	7	284
Balance at 31 March 2022	(13,151)	(10,834)	(4,310)	(8,241)	(142)	(36,678)
Amortisation charge for the year	**—**	**(2,066)**	**(948)**	**(1,803)**	**—**	**(4,817)**
Impairments	**(29,100)**	**—**	**—**	**—**	**—**	**(29,100)**
Disposals	**—**	**224**	**—**	**—**	**—**	**224**
Effect of movements in foreign exchange	**165**	**163**	**27**	**99**	**2**	**456**
Balance at 31 March 2023	**(42,086)**	**(12,513)**	**(5,231)**	**(9,945)**	**(140)**	**(69,915)**
Net book value						
At 31 March 2023	**55,320**	**1,842**	**—**	**14,042**	**121**	**71,325**
At 31 March 2022	86,917	3,659	948	15,845	29	107,398

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

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

	2023 $000	2022 $000
UK and Asia	**2,561**	33,618
Europe	**6,543**	6,688
USA	**42,872**	42,872
Australia	**3,344**	3,739
	55,320	86,917

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

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 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 CGU. The recoverable amounts of CGUs are determined from the higher of value in use and fair value less costs to sell.

The Group has prepared budgets and forecasts for each CGU for the next three years and these have been reviewed and approved by management and the Board as appropriate. The key assumptions in those forecasts are sales, margins achievable and overhead costs, which are based on past experience, more recent performance and future expectations.

Climate change poses various challenges and opportunities that could affect the future cash flows and value in use of our assets, including goodwill. The potential impacts of climate change will, by their very nature, continue to evolve and develop. At this stage of our climate change journey, our modelling primarily focuses on capturing the immediate and more readily quantifiable impacts of climate change on our operations and financial performance. We recognise that there may be additional medium to long-term effects that are not explicitly accounted for in our current models. This assessment involves inherent uncertainties, and we will continue to monitor, reassess and report on the possible impact of climate change on the Group in future reporting periods. The assessment of climate change risks and their financial implications is an evolving area, and conclusions may be subject to change as new information becomes available.

The key assumptions in deriving value in use from cash flow projections are the sales growth, EBITDA margins, discount rate applied and the long-term expected growth rates for the business. Long-term growth rates are set no higher than the long-term economic growth projections of the countries in which the businesses operate. Management apply pre-tax discount rates in value in use estimation that reflect current market assessments of the time value of money and the risks specific to the CGUs and businesses under review.

The Group's post-tax weighted average cost of capital (WACC) is 11.1% (2022: 7.6%). This has been compared to other similar companies and is believed by the Directors to be appropriate. The CGUs use the following pre-tax discount rates which are derived from an estimate of the Group's post-tax WACC adjusted for the relevant tax rate for each CGU.

Pre-tax discount rates used were:

	2023	2022
UK and Asia	**14.6%**	9.5%
Europe	**14.9%**	10.0%
USA	**14.7%**	10.1%
Australia	**15.8%**	10.8%

Long-term growth rates used were:

	2023	2022
UK and Asia	**2.0%**	2.0%
Europe	**2.1%**	1.5%
USA	**2.2%**	1.6%
Australia	**2.3%**	2.2%

An impairment charge of $29.1 million has been recognised against the goodwill allocated to the UK and Asia CGU (FY2022: $nil). The combination of lower forecast expectation of the UK and Asia CGU, following the deterioration of the results in this CGU in the second half of the year, and the significant increase in the discount rate is driving an impairment of the goodwill related to the CGU.

9 Intangible assets continued

Impairment continued

The following reasonably possible changes in key estimation assumptions used in the VIU model would impact the impairment charge related to the UK and Asia CGU as follows:

- A 200bps increase in the pre-tax discount rate would increase the impairment by $4.5 million, a 200bps decrease in the pre-tax discount rate would decrease the impairment by $6.2 million
- A reduction in the growth rate to 0.5%, applied into perpetuity, would increase the impairment by $2.7 million
- A 7.5% reduction/increase in forecast cash flows would increase/reduce the impairment by $2.5 million

In all other CGUs, the carrying value of the goodwill was supported by the recoverable amount and the Directors do not believe a reasonably possible change to the assumptions would give rise to an impairment. The Directors have considered a 200bps movement in the discount rate, a 0.5% growth rate applied to the terminal value, and a 7.5% movement in forecast cash flows. With these changes in assumptions there is significant headroom in the remaining CGUs and no indication of impairment.

The cash flows in the base case forecast of the other CGUs would need to be significantly lower throughout the forecasted period to trigger an impairment, with all other assumptions being the same.

The Group has evaluated the application of a FVLCTS model in relation to the UK and Asia CGU and concluded that this model would not yield a higher recoverable amount compared to the VIU model. While there were no recent observable comparable market prices, management believe that under the current market and economic conditions a potential buyer through arms-length negotiation would apply much more prudence in their risk perceptions and much lower expectations of future opportunities in evaluating the fair value of the CGU. This coupled with associated costs to sell provides the basis for conclusion.

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 2021	92,888	1,296	380	816	95,380
Additions	8,510	256	284	131	9,181
Disposals	(1,231)	—	—	—	(1,231)
Transfers between categories	(109)	1	(11)	119	—
Depreciation charge	(16,718)	(498)	(290)	(270)	(17,776)
Reversal of impairment	2,492	—	—	—	2,492
Effect of movements in foreign exchange	(1,263)	(63)	25	(14)	(1,315)
Net book value at 31 March 2022	84,569	992	388	782	86,731
Additions	**4,329**	**241**	**197**	**78**	**4,845**
Disposals	**(1,922)**	**—**	**—**	**—**	**(1,922)**
Depreciation charge	**(16,820)**	**(436)**	**(233)**	**(225)**	**(17,714)**
Impairment	**(757)**	**—**	**—**	**—**	**(757)**
Transfer between categories	**215**	**—**	**22**	**(237)**	**—**
Effect of movements in foreign exchange	**(1,783)**	**(34)**	**(19)**	**(15)**	**(1,851)**
Net book value at 31 March 2023	**67,831**	**763**	**355**	**383**	**69,332**

Additions include lease modifications and extensions of $822,000 (2022: $5.4 million).

Income statement

The income statement shows the following charges/(credits) relating to leases:

	2023 $000	2022 $000
Interest expense (included in finance expenses)	**2,903**	3,479
Depreciation charge	**17,714**	17,776
Impairment/(reversal of impairment)	**757**	(2,492)
Expense relating to short-term leases	**121**	126

Of the interest expense detailed above, $nil (2022: $401,000) has been treated as an adjusting item as it relates to exited properties from the DG Americas integration.

Low-value lease costs were negligible in the year.

At 31 March 2023, the Group had estimated lease commitments for leases not yet commenced of $nil (2022: $nil).

Movement in lease liabilities

	2023 $000	2022 $000
Balance at 1 April	**99,843**	113,922
Cash flow – financing activities	**(20,428)**	(20,717)
Additions	**4,845**	9,353
Disposals	**(2,011)**	(1,280)
Effect of movements in foreign exchange	**(2,062)**	(1,435)
Balance at 31 March	**80,187**	99,843

	2023 $000	2022 $000
Non-current liabilities	**62,717**	80,215
Current liabilities	**17,470**	19,628
	80,187	99,843

Total cash outflow in relation to leases is as follows:

	2023 $000	2022 $000
Included in financing activities – payment of lease liabilities	**20,428**	20,717
Included in interest and similar charges paid	**2,903**	3,479
Short-term leases	**121**	126
	23,452	24,322

Commitments for minimum lease payments in relation to non-cancellable low-value or short-term leases are payable as follows:

	2023 $000	2022 $000
Less than one year	**30**	126
Between one and five years	**—**	—
More than five years	**—**	—
	30	126

10 Right-of-use assets and lease liabilities continued

Income from sub-leasing right-of-use assets continued

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

	2023 $000	2022 $000
Sub-lease income in the year from sub-leasing right-of-use assets	**1,253**	752

Of the sub-lease income detailed above, $nil (2022: $124,000) has been treated as an adjusting item as relates to exited properties from the DG Americas integration.

Non-cancellable operating lease rentals are receivable as follows:

	2023 $000	2022 $000
Less than one year	**655**	422
Between one and five years	**1,148**	1,542
	1,803	1,964

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[a] $000	Total $000
At 1 April 2021	5,375	8,391	1,684	1,354	(562)	16,242
Credit/(charge) to income statement	(1,659)	(77)	(956)	(1,348)	5,409	1,369
(Charge)/credit to equity	33	(745)	(728)	—	(235)	(1,675)
At 31 March 2022	3,749	7,569	—	6	4,612	15,936
Deferred tax liabilities	(335)	—	—	—	(90)	(425)
Deferred tax assets	4,084	7,569	—	6	4,702	16,361
	3,749	7,569	—	6	4,612	15,936

	Property, plant and equipment and intangible assets $000	Tax losses carried forward $000	Share-based payments $000	Doubtful debts $000	Other timing differences[a] $000	Total $000
At 1 April 2022	3,749	7,569	—	6	4,612	15,936
(Charge)/credit to income statement	**251**	**(224)**	**—**	**—**	**(615)**	**(588)**
(Charge)/credit to equity	**9**	**—**	**—**	**(1)**	**(176)**	**(168)**
At 31 March 2023	**4,009**	**7,345**	**—**	**5**	**3,821**	**15,180**
Deferred tax liabilities	**(277)**	**—**	**—**	**—**	**(3)**	**(280)**
Deferred tax assets	**4,286**	**7,345**	**—**	**5**	**3,824**	**15,460**
	4,009	**7,345**	**—**	**5**	**3,821**	**15,180**

(a) Other timing differences include a deferred tax asset closing balance of $0.6 million (2022: $0.6 million) in respect of provision for inventory and $2.6 million (2022: $3.4 million) in respect of leases.

Deferred tax is presented net on the balance sheet in so far as a right of offset exists.

	2023 $000	2022 $000
Net deferred tax asset	**15,401**	16,317
Net deferred tax liability	**(221)**	(381)
	15,180	15,936

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 2023 of $7.3 million (2022: $7.6 million) comprises deferred tax assets in relation to US tax losses of $7.0 million (2022: $7.2 million) and Asia tax losses of $345,000 (2022: $337,000). All of these recognised tax losses may be carried forward indefinitely. The deferred tax assets have been recognised in the territories where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Group has prepared budgets and forecasts for the next three years. The key assumptions in those forecasts are sales, margins achievable and overhead costs, which are based on past experience, more recent performance and future expectations. The Group then extrapolates profits for the future years based on the long-term growth rates applicable to the relevant territories.

In the prior year, all previously recognised deferred tax assets in the UK were derecognised as a result of the assessment of future taxable profits against which the asset could unwind. This position continues in the current year in the UK and so deferred tax assets have not been recognised on current year tax losses.

In the UK there are gross temporary differences of $990,000 (2022: $100,000) and unused tax losses, with no expiry date, of $28.6 million (2022: $20.8 million) on which deferred tax assets have not been recognised.

In the DG Americas segment there are gross temporary differences of $63.3 million (2022: $59.6 million) and unused tax losses, with no expiry date, of $20.0 million (2022: $25.0 million) on which deferred tax assets have not been recognised. This is as a result of restrictions under the US change in ownership rules following the acquisition of CSS in 2020. Deferred tax assets are recognised in respect of unrestricted temporary differences and tax losses and are supported by forecast future taxable profits.

No deferred tax liability (2022: $88,000) has been recognised in relation to the tax cost of remitting earnings (forecast dividends) from China to the UK. 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 standard rate of corporation tax in the UK has risen to 25% effective from 1 April 2023. Given that no deferred tax is recognised in the UK, this does not impact the deferred tax measurement at the balance sheet date.

Included within current tax liabilities is $5.2 million (2022: $4.5 million) in respect of uncertain tax positions. These risks arise because the Group operates in a complex multinational tax environment. The amount consists of various tax risks which individually are not material. 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. During the year, there has been a net increase in the Group's total provision of $0.7 million.

No deferred tax charge was recognised through the statement of changes in equity. In the prior year a deferred tax charge of $1.5 million was recognised through the statement of changes in equity as a result of the derecognition of deferred tax asset balances in relation to share-based payments and IFRS 16 adoption which were initially recognised through the statement of changes in equity in previous years. There are no deferred tax balances with respect to cash flow hedges.

12 Inventory

	2023 $000	2022 $000
Raw materials and consumables	**36,139**	37,586
Work in progress	**32,676**	28,925
Finished goods	**137,611**	164,374
	206,426	230,885

During the year, materials, consumables, changes in finished goods and work in progress of $649.7 million (2022: $701.1 million) were recognised as an expense and included in cost of sales.

Inventories have been assessed as at 31 March 2023 and overall an expense of $12.9 million has been recognised in the year (2022: $12.1 million). This consists of the addition of new provisions for slow moving and obsolete inventory of $19.3 million (2022: $18.3 million), offset by the reversal of previous Covid-19 inventory provisions of $0.1 million (2022: $1.2 million), and the release of previous slow moving and obsolete inventory provisions amounting to $6.3 million (2022: $5.0 million) due to inventory either being used or sold.

13 Long-term assets and trade and other receivables

Long term assets are as follows:

	2023 $000	2022 $000
Acquisition indemnities	**1,622**	990
Security deposits	**1,632**	1,607
Insurance related assets	**2,393**	2,508
	5,647	5,105

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:

	2023 $000	2022 $000
Trade receivables	**80,973**	115,317
Prepayments, other receivables and accrued income	**10,212**	11,627
VAT receivable	**1,217**	906
	92,402	127,850

The Group has receivable financing arrangements in Hong Kong. None of this facility was drawn at 31 March 2023 (2022: $nil).

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. At 31 March 2023, $7.0 million had been drawn down on this arrangement (2022: $6.0 million).

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

There are no trade receivables in the current year (2022: $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

	2023 $000	2022 $000
Cash and cash equivalents	**85,213**	50,179
Bank overdrafts	**(34,979)**	(20,380)
Cash and cash equivalents and bank overdrafts per cash flow statement	**50,234**	29,799

Net cash

	2023 $000	2022 $000
Cash and cash equivalents	**50,234**	29,799
Loan arrangement fees	**250**	360
Net cash as used in the financial review cash flow statement	**50,484**	30,159

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

	Loan arrangement fees $000	Other assets cash/bank overdrafts $000	Total $000
Balance at 1 April 2021	723	75,727	76,450
Cash flows	494	(48,165)	(47,671)
Effect of other items			
Amortisation of loan arrangement fees	(824)	—	(824)
Effect of movements in foreign exchange	(33)	2,237	2,204
Balance at 31 March 2022	360	29,799	30,159
Cash flows	**1,079**	**20,595**	**21,674**
Effect of other items			
Amortisation of loan arrangement fees	**(1,143)**	**—**	**(1,143)**
Effect of movements in foreign exchange	**(46)**	**(160)**	**(206)**
Balance at 31 March 2023	**250**	**50,234**	**50,484**

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.

	2023 $000	2022 $000
Non-current liabilities		
Secured bank loans	**—**	—
Loan arrangement fees	**—**	(20)
	—	(20)
Current liabilities		
Current portion of secured bank loans	**—**	—
Loan arrangement fees	**(250)**	(340)
	(250)	(340)

Secured bank loans

The Group entered into a new banking facility on 5 June 2023, this facility comprises an Asset Backed Lending ("ABL") arrangement with a maximum facility amount of $125.0 million. The facility with HSBC and Nat West banks has an original term of three years, with the option of submitting two extension notices to extend the facility twice, each by a period of one year.

The Group has also increased its unsecured overdraft facility provided by HSBC to £16.5 million, which reduces to £8.5 million from August 2023.

Interest charged on the new Asset Backed lending facility is based, at the option of the Group, on one of two methods:

- A margin of between 1.75% and 2.25%, based on average excess availability, plus a 0.1% credit spread adjustment, plus the US Secured Overnight Financing Rate ("SOFR"); or
- A margin of between 0.75% and 1.25% based on average excess availability, plus a rate based on the higher of: the HSBC prime rate, the Federal Funds rate plus 0.5%, or SOFR plus 1%.

A further commitment/non-utilisation fee is charged at 0.25% where facility usage is greater than 50% of the maximum credit line, and 0.375% where facility usage is less than 50% of the maximum credit line.

The financial covenant within the facility agreement, which is a minimum fixed charge coverage ratio of 1.0 times, is only triggered if the remaining availability of the facility is less than the higher of $12.5 million or 12.5% of the borrowing base.

15 Loans and borrowings continued

Secured bank loans continued

The ABL is secured with an all-assets lien on all existing and future assets of the loan parties. The loan parties are Anker Play Products, LLC, Berwick Offray, LLC, BOC Distribution, Inc., C. R. Gibson, LLC, CSS Industries, Inc., IG Design Group (Lang), Inc., IG Design Group Americas, Inc., IG Design Group plc, IG Design Group UK Limited, Impact Innovations, Inc., Lion Ribbon Company, LLC, Paper Magic Group, Inc., Philadelphia Industries, Inc., Simplicity Creative Corp., The Lang Companies, Inc., The McCall Pattern Company, Inc.

Invoice financing arrangements are secured over the trade receivables that they are drawn on (see note 13). The Group also has an invoice financing arrangement in Hong Kong with a maximum limit of $18.0 million, dependent on level of eligible receivables. This facility is being cancelled in line with the terms of the new financing arrangement.

On 1 June 2022, the Company had extended and amended the terms of its existing banking agreement to 31 March 2024. These facilities were cancelled on 5 June 2023. These facilities were maintained through a club of five banks: HSBC, NatWest, Citigroup (who replaced BNP Paribas), Truist Bank (as successor by merger to SunTrust Bank) and PNC. As part of the June 2022 extension, covenants were revised for the period to 31 March 2023 and the amended facilities comprised:

- a revolving credit facility ('RCF A') reduced from $95.0 million to $90.0 million; and
- a further flexible revolving credit facility ('RCF B') with availability varying from month to month of up to a maximum level of £92.0 million (reduced from a maximum level of £130 million). This RCF was flexed to meet our working capital requirements during those months when inventory was being built within our annual business cycle and was £nil when not required, minimising carrying costs.

The RCFs were secured with a fixed and floating charge over the assets of the Group. Amounts drawn under RCFs were classified as current liabilities as the Group expected to settle these amounts within twelve months.

The covenants under the extended and amended RCF facility, which operated to 31 March 2023, were as follows:

- minimum adjusted earnings before interest, depreciation and amortisation (Adjusted EBITDA), as defined by the banking facility, measured quarterly at the end of June, September, December and March, which required the Group to be within $10.0 million of its Adjusted EBITDA budget at each quarter end, based on the last twelve-month Adjusted EBITDA performance at each measurement point; and
- minimum liquidity level, which required the Group to maintain a minimum of $35.0 million of headroom to the maximum available facility on a monthly basis.

From April 2023 the Group reverted to the previous RCF covenants. Given the cancellation of the RCF on 5 June 2023, these covenants are no longer applicable.

There was a further RCF 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.

All covenants under the RCF were measured on pre-IFRS 16 accounting definitions.

The cancelled facility agreement had also stipulated that any dividends to be paid by the Group during the remaining term of the agreement would require majority lender approval.

The Group has remained comfortably in compliance with all of these covenants up its cancellation.

16 Deferred income

	2023 $000	2022 $000
Included within non-current liabilities		
Deferred grant income	**2,038**	523
Included within current liabilities		
Deferred grant income	**211**	414
Other deferred income	**52**	51
	263	465

The deferred grant income is in respect of government grants relating to the development of the Penallta site in Wales and the Byhalia site in Mississippi. The conditions for the Wales grant were all fully met in January 2019 and for the Byhalia site in January 2023. Deferred income is being released in line with the depreciation of the assets for which the grant is related to.

17 Provisions

	Property $000	Other $000	Total $000
Balance at 1 April 2022	6,247	111	6,358
Provisions made in the year	**723**	**282**	**1,005**
Provisions released during the year	**(287)**	**(99)**	**(386)**
Unwinding of fair value discounts	**106**	**—**	**106**
Provisions utilised during the year	**(200)**	**(5)**	**(205)**
Effect of movements in foreign exchange	**(70)**	**5**	**(65)**
Balance at 31 March 2023	**6,519**	**294**	**6,813**

	2023 $000	2022 $000
Non-current	**5,474**	5,016
Current	**1,339**	1,342
	6,813	6,358

The property provision represents the estimated reinstatement cost of 14 of the Group's leasehold properties under fully repairing leases (2022: 14). Of the non-current balance, $2.2 million (2022: $1.4 million) relates to a lease expiring in 2036; the remainder relates to provisions unwinding between one and five years.

18 Other financial liabilities

	2023 $000	2022 $000
Included within non-current liabilities		
Other creditors and accruals	**19,071**	21,557
Included within current liabilities		
Other creditors and accruals	**40,912**	34,455
Liability to acquire non-controlling interest	**—**	3,069
Forward exchange contracts carried at fair value through the income statement	**28**	—
Forward exchange contracts carried at fair value through the hedging reserve	**287**	18
	41,227	37,542

At 31 March 2022, a $3.1 million liability to acquire a non-controlling interest had been recognised in relation to a put option that existed over the 49% of the share capital of Anker Play Products LLC ('APP') not owned by the Group; this was extinguished when the remaining 49% share of APP was purchased see note 28 for further details.

19 Trade and other payables

	2023 $000	2022 $000
Trade payables	**89,754**	138,902
Other payables including social security	**2,719**	3,821
VAT payable	**504**	595
	92,977	143,318

20 Share capital

Authorised share capital at 31 March 2023 and 2022 was £6.0 million, 121.0 million ordinary shares of 5p each.

In thousands of shares	Ordinary shares 2023	Ordinary shares 2022
In issue at 1 April	**97,062**	96,858
Options exercised during the year	**932**	204
In issue at 31 March – fully paid	**97,994**	97,062

	2023 $000	2022 $000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each	**6,059**	6,373

Of the 98.0 million shares in the Company, 1.0 million (2022: 31,000) are held by IG Employee Share Trustee Limited (the 'Employee Benefit Trust').

Long Term Incentive Plan (LTIP) options exercised during the year resulted in 932,000 ordinary shares issued at nil cost (2022: 204,000 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 Loss per share

	2023 $000	2022 $000
Earnings/(loss)		
Loss attributable to equity holders of the Company	**(27,987)**	(3,277)
Adjustments		
Adjusting items (net of non-controlling interest effect)	**28,072**	(3,498)
Tax relief on adjustments (net of non-controlling interest effect)	**(243)**	(816)
Adjusted loss attributable to equity holders of the Company	**(158)**	(7,591)

In thousands of shares	2023	2022
Issued ordinary shares at 1 April	**97,062**	96,858
Shares relating to share options	**1,242**	1,260
Less: shares held by Employee Benefit Trust	**(536)**	—
Weighted average number of shares for the purposes of calculating basic EPS	**97,768**	98,118
Effect of dilutive potential shares – share awards	**—**	—
Weighted average number of shares for the purposes of calculating diluted EPS	**97,768**	98,118

There are 209,000 (2022: 119,000) share options which are not included in the calculation of diluted earnings per share because they are antidilutive.

	2023 Cents	2022 Cents
Loss per share		
Basic loss per share	**(28.6)**	(3.3)
Impact of adjusting items (net of tax)	**28.4**	(4.4)
Basic adjusted loss per share	**(0.2)**	(7.7)
Diluted loss per share	**(28.6)**	(3.3)
Diluted adjusted loss per share	**(0.2)**	(7.7)

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

Basic earnings/(loss) per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of shares outstanding during the period, excluding own shares held by the Employee Benefit Trust.

Diluted earnings/(loss) per share

Diluted EPS is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of the potentially dilutive shares.

22 Dividends paid and proposed

No dividends were paid in the current year and the Directors are not recommending the payment of a final dividend in respect of the year ended 31 March 2023.

	2023			2022		
	Pence per share	**Cents per share**	**$000**	Pence per share	Cents per share	$000
Final equity dividend for prior year	—	—	—	5.75	7.92	7,630
Interim equity dividend for current year	—	—	—	1.25	1.68	1,644
Dividends paid in the year			—			9,274

	2023			2022		
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	—	—	—	—	—	—

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.

An actuarial valuation was updated on an approximate basis at 31 March 2023, 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)

	2023 $000	2022 $000
Fair value plan of assets	**3,269**	3,241
Present value of defined benefit obligation	**(1,245)**	(1,858)
Surplus in plan	**2,024**	1,383
Surplus not recognised	**(2,024)**	(1,383)
Net defined benefit asset to be recognised	**—**	—

In accordance with IAS 19, the surplus on the plan has not been recognised on the basis it is not expected to be recovered, as the Group does not have an unconditional right to any refund, with the previously recognised asset being derecognised in the prior year.

23 Employee benefits continued

Post-employment benefits continued

Reconciliation of opening and closing balances of the defined benefit obligation

	2023 $000	2022 $000
Defined benefit obligation as at 1 April	(1,858)	(2,528)
Interest expense	(48)	(50)
Benefits payments from plan assets	—	384
Actuarial gains due to changes in demographic assumptions	10	52
Actuarial gains due to changes in financial assumptions	645	205
Effect of experience adjustments	(113)	(18)
Effect of movement in foreign exchange	119	97
Defined benefit obligation as at 31 March	(1,245)	(1,858)

Reconciliation of opening and closing balances of the fair value of plan assets

	2023 $000	2022 $000
Fair value of plan assets as at 1 April	3,241	3,615
Interest income	85	75
Return on plan assets	74	33
Contributions by the Company	61	68
Benefits payments from plan assets	—	(384)
Admin expenses paid from plan assets	(7)	(7)
Effect of movement in foreign exchange	(185)	(159)
Fair value of plan assets as at 31 March	3,269	3,241

A total of $30,000 (2022: $18,000) has been credited to Group operating profit during the year, including $7,000 (2022: $7,000) of expense netting against net interest income of $37,000 (2022: $25,000).

The principal assumptions used by the independent qualified actuary for the purposes of IAS 19 are as follows:

	2023	2022
Increase in salaries	—	—
Increase in pensions	—	—
– at RPI capped at 5%	3.70%	3.80%
– at CPI capped at 5%	2.40%	2.75%
– at CPI capped at 2.5%	2.40%	2.50%
Discount rate	4.80%	2.80%
Inflation rate – RPI	3.30%	3.65%
Inflation rate – CPI	2.40%	2.75%

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:

	2023	2022
Male retiring today at age 60	26.1	26.4
Female retiring today at age 60	28.0	28.5
Male retiring in 20 years at age 60	27.6	27.9
Female retiring in 20 years at age 60	29.6	30.1

In addition to the defined benefit pension scheme there is also a small post-retirement healthcare scheme operated in the US, 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:

	2023 $000	2022 $000
UK pension scheme		
Actuarial losses on defined benefit pension scheme	**(53)**	(73)
Derecognition of defined benefit pension scheme surplus	**—**	(664)
US health scheme	**16**	22
	(37)	(715)

Long Term Incentive Plans

The Group operates a Long Term Incentive Plan (LTIP). Under the LTIP, nil cost options and conditional awards over ordinary shares of 5 pence each ('ordinary shares') in the capital of the Company are awarded to Executive Board Directors of the Company and other selected senior management team members within the Group. During the year, awards were granted under the 2022-2025 LTIP scheme.

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 LTIP vests is nil. In principle, the number of ordinary shares to be granted to each employee under the LTIP will not be more than 265% (and 325% in exceptional cases) of the relevant employee's base annual salary. The maximum opportunity available under the 2022-2025 scheme is up to 125% of base salary for the CFO and Interim COO.

The Value Creation Scheme (VCS) that was introduced in February 2021, was cancelled effective 28 June 2022.

On 29 September 2022, the trustee of the IG Design Group Plc Employee Benefit Trust (the 'EBT'), purchased 1 million ordinary shares of 5 pence each at an average price of 77.50 pence per ordinary share. These ordinary shares are to be held in the EBT and are intended to be used to satisfy the exercise of share options by employees.

Vested LTIP schemes – outstanding options

	Number of ordinary shares	Exercise price pence	Exercise dates
2017-2020 LTIP scheme	48,025	nil	July 2020 – August 2027
2018-2021 LTIP scheme	262,071	nil	June 2021 – November 2028
	310,096		

All performance criteria have been met for the above schemes.

	2023		2022	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at 1 April	**nil**	**1,088,123**	nil	1,291,728
Options vesting during the year	**nil**	**154,139**	nil	—
Exercised during the year	**nil**	**(932,166)**	nil	(203,605)
Outstanding at 31 March	**nil**	**310,096**	nil	1,088,123
Exercisable at 31 March	**nil**	**310,096**	nil	1,088,123

23 Employee benefits continued

Scheme details for plans in vesting periods during the year

During the financial year to 31 March 2023 there were two LTIP awards still within their vesting period (2022: two).

Awards

	2020-2022	2022-2025
Grant date	Sep 2020 and Jan 2021	Aug 2023, Dec 2023, Feb 2023
Fair value per share (£)	5.57	1.00
Number of participants	2	67
Initial award	150,000	2,567,747
Dividend shares	4,139	—
Lapses and forfeitures	—	(47,043)
Exercises and releases	(154,139)	—
Potential to vest as at 31 March 2023	**—**	**2,520,704**
Potential to vest as at 31 March 2022	151,465	—
Weighted average remaining contractual life of options outstanding at the end of the year	Nil	3.17 years

The grant date fair value of the LTIP awards granted in the year, assuming they are to vest in full, is $3.0 million.

The grant date fair values of the 2022-2025 scheme were determined using the following factors:

Share price (£)	1.14
Exercise price	Nil
Expected term	3 years (additional 2 years for holding period)
Risk-free interest rate	1.84% (1.98% for awards with holding period)
Expected dividend yield	0%

LTIP performance targets

The 2020-2022 scheme, granted to two individuals, had only a service condition, being 1 April 2020 to 30 June 2022. It vested on 30 June 2022.

Individuals were granted performance share awards under the 2022-2025 scheme. Some individuals were also awarded restricted share awards which are not subject to any performance condition (other than an underpin condition) and the vesting is dependent on a continued service requirement. The vesting of performance share awards are subject to a continued service requirement. The extent of vesting is subject to performance against performance conditions.

The performance share awards are weighted two-thirds towards a Relative Total Shareholder Return ('TSR') metric and one-third Earnings Per Share metric as the performance measures. The TSR metric is a measurement of TSR by the Group relative to a peer group of the FTSE SmallCap excluding Investment Trusts.

For the Relative TSR measure, qualifying performance is within the median quartile on a straight-line sliding scale with 25% of entitlement vesting at a 50th percentile (median) ranking rising to 100% vesting at a 75th percentile (upper quartile) ranking performance.

For the EPS measure, there is a performance range for the Adjusted EPS metric in absolute value terms, modelled from the recovery plan presented at the time of the FY2023 Budget after inclusion of relevant LTIP charges. Upper and lower limits were modelled for FY25 EPS performance (reflecting a 3-year performance period of FY2023, FY2024 and FY2025), with 25% vesting at Threshold of 19 cents EPS and a straight-line sliding scale to Maximum at 27 cents.

An underpin condition was also applied to the awards that allows the Committee to reduce vesting levels if it determines that vesting outcomes reflect unwarranted windfall gains from share price movements.

Share-based payments charges/(credits)

The total expense/(credit) recognised for the year arising from equity-settled share-based payments is as follows:

	2023 $000	2022 $000
Charge in relation to the 2020-2022 LTIP scheme	166	723
Credit in relation to the VCS	—	(482)
Charge in relation to the 2022-2025 LTIP scheme	490	—
Equity-settled share-based payments charge/(credit)	656	241
Social security charge/(credit)	149	(1,089)
Total equity-settled share-based payments charge/(credit)	**805**	(848)

Deferred tax assets are recognised on share-based payment schemes when deferred tax assets are recognised in that territory (see note 11).

Social security charges/(credits) 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 $160,000 (2022: $137,000).

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 are not considered to be materially different to their fair values.

As at 31 March 2023, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of $340,000 (2022: $316,000) and a liability of $315,000 (2022: $18,000).

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.

24 Financial instruments continued

Derivative financial assets continued

b) Credit risk

Financial risk management

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

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

The main customers of the Group are large and mid-sized retailers, other manufacturers and wholesalers of greetings products, service merchandisers and trading companies. The Group has established procedures to minimise the risk of default of trade receivables including detailed credit checks undertaken before new customers are accepted and rigorous credit control procedures after sale. These processes have proved effective in minimising the level of provisions for doubtful debts required.

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was $172.2 million (2022: $170.9 million) being the total of the carrying amount of financial assets.

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

	2023 $000	2022 $000
DG Americas	**53,569**	84,966
International	**27,404**	30,351
	80,973	115,317

Credit quality of financial assets and impairment losses

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

	2023			2022		
	Expected loss rate %	Gross $000	Provisions for doubtful debts $000	Expected loss rate %	Gross $000	Provisions for doubtful debts $000
Not past due	**0.5**	**55,263**	**(250)**	—	71,429	—
Past due 0-60 days	**0.5**	**14,177**	**(65)**	—	26,889	—
61-90 days	**4.3**	**5,645**	**(243)**	2.0	9,721	(195)
More than 90 days	**15.5**	**7,625**	**(1,179)**	4.5	7,825	(352)
	2.1	**82,710**	**(1,737)**	0.5	115,864	(547)

There were no unimpaired balances outstanding at 31 March 2023 (2022: $nil) where the Group had renegotiated the terms of the trade receivable. The increase in provision year-on-year is reflective of the current macroeconomic circumstances.

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.

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

	2023 $000	2022 $000
Balance at 1 April	**547**	3,420
Charge for the year	**1,705**	277
Unused amounts reversed	**(59)**	(1,511)
Amounts utilised	**(469)**	(1,627)
Effects of movement in foreign exchange	**13**	(12)
Balance at 31 March	**1,737**	547

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 2023 are set out in note 15.

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

31 March 2023	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	18	**59,983**	**(59,983)**	**(40,912)**	**(19,032)**	**(36)**	**(3)**
Lease liabilities	10	**80,187**	**(84,532)**	**(18,596)**	**(15,258)**	**(26,239)**	**(24,439)**
Trade payables	19	**89,754**	**(89,754)**	**(89,754)**	**—**	**—**	**—**
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the income statement[(a)]	18	**28**	**(11)**	**(11)**	**—**	**—**	**—**
Forward foreign exchange contracts carried at fair value through the hedging reserve[(a)]	18	**287**	**(17,768)**	**(17,768)**	**—**	**—**	**—**
		230,239	**(252,048)**	**(167,041)**	**(34,290)**	**(26,275)**	**(24,442)**

(a) Measured at Level 2.

24 Financial instruments continued

Derivative financial assets continued

c) Liquidity risk continued

Financial risk management continued

31 March 2022	Note	Restated(b) Carrying amount $000	Restated(c) Contractual cash flows $000	Restated(c) 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	18	59,081	(59,081)	(37,524)	(21,523)	(32)	(2)
Lease liabilities	10	99,843	(112,186)	(22,538)	(20,669)	(37,244)	(31,735)
Trade payables	19	138,902	(138,902)	(138,902)	—	—	—
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the hedging reserve(a)	18	18	(11,759)	(11,759)	—	—	—
		297,844	(321,928)	(210,723)	(42,192)	(37,276)	(31,737)

(a) Measured at Level 2.
(b) Other payables of $4.4 million have been removed from the above table as they had been misclassified as financial instruments.
(c) The contractual cash flows relating to the forward foreign exchange contracts carried at fair value through the hedging reserve have been restated due to $11.2 million of USD purchases being excluded in error.

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

	31 March 2023				31 March 2022			
	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
Corporate revolving credit facilities	**—**	**—**	**(92,039)**	**(92,039)**	—	—	(97,208)	(97,208)
Bank overdraft	**—**	**—**	**(4,502)**	**(4,502)**	—	—	(4,909)	(4,909)
	—	**—**	**(96,541)**	**(96,541)**	—	—	(102,117)	(102,117)

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 $221.8 million (2022: $283.7 million).

At 31 March 2023 the facility amounted to $92.0 million (2022: $97.2 million).

Additional facilities were available at other banks of $4.5 million (2022: $4.9 million).

On 5 June 2023 the Group banking negotiated new banking facilities: see note 15 for more information.

The following table shows other facilities that are treated as contingent liabilities:

	31 March 2023		31 March 2022	
	Facility $000	**Utilised $000**	Facility $000	Utilised $000
UK Guarantee	**2,164**	**1,880**	2,101	1,996
UK Import line	**1,237**	**—**	1,313	—
Foreign Bills	**6,184**	**—**	6,566	—
USA Guarantee	**5,500**	**2,980**	5,500	2,980
Netherlands Guarantee (Trade and Import line)	**653**	**248**	667	121
	15,738	**5,108**	16,147	5,097

d) Cash flow hedges

The following derivative financial instruments were designated as cash flow hedges:

Forward exchange contracts carrying amount	2023 $000	2022 $000
Derivative financial assets	340	316
Derivative financial liabilities	(315)	(18)

The Group has forward currency hedging contracts outstanding at 31 March 2023 designated as hedges of expected future purchases in US dollars 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 24 months of the balance sheet date at average prices of 1.08 for US dollar contracts (2022: 1.14), 6.96 for Chinese renminbi contracts (2022: not applicable) and not applicable for Japanese yen contracts (2022: 152.8). At the year end the Group held $17.6 million (2022: $11.2 million), RMB 108.9 million (2022: RMB nil) and JPY nil (2022: JPY 60.8 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 the year were assessed to be highly effective and as at 31 March 2023, a net unrealised profit of $419,000 (2022: $686,000) with related deferred tax credit of $nil (2022: $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 (2022: $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 2023	Note	US dollar $000	Sterling $000	Euro $000	Other $000	Total $000
Long-term assets	13	5,647	—	—	—	5,647
Cash and cash equivalents	14	32,504	17,940	25,443	9,326	85,213
Trade receivables	13	54,528	8,924	12,802	4,719	80,973
Derivative financial assets		—	340	—	—	340
Bank overdrafts	14	(17,141)	(5,419)	(12,419)	—	(34,979)
Loan arrangement fees	15	—	250	—	—	250
Trade payables	19	(61,323)	(14,650)	(9,388)	(4,393)	(89,754)
Other payables	19	(1,631)	(776)	(579)	(237)	(3,223)
Balance sheet exposure		12,584	6,609	15,859	9,415	44,467

24 Financial instruments continued

Derivative financial assets continued

e) Market risk continued

Financial risk management continued

31 March 2022	Note	US dollar $000	Sterling $000	Euro $000	Other $000	Total $000
Long-term assets	13	5,105	—	—	—	5,105
Cash and cash equivalents	14	32,910	7,447	2,388	7,434	50,179
Trade receivables	13	87,431	12,281	11,014	4,591	115,317
Derivative financial assets		—	316	—	—	316
Bank overdrafts	14	(295)	(14,464)	(5,621)	—	(20,380)
Loan arrangement fees	15	—	360	—	—	360
Trade payables	19	(105,299)	(16,638)	(14,320)	(2,645)	(138,902)
Other payables	19	(2,418)	(1,130)	(623)	(245)	(4,416)
Balance sheet exposure		17,434	(11,828)	(7,162)	9,135	7,579

The following significant exchange rates applied to US dollar during the year:

	Average rate		31 March spot rate	
	2023	2022	**2023**	2022
Euro	**0.96**	0.86	**0.92**	0.90
Pound sterling	**0.83**	0.73	**0.81**	0.76

Sensitivity analysis

A 10% weakening of the following currencies against US dollar at 31 March 2023 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 2022.

	Equity		Loss	
	2023 $000	2022 $000	**2023 $000**	2022 $000
Euro	**1,442**	(651)	**(296)**	(551)
Pound sterling	**601**	(1,075)	**(251)**	(3)

On the basis of the same assumptions, a 10% strengthening of the currencies against US dollar at 31 March 2023 would have affected equity and profit or loss by the following amounts:

	Equity		Loss	
	2023 $000	2022 $000	**2023 $000**	2022 $000
Euro	**(1,762)**	796	**362**	674
Pound sterling	**(734)**	1,314	**307**	3

Profile

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

Variable rate instruments	Note	**2023 $000**	2022 $000
Financial assets		**85,213**	50,179
Financial liabilities		**(34,979)**	(20,380)
Net cash	14	**50,234**	29,799

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 2022.

Sensitivity analysis

	2023 $000	2022 $000
Equity		
Increase	**251**	149
Decrease	**—**	—
Profit or loss		
Increase	**251**	149
Decrease	**—**	—

f) Capital management

The Board's policy is to hold 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 amended covenants relating to earnings and liquidity cover and previous 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	2023 $000	2022 $000
Net equity attributable to owners of the Parent Company		**327,846**	361,711
Net cash	14	**(50,484)**	(30,159)
Trading capital		**277,362**	331,552

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, Chief Executive Officer and Interim Executive Chair, 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 average leverage, measured as the ratio of average monthly net debt before lease liabilities to adjusted EBITDA reduced for lease payments.

25 Capital commitments

At 31 March 2023, the Group had outstanding authorised capital commitments to purchase plant and equipment for $3.9 million (2022: $1.5 million).

26 Related parties

	2023 $000	2022 $000
Sale of goods:		
Hedlunds Pappers Industri AB	199	566
Festive Productions Ltd	3	—
SA Greetings (Pty) Ltd	—	93
	202	659
Receivables:		
Hedlunds Pappers Industri AB	—	23
	—	23

Identity of related parties and trading

Hedlund Import AB is 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, who are a major shareholder in the Company. Festive Productions Ltd is a subsidiary undertaking of Malios Holding AG, a company under the ultimate control of the Hedlund family.

SA Greetings (Pty) Ltd (South African Greetings) was a related party by virtue of John Charlton being the Chairman. It is no longer a related party since the resignation of John Charlton from the Board on 20 September 2021.

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% (2022: 24%) of the voting shares of the Company. The shareholdings of Directors and changes during the year are shown in the Directors' report on page 78.

Directors' remuneration

	2023 $000	2022 $000
Short-term employee benefits	3,158	2,496
Termination benefits	—	890
Share-based payments charge/(credit)	224	(1,256)
	3,382	2,130

See the Directors' remuneration report on pages 70 to 77 for more detail.

27 Non-controlling interests (NCI)

The Group purchased the remaining 49% share of Anker Play Products LLC ('APP') effective date 1 April 2022 (see note 28 for further details). Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These subsidiaries are IG Design Group Australia Pty Ltd ('Australia') and APP (up to date of purchase).

	2023			2022		
Non-controlling interest – balance sheet as at 31 March	Australia $000	APP $000	Total $000	Australia $000	APP $000	Total $000
Non-current assets	7,283	—	7,283	9,625	1,253	10,878
Current assets	16,007	—	16,007	16,497	15,639	32,136
Current liabilities	(7,959)	—	(7,959)	(9,082)	(10,706)	(19,788)
Non-current liabilities	(2,271)	—	(2,271)	(4,355)	(894)	(5,249)

	2023			2022		
Non-controlling interest – comprehensive income for the year ended 31 March	Australia $000	APP $000	Total $000	Australia $000	APP $000	Total $000
Revenue	49,666	—	49,666	51,296	38,309	89,605
Profit after tax	3,055	—	3,055	3,756	2,211	5,967
Total comprehensive income	1,770	—	1,770	3,568	2,211	5,779

Non-controlling interest – cash flow for the year ended 31 March	2023 Australia $000	2023 APP $000	2023 Total $000	2022 Australia $000	2022 APP $000	2022 Total $000
Cash flows from operating activities	**3,978**	**—**	**3,978**	3,101	602	3,703
Cash flows from investing activities	**(131)**	**—**	**(131)**	(357)	(224)	(581)
Cash flows from financing activities	**(2,986)**	**—**	**(2,986)**	(8,348)	(63)	(8,411)
Net (decrease)/increase in cash and cash equivalents	**861**	**—**	**861**	(5,604)	315	(5,289)

Non-controlling interest – cash flow for the year ended 31 March	2023 Australia $000	2023 APP $000	2023 Total $000	2022 Australia $000	2022 APP $000	2022 Total $000
Balance as at 1 April	**6,343**	**1,656**	**7,999**	7,924	573	8,497
Share of profits for the year	**1,528**	**—**	**1,528**	1,878	1,083	2,961
Other comprehensive expense	**(3)**	**—**	**(3)**	—	—	—
Dividend paid to non-controlling interest	**(698)**	**(2,263)**	**(2,961)**	(3,365)	—	(3,365)
Acquisition of non-controlling interest	**—**	**607**	**607**	—	—	—
Currency translation	**(640)**	**—**	**(640)**	(94)	—	(94)
Balance as at 31 March	**6,530**	**—**	**6,530**	6,343	1,656	7,999

28 Acquisitions

On 23 May 2022, the Group purchased the remaining 49% interest in APP, bringing its total ownership to 100%. This was completed pursuant to the exercise of a put option by Maxwell Summers, Inc., the holder of the remaining 49% interest, which the Group was legally obliged to purchase with the exercise of the put option under the APP Limited Liability Company agreement dated 30 March 2017. Consequently the $3.1 million current financial liability in respect of the put option in place over the non-controlling interest was extinguished and the related liability de-recognised, with a corresponding movement within retained earnings.

The transaction was contractually committed on 23 May 2022, with an effective date of 1 April 2022. The transaction, made through the Group's American subsidiary IG Design Group Americas, Inc., was satisfied with a cash payment of $3.0 million. The consideration was satisfied from the existing Group banking facilities.

Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest was $607,000. The Group recognised a decrease in non-controlling interest of $607,000. The effect on the equity of the owners of the Group was as follows:

	2023 $000
Carrying amount of non-controlling interest acquired	**607**
Cash consideration paid	**2,951**
Excess of consideration paid recognised in the transaction with the non-controlling interests reserve within equity	**3,558**

29 Purchase of own shares

On 29 September 2022, the trustee of the IG Design Group Plc Employee Benefit Trust (the "EBT"), purchased 1 million ordinary shares of 5 pence each in the Company ("ordinary shares") at an average price of 77.50 pence per ordinary share. These ordinary shares are to be held in the EBT and are intended to be used to satisfy the exercise of share options by employees. The EBT is a discretionary trust for the benefit of the Company's employees, including the Directors of the Company. The purchase of ordinary shares by the EBT has been funded by a loan provided by the Company from its existing financing facilities. The EBT has waived its rights to dividend payments.

30 Non-adjusting post balance sheet events

On 5 June 2023, the $90.0 million and £92.0 million revolving credit facilities were replaced by a $125.0 million asset backed lending arrangement. This facility has an original term of three years with the option of submitting two extension notices to extend the facility twice, each by a period of one year. For more details see note 15.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	2	—	—
Tangible assets	3	**132**	90
Investments	4	**208,724**	214,443
Deferred tax	5	—	—
Total non-current assets		**208,856**	214,533
Current assets			
Debtors – due within one year	6	**2,658**	1,372
Debtors – due after more than one year	7	**26,849**	26,864
Cash at bank and in hand	8	**22,746**	—
Total current assets		**52,253**	28,236
Creditors: amounts falling due within one year	9	**(21,351)**	(14,386)
Net current assets		**30,902**	13,850
Total assets less current liabilities		**239,758**	228,383
Net assets		**239,758**	228,383
Capital and reserves			
Called up share capital	10	**4,900**	4,853
Share premium account		**172,383**	172,383
Capital redemption reserve		**1,340**	1,340
Merger reserve		**32,399**	32,399
Hedging reserve		**(226)**	227
Profit and loss account		**28,962**	17,181
Total equity		**239,758**	228,383

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

The Company made a profit in the year of £11.3 million (2022: £2.4 million).

The financial statements on pages 138 to 152 were approved by the Board of Directors on 19 June 2023 and were signed on its behalf by:

Paul Bal
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2023

	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 2021	4,843	172,383	1,340	32,399	9	22,305	233,279
Profit for the year	—	—	—	—	—	2,412	2,412
Other comprehensive income	—	—	—	—	218	—	218
Total comprehensive income	—	—	—	—	218	2,412	2,630
Transactions with owners in their capacity as owners							
Equity-settled share-based payments	—	—	—	—	—	(143)	(143)
Derecognition of deferred tax – share-based payments (note 5)	—	—	—	—	—	(912)	(912)
Share options charge relating to subsidiary employees (note 4)	—	—	—	—	—	319	319
Options exercised	10	—	—	—	—	(10)	—
Equity dividend paid (note 16)	—	—	—	—	—	(6,790)	(6,790)
At 31 March 2022	4,853	172,383	1,340	32,399	227	17,181	228,383
Profit for the year	**—**	**—**	**—**	**—**	**—**	**11,276**	**11,276**
Other comprehensive expense	**—**	**—**	**—**	**—**	**(453)**	**—**	**(453)**
Total comprehensive income	**—**	**—**	**—**	**—**	**(453)**	**11,276**	**10,823**
Transactions with owners in their capacity as owners							
Equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**144**	**144**
Share options charge relating to subsidiary employees (note 4)	**—**	**—**	**—**	**—**	**—**	**408**	**408**
Options exercised	**47**	**—**	**—**	**—**	**—**	**(47)**	**—**
At 31 March 2023	**4,900**	**172,383**	**1,340**	**32,399**	**(226)**	**28,962**	**239,758**

Within the profit and loss account is a cumulative credit amount of £4.8 million (2022: £4.4 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 2023

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.

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 a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

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 under paragraph 1.12(b) of FRS102 and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.
- from disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein.

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 pages 97 to 105. 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.

The Company assesses these investments for impairment wherever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in 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 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 re-measurement 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 3-16 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.

1 Accounting policies – Company continued

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.

m. Own shares held by Employee Benefit Trust

Transactions of the Group-sponsored 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.

n. 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.

o. 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.

p. 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	2023 £000	2022 £000
Cost		
Balance at 1 April	86	86
Disposal	(86)	—
Balance at 31 March	—	86
Accumulated amortisation and impairment		
Balance at 1 April	(86)	(86)
Amortisation charge for the year	—	—
Disposal	86	—
Balance at 31 March	—	(86)
Net book value at 31 March	—	—

3 Tangible assets

Fixtures and fittings	2023 £000	2022 £000
Cost		
Balance at 1 April	277	247
Additions	55	30
Disposals	(157)	—
Balance at 31 March	175	277
Accumulated depreciation and impairment		
Balance at 1 April	(187)	(179)
Depreciation charge for the year	(13)	(8)
Disposals	157	—
Balance at 31 March	(43)	(187)
Net book value at 31 March	132	90

4 Investments

	Shares in Group undertakings £000	Loans to Group undertakings £000	Total £000
Cost			
At 1 April 2021	210,998	5,520	216,518
Additions – share option charge relating to subsidiary employees	319	—	319
Adjustment relating to historic disposal	(1,211)	—	(1,211)
Effects of movement in foreign exchange	—	266	266
At 31 March 2022	210,106	5,786	215,892
Additions – share option charge relating to subsidiary employees	408	—	408
Effects of movement in foreign exchange	—	358	358
At 31 March 2023	210,514	6,144	216,658
Provisions			
At 31 March 2021 and 2022	(1,449)	—	(1,449)
Impairment	(1,096)	(5,389)	(6,485)
At 31 March 2023	(2,545)	(5,389)	(7,934)
Net book value			
At 31 March 2023	207,969	755	208,724
At 31 March 2022	208,657	5,786	214,443

4 Investments continued

Impairment

An impairment of £6.5 million has been recognised against the investments in IG Design Group UK Limited (£1.1 million) and International Greetings Asia Limited (£5.4 million). The combination of lower forecast expectation of the UK and Asia, following the weakening in the UK market in the last quarter of the year, and the significant increase in the discount rate is driving an impairment of the UK and Asia investments. Given the intrinsic link between the UK and Asia entities, the weakening of the UK market impacts the investments in both markets.

In assessing the recoverable amounts of the investments, the approved budgets and forecasts of the Group have been used. The same discount rates and long-term growth rates as referenced in note 9 of the Group's financial statements were used.

The following reasonably possible changes in key estimation assumptions used in the forecast cash would impact the impairment charge related to the investments within the UK and Asia as follows:

- A 200bps increase in the pre-tax discount rate would increase the impairment by £3.6 million, a 200bps decrease in the pre-tax discount rate would decrease the impairment by £5.0 million
- A reduction in the growth rate to 0.5%, applied into perpetuity, would increase the impairment by £2.2 million
- A 7.5% reduction/increase in forecast cash flows would increase/reduce the impairment by £2.0 million

For all other investments, the carrying value of the investment was supported by the forecast cash flows. The Directors do not believe a reasonably possible change to the assumptions would give rise to an impairment. The Directors have considered a 200bps movement in the discount rate, 0.5% growth rate assumption (applied to the terminal value), and a 7.5% movement in the forecast cash flows. With these changes in assumptions there is still headroom and no indication of impairment.

The Company has the following investments in subsidiaries:

	Country of incorporation	Percentage of ordinary shares held 2023	Percentage of ordinary shares held 2022
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	**100**[(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)]

	Country of incorporation	Percentage of ordinary shares held 2023	Percentage of ordinary shares held 2022
Trading companies			
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)]
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: 1 Coronation Point, Coronation Street, Stockport, Cheshire, SK5 7PL , 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)]

4 Investments continued

	Country of incorporation	Percentage of ordinary shares held 2023	Percentage of ordinary shares held 2022
Trading companies			
The Huizhou Gift International Greetings Company Limited Registered office: Fuda Industrial Zone, Futian Town, Boluo, Huizhou 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)]

	Country of incorporation	Percentage of ordinary shares held 2023	Percentage of ordinary shares held 2022
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	—[(c)]	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	100[(a)]	100[(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	100[(a)]	100[(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)]

	Country of incorporation	**Percentage of ordinary shares held 2023**	Percentage of ordinary shares held 2022
Non-trading and dormant companies			
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, New Zealand	New Zealand	**100[(a)]**	100[(a)]
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.
(c) Belgrave Graphics Limited was struck off 3 January 2023

4 Investments continued

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

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

For the year ended 31 March 2023, the Company was entitled to exemption from audit under Section 479A of the Companies Act relating to qualifying subsidiaries. IG Design Group UK Limited, 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 financial statements.

5 Deferred tax

In the prior year, all previously recognised deferred tax assets in the UK were derecognised. The derecognition has occurred as a result of the assessment of future taxable profits (which is as a result of the growing costs in the Company) against which the asset could unwind. This position continues in the current year and so deferred tax assets have not been recognised on current year tax losses.

There are gross temporary differences of £129,000 (2022: £930,000) and unused tax losses, with no expiry date, of £15.5 million (2022: £12.9 million) on which deferred tax assets have not been recognised.

The standard rate of corporation tax has risen to 25% from 1 April 2023. Given that no deferred tax is recognised in the UK, this does not impact the deferred tax measured at the balance sheet date.

A deferred tax charge of £nil (2022: £2.1 million) has been recognised through the income statement and £nil (2022: £912,000) recognised through the statement of changes in equity. The prior year charges relate to the derecognition of previously recognised deferred tax assets. There are no deferred tax balances with respect to cash flow hedges.

6 Debtors – due within one year

	2023 £000	2022 £000
Trade receivables	—	11
Amounts owed by Group undertakings[a]	2,085	715
Financial assets designated at fair value through hedging reserve	15	241
Loan arrangement fees	202	259
Prepayments and accrued income	356	146
	2,658	1,372

(a) The amounts owed by Group undertakings are subject to terms between 7 and 30 days.

7 Debtors – due after more than one year

	2023 £000	2022 £000
Amounts owed by Group undertakings[a]	26,849	26,849
Loan arrangement fees	—	15
	26,849	26,864

(a) The intercompany loan is with IG Design Group UK Limited and it attracts interest at market rate and is repayable on 31 July 2024.

8 Cash at bank and in hand

	2023 £000	2022 £000
Cash at bank and in hand	22,746	—
Bank overdrafts	(17,705)	(11,166)
Net cash/(bank overdrafts)	5,041	(11,166)

9 Creditors: amounts falling due within one year

	Note	2023 £000	2022 £000
Bank loans and overdrafts	8	**17,705**	11,166
Trade creditors		**1,099**	395
Amounts owed to Group undertakings[a]		**201**	628
Other taxation and social security		**93**	165
Accruals and deferred income		**2,253**	2,032
		21,351	14,386

(a) The amounts owed to Group undertakings are subject to terms between 7 and 30 days.

Refer to note 15 of the Group's financial statements for more details of the terms of the bank borrowings.

10 Called up share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
97,993,406 (2022: 97,061,240) ordinary shares of 5p each	**4,900**	4,853

Of the 98.0 million (2022: 97.1 million) shares in the Company, 1.0 million (2022: 31,000) are held by the Employee Benefit Trust.

Refer to note 20 of the Group's financial statements for details of movements in share capital.

11 Share-based payments

Refer to note 23 of the Group's financial statements for details of share-based payments.

12 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2023 £000	2022 £000
Assets measured at fair value through the hedging reserve	**15**	241
Assets measured at amortised cost	**51,680**	27,575
Liabilities measured at fair value through the hedging reserve	**(250)**	(14)
Liabilities measured at amortised cost	**(19,005)**	(12,189)
	32,440	15,613

(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.

12 Financial instruments continued

(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.

	2023			2022		
	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 – forward exchange contracts carried at fair value through the income statement	14	(347)	(347)	—	—	—
Assets – forward exchange contracts carried at fair value through the hedging reserve	1	400	400	241	7,927	7,927
Liabilities – forward exchange contracts carried at fair value through the income statement	(23)	356	356	—	—	—
Liabilities – forward exchange contracts carried at fair value through the hedging reserve	(227)	13,967	13,967	(14)	783	783
	(235)	14,376	14,376	227	8,710	8,710

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 2023 was £226,000 net expense (2022: £227,000 net credit) recognised in other comprehensive income.

The amount recognised in the profit and loss account for the year was £9,000 (2022: £nil).

(d) Fair values

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

	Fair value 2023 £000	Fair value 2022 £000
Forward exchange contracts:		
Assets	15	241
Liabilities	(250)	(14)
	(235)	227

13 Contingencies

On 5 June 2023 the Group entered into new banking facilities. The new ABL is secured with an all-assets lien on all existing and future assets for the loan parties. See note 15 of the Group's financial statements for further details of the new facility and the loan parties.

Under the previous banking facility the Company had given, together with certain of its subsidiary undertakings, an unlimited composite joint and several guarantee in respect of the Group facility provided by HSBC, NatWest, Citigroup, Truist (formerly Sun Trust) and PNC of itself and its subsidiaries. At 31 March 2023, the Company had cash of £22.7 million (2022: £nil million); there were net borrowings elsewhere in the Group of £28.3 million (2022: £15.5 million). Therefore, the total of this guarantee at the year end, in relation to the Company only, was £28.3 million (2022: £15.5 million).

The Company has given HSBC Bank (China) Company Ltd a guarantee of RMB 15.4 million (£1.8 million) (2022: RMB 15.4 million) and $3.8 million (£3.1 million) (2022: $3.8 million) on behalf of its subsidiary The Huizhou Gift International Greetings Company Limited.

As part of the Group refinancing the Company maintained guarantees to HSBC banks in the Netherlands of €1.2 million (£1.1 million) (2022: €1.2 million), the USA $5.9 million (£4.8 million) (2022: $5.9 million) and in Hong Kong $18.5 million (£15.0 million) (2022: $18.5 million) on behalf of the Group's trading subsidiaries in those countries.

14 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 Asia Limited;
- Simplicity Limited;
- Simplicity Pty Limited;
- India Trimmings Private Limited;
- 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

	2023 £000	2022 £000
Short-term employee benefits	**2,628**	1,832
Termination benefits	**—**	653
Share-based charge/(credit)	**186**	(920)
	2,814	1,565

Related party transactions – transactions with Group undertakings

	2023 £000	2022 £000
Management recharges	**2,374**	2,181
Receivables outstanding (notes 6 and 7)	**28,934**	27,564
Creditors outstanding (note 9)	**(201)**	(628)

15 Accounting estimates and judgements

Management does not consider that there are any significant accounting judgements. Accounting estimates include:

(i) 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 are recognised to the extent that they are recoverable based on profit projections for future years. Management make a judgement in respect of the length of future cash flows against which to assess the future taxable profits and this aligns to other assessments that use similar forecasts including impairment. Income tax liabilities for anticipated issues have been recognised based on estimates of whether additional tax will be due.

(ii) Investments

The Company evaluated whether there were any indicators of a potential impairment or impairment reversal as at 31 March 2023. The combination of lower forecast expectation of the UK and Asia, following the weakening in the UK market in the last quarter of the year, and the significant increase in the discount rate is driving an impairment of the UK and Asia investments. Given the intrinsic link between the UK and Asia entities, the weakening of the UK market impacts the investments in both markets.

The recoverable amounts of the investments are determined based on the higher of net realisable value and value in use calculations, which requires the use of estimates. The key estimates that can impact the value in use calculations are changes in the growth rates applied into perpetuity, or a movement in the discount rate applied to the future cash flows. These are key estimates as they are subjective in nature and a significant assumption is required and any changes to assumptions may lead to changes in the outcome of impairment assessments performed.

16 Dividends paid and proposed

The Directors are not recommending the payment of a final dividend in respect of the year ended 31 March 2023 (2022: £nil).

Dividends paid in the year	2023 Pence per share	2023 £000	2022 Pence per share	2022 £000
Final equity dividend for prior year	—	—	5.75	5,577
Interim equity dividend for current year	—	—	1.25	1,213
Dividends paid in the year		—		6,790

Proposed for approval at Annual General Meeting	2023 Pence per share	2023 £000	2022 Pence per share	2022 £000
Final equity dividend for current year	—	—	—	—

17 Staff numbers and costs

The average monthly number of persons employed by the Company (including Directors) during the year was 15 (2022: 18), all relating to management and administration.

The aggregate payroll costs of these persons were as follows:

	2023 £000	2022 £000
Wages and salaries	2,564	3,036
Share-based payments	245	(911)
Social security costs	362	299
Other pension costs	99	96
	3,270	2,520

For information on Directors' remuneration please refer to the section titled 'Directors' remuneration' within the Directors' remuneration report (pages 75 to 77), which forms part of these audited financial statements.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2023 £000	2022 £000
Less than one year	6	2
Between one and five years	7	—
	13	2
Operating lease expense in the income statement	8	15

19 Non-adjusting post balance sheet event

On 5 June 2023, The Group banking facilities ($90.0 million and £92.0 million revolving credit facilities) were replaced by a $125.0 million asset backed lending arrangement. This facility has an original term of three years with the option of submitting two extension notices to extend the facility twice, each by a period of one year. See note 15 of the Group's financial statements for details of new bank financing arrangements.

ADVISERS

Registered office

Howard House
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Interchange Park
Newport Pagnell
MK16 9PX

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

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