IG Design Group PLC

(the "Company", the “Group” or "Design Group")

Preliminary Results for the year ended 31 March 2017

A record year of financial progress

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of celebration, gifting, stationery and creative play products, is pleased to announce its preliminary results for the year ended 31 March 2017.

Financial Highlights

- Revenue up 31% to £311 million (2016: £237 million)
    - *Up 11% at like for like exchange rates and after removing the effect of an acquisition made during the year*
- Underlying operating profit* increased by 29% to £17.5 million (2016: £13.5 million)
    - *Up 6% at like for like exchange rates and after removing the effect of an acquisition made during the year*
- Profit before tax up 32% to £13.0 million (2016: £9.9 million).
    - *Underlying profit before tax* up 51% to £16.3 million (2016: £10.8 million).*
- Fully diluted earnings per share up 25% at 15.0p (2016: 12.0p).
    - *Underlying fully diluted earnings per share* up 38% at 18.2p (2016: 13.2p)*
- Cash generated from operations up 52% to £31.5 million (2016: £20.7 million)
- Year-end debt free, with a cash balance of £3.0m (2016: £17.5m debt), and year-end leverage down from 1.0 times to nil
- Average leverage of the Group during the year was at 2.3 times (2016: 3.2 times), which meets the Company’s internal target of below 2.5 times, two years ahead of schedule
- Increased final dividend per share of 2.75p for the year (2016: 1.75p), which, together with the interim dividend of 1.75p (2016: 0.75p), produces a total dividend in respect of the year of 4.5p per share up 80% (2016: 2.5p). Dividend cover is in excess of 4 times.

*(stated before exceptional items and LTIP charges)

Operational Highlights

- Continued geographic and customer diversification
    - Overseas revenues by destination are now at 73% (2016: 66%)
    - Traded with over 10,000 customers, with products sold in over 200,000 stores in over 80 countries
- Standout performance in USA and Continental Europe
    - Excellent revenue and profits growth across all channels of business in Continental Europe
    - Profits* in the USA up by 37% through organic growth, including a first year’s payback on recent capital investments in manufacturing
- Significant achievements in all geographies
    - A significant three year commitment secured for the solus supply of greetings cards to Australia’s largest discount chain
    - Record levels of gift bag and greetings card production in our factory in China
    - A year of strong growth in the Celebrations product category in the UK
- Unified and re-organised our three UK businesses under one leadership team to underpin future profits growth across all categories
- Successful integration of The Lang Group of Companies, acquired during the year

Paul Fineman, CEO, commented:

‘It is a great pleasure to once again be reporting a year of tremendous progress, with many record outcomes achieved throughout our business.

Not only have sales and profits exceeded our goals, but our continued focus on cash generation is such that we have been able to fund growth with fast payback capital expenditure, eliminate year end debt yet simultaneously accelerate dividends from 2.5p to 4.5p. Whilst continuing to perform with strength, pleasingly we are also ensuring our business is well diversified, invested for the future and with a distinct competitive advantage.

Having re-branded as ‘Design Group’, we are increasingly able to leverage our global scale as a diversified, design-led, multi-product category and multi-channel business supported by world-class manufacturing and sourcing operations.

We are very well placed to continue to grow organically and through product development and innovation, well-considered acquisitions, capitalising on our growing market share and the excellent momentum prevailing throughout the Group.’

27 June 2017

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This announcement contains inside information.

CHIEF EXECUTIVE OFFICER'S REVIEW

2016/17 has been a year of exceptional progress as illustrated by some of the highlights below:

- Underlying profit[(a)] before tax increased by 51% to £16.3m
- Operating cash flow increased to £31.5m from £20.7m in 2016
- Cash generation up 52% resulting in being debt free at year end
- Average leverage[(a)] reduced by 28% from 3.2x in 2016 to 2.3x in 2017
- Non-UK revenues by customer destination are 73% of total Group revenues
- Capital expenditure projects in USA, UK and China completed on time and on budget
- Our Group has delivered a 2.3% gross margin[(b)] increase whilst sustaining a highly competitive offering
- A further year of record production levels, together with an excellent service record, from all of our manufacturing facilities
- Our award winning rebranding campaign captures our global scale and expertise

(a) Stated before exceptional items and LTIP charges.
(b) Stated before exceptional items. Statutory gross margin was 20.1%.

I am delighted to report a year of very strong overall progress with record sales revenues, increased gross margins and excellent operating cash flow. Our diversified yet increasingly cohesive Group continues to leverage its global scale whilst utilising local expertise. This has resulted in excellent profit and earnings per share growth, fuelling increased shareholder returns and enabling us to initiate further fast payback investment to sustain incremental future progress.

During a year when sales increased by 31% to £311.0 million, profit before tax, exceptional items and LTIP charges increased by 51% to £16.3 million. Profit before tax increased by 32% to £13.0 million. Net debt reduced by a very satisfactory 117% from £17.5 million in 2016 to being cash positive by £3.0 million in 2017, once again reflecting the effectiveness of our focus on converting profit into cash and the highly cash generative dynamics within our business.

With year-end leverage now eliminated, our focus has been on average leverage and we have successfully improved this from 3.2x EBITDA in 2016 to 2.3x in 2017, beating our target of 2.5x two years ahead of plan. The combination of reduced leverage and significant cash generation has underpinned an 80% increase in dividend payments from a level of 2.5p for 2015/16 to a total of 4.5p for 2016/17.

Fully diluted earnings per share (pre-exceptional items and LTIP charges) are up by 38% on the prior year, to 18.2p (2016: 13.2p). After allowing for exceptional items and LTIP charges, diluted earnings per share was up by 25% to 15.0p (2016: 12.0p).

Having very successfully enhanced and contemporised our manufacturing facilities in Holland and the UK in prior years, we can report that the next phase of creating a "state of the art" gift wrap manufacturing platform has been completed on time and on budget in the USA, where we have installed new gift wrap converting facilities. This investment will underpin our ability to drive further growth opportunities.

Reconciliation to underlying measures	**2017 £m**	2016 £m
Profit before tax	**13.0**	9.9
Exceptional items	**1.1**	—
LTIP charges	**2.2**	0.9
Underlying profit	**16.3**	10.8

	2017	2016
Fully diluted EPS	**15.0p**	12.0p
Cost per share on exceptional items	**0.4p**	—
Cost per share on LTIP charge	**2.8p**	1.2p
Underlying EPS	**18.2p**	13.2p

Geographical highlights
Our unique blend of creativity and reliability results in teams focusing on customer channels, supported by experts deployed in core product categories. This product expertise is shared across all Group companies thereby leveraging design, product development and innovation across our global customer base.

UK and Asia
With sales volumes and value at record levels, our UK and Asia business accounted for 37% (2016: 46%) of our Group's revenue for the year, reflecting even larger growth outside of the UK.

We enjoyed a particularly successful year within our Celebrations products categories with sales underpinned by an excellent manufacturing performance from our gift wrap manufacturing operation in Wales and card, bag and cracker production facility in Huizhou, China.

Building on the success of our recent investment in state of the art printing technology, we have further enhanced our capability by introducing new and leading edge finishing capability enabling us to cost effectively provide very attractive, innovative and market leading products to our customers and their consumers. We were delighted that our continued progress was acknowledged when we received European Flexographic Industry Association (EFIA) awards for sustainable manufacturing and technical innovation.

With a track record of well implemented and fast payback capital investment projects, we are pleased to have identified further opportunities to enhance our capability, improve efficiency and strengthen our market presence. Having already established a new channel of activity through the supply of bags produced in our facilities in China, 2017/18 will see our first UK manufactured "retail collateral" products, including bags produced for fashion and beauty retailers to provide to their customers.

There remain opportunities to improve sales and margins of our design-led stationery, creative play and gifting products, which are well established across all channels in the UK but not currently performing at their full potential. To address this, and reflecting the growing cohesiveness across our businesses, the year saw the union of our three UK based businesses under one overall leadership team.

Combining the resources of these businesses, where advantageous to do so, enables us to present a unified set of product and supply solutions to our total customer base, leverage our scale across all areas of our activities and utilise the strengths and deep knowledge that our respective teams possess. Whilst our share of the UK market for gift packaging is substantial, there remains scope for profitable growth, across this and all other categories – both online and through "bricks and mortar" retailers as well as through a broad network of regional groups and independent stores.

We continue to embrace the changing dynamics in the UK marketplace and have achieved growth by:

- providing innovative, broad and compliant ranges of manufactured and outsourced products;
- a flexible approach to creating bespoke products, as well as our own generic and licensed brands;
- meeting the needs of the rapidly expanding Pan-European discounters;
- providing highly attractive products created for the specialist £1 only retail multiples;
- expanding our business with new and existing online customers;
- delivering value and innovation tailored for the traditionally dominant grocery multiples; and
- developing new, adjacent categories, including the development of "retail collateral" products.

Our activities are underpinned by our team of experts based in the UK and also within our sourcing and manufacturing operations based in Hong Kong and throughout China, who have further continued to maintain their track record of delivering a standard of service that encourages the ongoing loyalty of our large customer base.

Mainland Europe
Our business in Mainland Europe accounted for 14% (2016: 14%) of the Group's sales.

Mirroring the polarisation of buying power within Continental Europe, we have focused on "working with the winners" and, in particular, with the retail groups enjoying strong market share. We are now trading with each of Europe's top ten retail groups within our product categories, having established strong trading relationships with many of them for a considerable number of years.

As in the UK, our excellent track record of well executed capital investment programmes has given us the confidence to commit to a further state of the art printing press, which will provide further opportunities for efficiency and growth, underpinning our competitive market position for the future.

Our investment has not only focused on gift wrap manufacturing, but in our talented team who outsource design-led and constantly refreshed, innovative products to provide our customers with an exciting and on-trend value added offering.

We were especially pleased to sustain double-digit growth momentum in Poland and Slovakia, underpinned by our strong trading partnerships with those major retail groups in Western Europe who have expanded into these fast growing markets in central Europe, as well as with local companies.

Americas
In the USA, our business has grown its share of overall Group sales to 38% (2016: 28%) reflecting organic sales growth across all channels as well as the acquisition and successful integration of the Lang Group of Companies ("Lang").

With significant change in the leadership structure of our US business during 2015, our now established team delivered major top line and bottom line growth and identified further opportunities throughout all areas of our business.

Our team outperformed against each and every metric that was set, with organic sales growth achieved across all channels, totalling 27% and with stronger foundations laid for future sales and profits growth through enhanced commercial and operational capability.

Having integrated Lang within our US business, we have now begun to exploit the synergy opportunities that were identified and are on course to meet the planned outcomes of this exciting acquisition.

Our continued and enhanced understanding of growth opportunities within our established and new customer base is supported by our commercially focused creative team and the year has seen the expansion of our product offering to include design coordinated ranges of partyware, giftware, celebrations and stationery products to both regional and national retailers. We are also very encouraged with the momentum in sales growth achieved with our Creative Play products and see considerable scope for expansion not only within the Americas, but across all of the Group's markets.

Australia
Our business in Australia accounted for 11% of overall Group sales (2016: 12%). A year of significant investment across all aspects of our Australian business saw the appointment of David Birch as CEO. We are delighted that we will continue to benefit from the input and experience of the business' founder – Frank Pynakker – who will continue with the business in the role of Chairman.

We were very pleased to have won a three-year contract for the supply of greetings cards to Australia's largest discount retailer, which compensated to some degree for headwinds with more commoditised Christmas product. This exciting opportunity required investment in infrastructure and in-store fixturing and we look forward to seeing the benefits of this begin to flow through during the coming year.

We believe that this opportunity provides economies of scale that put us in an excellent position to further grow our market share in the higher margin product category of single greetings cards.

Our business provides our customers with a product offering which is a compelling blend of great design and value for money and for many, we are increasingly seen as a "one-stop shop" supplier and a natural partner of choice.

This has been well illustrated by the successful growth of our partyware products, which are delivered alongside other generic and licensed brands of Celebrations categories, including cards and gift packaging.

Our products and brands
As appropriately captured in the re-naming of our Group as "IG Design Group plc", design is at the heart of everything we do and, as always, design is not only applicable to the aesthetic appeal of our products, but to every aspect of our business.

Whilst we have made important strides in deploying the collective expertise and scale that exists across our Group, we are mindful that local knowledge and understanding is vital in ensuring commercial success.

We were therefore particularly sensitive to the importance of preserving local identity and culture during the transition to "IG Design Group." It was extremely gratifying that our efforts were acknowledged in our winning the Gold prize for the implementation of a global rebrand at the prestigious Transform Europe Awards 2017.

The Award reflected our imaginative campaign to "bind" our businesses together under one Group-wide "umbrella". To celebrate this transformation and to capture the essence of our products and activities throughout the world, our "Smiling Jigsaw Project" brought together nearly a thousand members of our team who applied their creative talents to individual puzzle pieces to form a giant image, and, in doing so, helped to raise contributions to worthy charitable causes worldwide.

We have evolved into a diversified, multi-category, multi-channel and multi-product producer and supplier with our activities and sales generated across three core categories. "Celebrations", including gift packaging, greetings and partyware products contribute 75% of our sales, "Stationery and Creative Play", including home, school and office products, are 15% of our sales, and "Gifting", our design-led giftware products category amounts to 10% of our sales.

We estimate that over half a billion items have been manufactured, sourced and delivered to our customers during the year, of which 46% – £144.5 million sales carry our Group's generic and licensed brands.

Our strategy
As has been the case in recent years, our strategic objectives are reviewed and refined on a regular basis. Fundamentals have remained consistent and essential to the Group's recent years of growth and success.

Our team
It is very evident that the Group's overall success serves to fuel even greater determination from our team throughout the Group to continue to drive our business forward and to meet and beat new goals and objectives.

The passion, talent and ambition of our team has enabled us to deliver ongoing overall improvement in performance in highly competitive markets and, once again, it is my privilege and pleasure to thank all of my colleagues for their tremendous efforts during what has been an excellent year.

The future
Recent years of strong cash generation have been achieved whilst simultaneously investing in state of the art capital equipment. We are pleased to have identified further opportunities across our business for investment in manufacturing, infrastructure, commercial initiatives and in people. This will enable us to continue to grow profitably whilst providing our worldwide customer base with a complete and highly competitive service, our unique blend of creativity and reliability spanning design and distribution.

We are excited at the fact that there remains considerable scope for further progress across all aspects of the business and are confident that we have the team, agility and the strategy to deliver further success, both organically and through well considered acquisitions.

Together our team round the world, will continue to provide the world's biggest retailers with a design–focused multi-category offering and by doing so, strive to create value for all stakeholders through a highly cash–generative business built on diversified income streams across broad categories and markets.

Paul Fineman
Chief Executive Officer
26 June 2017

Group
- Group sales up £74.0 million (31%), of which £29.9 million (11%) is organic at like–for–like exchange rates (see table below)
- Non–UK revenues by customer destination now 73%
- Gross margin before exceptional items increased 2.3%
- Profit before tax, exceptional items and LTIP increased to £16.3 million (up 51%)
- Cash generated from operations was up 52% to £31.5 million
- Average leverage reduction from 3.2 times to 2.3 times (28%)[a]
- Underlying(a) fully diluted earnings per share up from 13.2p to 18.2p (38%)
- Dividend up 80% from 2.5p to 4.5p, proposed final dividend of 2.75p

UK and Asia
- A record year of sales of gift bags and single greetings cards
- On time and on budget installation of new gift wrap finishing capability – "Cast and Cure"
- Successful launch of Paw Patrol licensed products
- Enlarged business with online e-tailers and distributors
- Improved leverage of Group scale through a Pan-European approach to materials sourcing and collaborative sharing of technical expertise
- Unification of three UK businesses under one leadership team

- A 100% on time in full delivery of crackers manufactured for the Christmas season
- Production of gift bags and greetings cards reached record levels
- Enhanced manufacturing efficiencies through fast payback investment in semi-automated processes
- Ongoing focus on quality control and quality assurance standards meeting the world's largest retailers and licensors' needs
- Product sourcing and quality control capability managed through teams in Hong Kong and three China based operating hubs
- A cohesive and collaborative Group–wide approach to third party sourcing

Americas
- Record sales and trading profit levels
- Successful acquisition and integration of the Lang Group of Companies
- The replacement and upgrading of gift wrap converting facilities delivers a full year of enhanced manufacturing efficiencies
- Commercially focused design and product innovation, combined with excellent customer service, facilitates sales growth in all channels
- Significant further momentum within the Creative Play product category

Mainland Europe
- Highest ever profitability in Europe despite significant dollar/euro foreign exchange headwinds
- A record year of gift wrap manufacturing volumes
- Continued fast payback of investment recently made in gift wrap manufacturing capability
- Sales growth continues to be strong in Poland and Slovakia

- Incremental sales growth in non-gift packaging categories fuels enhanced future growth prospects

Australia

- Won a large, new three-year contract to supply Australia's largest discounter with single greetings cards
- Appointment of new CEO, whilst retaining the business' founder as Chairman, lays foundations for future growth
- New regional showroom and marketing facilities now established
- Successful deployment of dedicated Far East based sourcing team

		Growth			
	2016	Organic[b]	Acquisitions	Exchange	**2017**
	£m	£m	£m	£m	**£m**
Sales	237.0	9.9	20.4	23.7	**311.0**
		11%	8%	12%	**31%**
Underlying profit before tax[a]	10.8	2.7	0.6	2.2	**16.3**
		21%	6%	24%	**51%**

(a) Underlying measures are reported before exceptional items and LTIP charges.

(b) At like-for-like exchange rates.

FINANCIAL REVIEW

Key achievements

- Sales up 31% on prior year (11% at constant exchange rates and excluding acquisition)
- Increased total dividend payable in respect of the year to 4.5p (2016: 2.5p)
- Profit before tax, exceptional items and LTIP charges up 51% at £16.3 million (2016: £10.8 million Profit before tax was up 32% to £13.0 million (2016: £9.9 million)
- Cash generated from operations up 52% at £31.5 million (2016: £20.7 million)
- Fully diluted earnings per share before exceptional items and LTIP charges increased 38% to 18.2p (2016: 13.2p). Diluted earnings per share increased 25% to 15.0p (2016: 12.0p)
- Net debt down £20.5 million from £17.5 million at 31 March of 2016 to a net cash balance of £3.0 million at 31 March 2017; average leverage down from 3.2 times EBITDA to 2.3 times, comfortably beating our target of 2.5 times, two years ahead of plan

(a) Underlying profit is before tax, exceptional items and LTIP charges.

Group performance

Overall 2016/17 proved to be another very strong year for the Group despite some surprises impacting the macroeconomic backdrop. It was a year in which financial performance was excellent across nearly all our businesses but in which the operational groundwork was also laid to sustain our momentum. Profits[a] increased 51% and cash generated from operations was especially strong, reaching £31.5 million and resulting in the Group closing the year with net cash for the first time in well over a decade. Given this performance, we have again increased the dividend pay-out ahead of plan. It remains evident that we have opportunities to do better still and further investment opportunities to grow.

Our Group continues to offer investors the resilience of a global portfolio, with different regions of strength advancing our financial performance each year, while we continuously manage change in others so that they may advance in their turn. Weaker sterling has of course boosted the translated value of overseas earnings and we made a small acquisition (The Lang Companies Inc or "Lang") in the year, but even at constant exchange rates and excluding the acquisition, underlying profits[a] advanced by an impressive 21%, demonstrating real momentum.

The Group's diversity and ability to invest in future growth continues to drive sustained value creation for shareholders.

After two years of strong progress, our UK businesses again increased turnover but overall sales and margin development in the categories of Stationery and Creative Play masked growth in the core Celebrations business. Our decision to accelerate the unification of our three UK based businesses and associated investment also pushed 2016/17 operating profits down. Likewise our Australian joint venture faced with increasingly commoditised Christmas business, elected instead to invest in and win more Everyday single card business, though this incurred set up costs in the process and pushed operating profits in that region down by 2% in local currency. Both areas now represent an excellent opportunity to improve profitability and margins in 2017/18. Of particular note is the appointment of a new CEO in our Australian joint venture at the beginning of April 2017 following the retirement of the Founder and 50% partner, who will retain his investment and take the role of non-executive Chairman in Australia after a short period of transition.

By contrast, substantial growth in Europe was yet again sustained into 2016/17 with sales increasing by 13% and operating profits by an impressive 30% in local currency in this very polarised marketplace. The US business particularly stands out with excellent organic growth in sales of 27% yielding 25% improvement in profitability in local currency. Our investment in gift wrap converting equipment last year in the USA yielded a full year of efficiencies. Supplemented by the acquisition of Lang in the period, total profitability in the USA improved by 41% in local currency (and much more after translation into sterling).

Our watchword remains that "It's not profit until it's cash" and the operating cash flow generated by this improved profitability pushed us over the line into a cash positive year end close position. Average leverage is a more meaningful measure of the average indebtedness of the business relative to profitability and this reduced to average net debt of 2.3 times EBITDA, comfortably beating our goal of 2.5 times, two years ahead of our original plan.

Acquisition and associated equity issue
The Group acquired the Lang Group of Companies in Wisconsin, USA in June 2016. Lang is a design-led supplier of high-quality branded consumer home décor and lifestyle products. Lang is a natural fit with the Group, being a design-led company with complementary products and markets. There are natural synergy opportunities with the Group in sourcing and cross selling. While the purchase price was four times underlying EBITDA, the price paid was $3.4 million (£2.7 million) after adjustment in respect of working capital (further details can be found in note 31).

The Group issued three million new shares during the year for aggregate net proceeds of £5.0 million to fund the acquisition of Land and associated working capital.

Continuing operations
Revenues for the year to 31 March 2017 were up 31% from £237.0 million in 2016 to £311.0 million. In essence, 8% of the increase related to the acquisition of Lang and 12% to exchange rates meaning that at constant exchange rates, the increase in organic revenues was still a pleasing 11%.

Gross profit margins (stated to exclude exceptional items) improved further to 20.6% (2016: 18.3%) thus achieving our internal target and reflecting the continued and full year effects of our ongoing investments and constant search for efficiency. The Lang business has higher gross margins but a much greater overhead structure and removing this effect to compare like with like, organic gross margins improved to 19.7%. Profit margins pre-tax, exceptional and LTIP charges have improved substantially to 5.2% (2016: 4.5%) with a significant benefit arising from our lower interest rates following our refinancing with HSBC. In reality it is more helpful to examine operating margins at local currency level because the effects of recent sterling weakness can materially impact the outcome. Pleasingly these have held steady overall despite the pressures noted above in the UK and Australia, and have again improved in Europe, while holding in the USA even as we have added substantial new business to the top line. Lang's operating margin is currently lower than the rest of the Group and we expect to improve this as planned synergies in buying are realised in 2017/18. The Group aims to improve margins commercially by increasing the balance of own brand products and non-Christmas business but efficiencies in sourcing and manufacturing are also continuing to contribute materially.

Another important dynamic to margin continues to be the level of FOB business delivered directly to major customers at ports in China. This type of business continues to grow in all territories especially in the USA with the major value chains. This typically attracts lower gross margins but it is a means of retaining or winning large volumes of business in a manner that avoids other costs and risks associated with domestic delivery; winning this business can therefore enhance net margins and return on capital even as gross margins are diluted.

Overheads (before exceptional items and LTIP charges) have increased in absolute terms, reflecting the higher overheads in Lang, increased investment in people and future growth, foreign exchange effects as well as the effect of increased performance pay following this year's result. However, the underlying trend in these costs remains largely steady year-on-year as a percentage of sales. Tight cost control is a feature of our business and opportunities to remove or reduce costs are constantly sought out. As we invest to develop further sales opportunities such as we are currently doing in the USA, overheads will continue to increase in absolute terms. We will ensure that new costs are only incurred where actual or prospective value can be demonstrated.

As a result of the above, underlying operating profit before exceptional items and LTIP charges increased by 29% to £17.5 million (2016: £13.5 million) or 13% after exceptional items and LTIP charges. Excluding the effect of acquisitions and at like-for-like exchange rates, underlying operating profit increased by 6% to £16.9 million (2016: £15.9 million).

Exceptional charges of £1.0 million arising during the year (2016: nil) relate to the costs of acquisition and subsequent restructuring of the Lang business, and to restructuring of the US printing platform. The charges are less than previously expected because the balance of £0.2 million is expected to arise in 2017/18 as the restructuring completes. Of this amount, £0.9 million has been or will be settled in cash and a net amount of £0.3 million is the non–cash effect.

The non–cash element includes a "bargain purchase" gain on the acquisition of Lang of £1.3 million which arose because the cost of the investment was less than the fair value of the net assets. As indicated in the half year report, this non-cash gain is offset by non–cash write downs of assets in the US business of £1.7 million in anticipation of a more holistic Group approach to printing across our worldwide assets (further details can be found in note 10).

Finance expenses in the year were significantly lower than the prior year at £1.2 million (2016: £2.8 million); this partly reflects a reversal of last year where certain foreign exchange contracts that did not qualify to be hedge accounted were marked to market. Stripping out the effect of these, the underlying interest cost and associated charges were £1.9 million (2016: £2.2 million) reaping the rewards of lower average debt levels and lower margins particularly following our global refinancing in June 2016 with HSBC. Notes 8 and 26 to the financial statements provide further information.

Underlying profits[(a)] were up 51% to £16.3 million (2016: £10.8 million) while profit before tax was up 32% to £13.0 million (2016: £9.9 million). The strong increase reflects the benefit of a much lower interest charge but also takes in the cost of exceptional items in the current year £1.0 million (2016: £nil) and a much higher LTIP charge. The largely non-cash LTIP charges of £2.2 million (2016: £0.9 million) are higher because:

a) we have a clear leadership incentive programme under which a new award is made each year for a three-year period and we now have three awards running on a rolling basis;
b) the Group's performance is well ahead of plan and with the current trajectory, schemes are likely to vest at maximum levels; and
c) the substantial share price rise increases the charges associated with Employer's National Insurance. However, the Group will also receive a much increased corporation tax deduction (mainly in the UK) based upon market value at exercise.

(a) Profits – profit before tax, exceptional items and LTIP charges.

Taxation

The Group manages its tax affairs in an open and transparent manner, observing full compliance with all applicable rules and regulations in countries in which it operates and not entering into any tax avoidance or otherwise aggressive tax planning schemes. The headline taxation charge is higher as anticipated at £2.7 million (2016: £2.2 million) though of course on a higher profit base. The effective underlying tax charge on profits before exceptional items and LTIP charges is higher than the prior year at 24.2% (2016: 22.5%). This is still well below the underlying blended rate that would arise from the Group´s current geographical profile of profits.

Recent performance has been sufficiently strong in those areas with historical tax losses, that we have now recognised all material tax losses in the accounts. The underlying blended rate is currently 30% and this rate will likely increase as our profile of profitability increases in the USA where the tax rate is higher at 35%. Our actual tax rate will therefore now trend quite quickly in future periods towards the underlying blended rate. The tax losses not yet recognised in the balance sheet in the UK and Asian segment have a current tax value of £673,000 and £nil in the USA, compared with the prior period of £719,000 and £1,385,000 respectively.

Actual taxation paid in cash during the year was slightly higher than the prior year at £2.0 million (2016: £1.8 million) as our businesses in Australia and the Netherlands do not have losses to off-set their profits. With improving and sustained profitability, we expect to pay cash tax in the USA in 2017/18 and in the UK in the following year.

Profit for the year

Overall net profit for the year increased by 35% to £10.3 million (2016: £7.6 million); after removing the effect of exceptional items and LTIP charges, the underlying profitability increased still more by 45% to £12.4 million (2016: £8.6 million).

Earnings per share and dividends

Basic earnings per share were 15.7p (2016: 12.3p). After removing the effect of exceptional items and LTIP charges, the underlying earnings per share were 19.0p (2016: 13.5p) representing an increase of 41%.

However, in order to properly reflect the dilutive effect of employee share incentive schemes, the Company´s key target is determined by reference to underlying fully diluted earnings per share (which is stated before the effect of exceptional items and the largely non-cash LTIP charges but after the dilutive effect of share options which have vested but not yet been exercised). This ensures that incentive plan outcomes and shareholder interests remain aligned. Details of share plans can be found in note 25 to the financial statements.

Fully diluted earnings per share (stated before exceptional items and LTIP charges) were 18.2p, up 38% on the prior year (2016: 13.2p), securing another year of double digit growth in earnings.

Accordingly, the Board is pleased to propose a final dividend of 2.75p per share for the year (2016: 1.75p) which will be paid during September, subject to shareholder approval. Together with the interim dividend of 1.75p (2016: 0.75p) this makes for a total dividend in respect of the year of 4.5p per share. This dividend is covered four times by underlying earnings and there should be scope to increase this further in future periods while still investing in growth and managing average leverage comfortably. The Board has determined that any dividend will always be covered not less than two and a half times by underlying earnings per share. Dividend policy will be balanced against the attractive opportunities to invest in efficiency and growth that continue to present themselves.

Balance sheet and cash flow

At 31 March 2017 net debt had been eliminated with a net cash balance of £3.0 million (2016: £17.5 million net debt) though of course the seasonal nature of the business means debt levels will build again in anticipation of the peak trading period before again falling in late November onwards. Thus the ratio of year-end net debt to EBITDA, exceptional items and LTIP charges (leverage) was nil compared with 1.0 times in 2016. Furthermore, the Group has now achieved its target for average leverage (the ratio of average net debt to EBITDA). At the year end this metric was 2.3 times, much improved on 3.2 times in 2016, better than our target of 2.5 times and two years ahead of plan. The current average leverage of 2.3 times sits within our target long-term range of 2.0-2.75 times EBITDA.

Year-end net cash included amounts denominated in US dollars of $3.3 million (2016: $0.3 million debt) and in euros of €0.6 million net debt (2016: €7.2 million net debt). The year-end exchange rates were $1.25 (2016: $1.44) and €1.17 (2016: €1.26). Therefore, at like-for-like exchange rates the net cash balance would have improved by a further £0.4 million.

Working capital management continues to be a priority. Outstanding debtors are monitored closely, both to maximise cash but also to reduce our credit risk. Trade debtors are higher at £26.0 million (2016: £18.6 million) at the year end, but this is unsurprising given the higher value of sales and the acquisition of Lang. Debtor days remain tightly controlled and the charge for bad and doubtful debts in the year was only £0.7 million, less than 0.2% (2016: 0.1%) of turnover.

Net stock levels after provisioning for older stock were higher at £49.5 million (2016: £46.0 million) as the business is growing. Stock levels fell particularly in the UK through good working capital management enabled by the investment in Wales, offsetting increases in faster growing geographies.

Older stock (measured as over 15 months since last purchase) increased to £7.2 million (2016: £5.9 million). Provisioning increased to £8.4 million from £4.6 million in the prior period, substantially increasing the level of provisioning against stock and thus improving the quality of the balance sheet. This reflects our desire to adopt a more consistent approach to provisioning across our businesses.

Group cash generated from operations was again very strong at £31.5 million (2016: £20.7 million), reflecting the strength of operating profitability and assisted again by a net reduction in working capital of £10.9 million (2016: reduction of £3.5 million).

Investment in capital expenditure during the year of £4.6 million (2016: £4.4 million) was at a similar level to depreciation. The Group continues to invest wherever we see strong returns and improved efficiencies. The manufacturing platforms across all our sites in China, UK and Europe are up to date, underpinning our competitive position, and yet we still see further opportunities for bolt-on capital investment in these locations to add further capability.

In particular we have approved the investment in the Netherlands in a second high speed, high definition printing press. Once in place in 2018/19, this additional press will reduce risk, increase efficiency and sustain further growth in profitability. In the USA the business case for the final phase to update our printing capability is still under appraisal but likely to take place later than previously anticipated as we exploit our other Group assets to the full first. The US business in co-ordination with appropriate Group colleagues is currently defining a new ERP solution that will underpin future growth and create efficiencies, while in the UK and Asia a range of smaller investments are progressing to develop new product solutions, add increased capacity and to provide operational efficiencies. Our cash flow is strong enough to absorb these investments and build foundations for additional future growth while still meeting our plans to increase dividends, especially now that our leverage target has been achieved.

Equity attributable to shareholders has increased to £86.2 million from £68.0 million predominantly reflecting profits generated in the year.

Risks and key performance indicators

Our areas of primary focus are:

- improved earnings attributable to shareholders, which we aim to achieve through top–line growth and mix management in selected markets and channels together with strong cost and gross margin management;
- seeking out value creating areas of investment so that we can sustain double digit growth in earnings for shareholders; and
- maintaining at prudent levels, our average leverage measured as the ratio of average net debt to pre–exceptional EBITDA, which we aim to achieve through strong and increasing profitability together with close management of our working capital and focused investment.

Operationally this means a focus on:

- nurturing valuable relationships: monitoring the profitability, product mix and service delivered in respect of our customer base; growing those relationships in existing and new territories and product categories;
- creating a toolbox of expertise: ensuring that we have market–leading design and product capability in our categories, sharing knowledge through common platforms;
- providing best quality, value and service: monitoring and benchmarking the key elements of our cost bases, buying or manufacturing as efficiently and effectively as possible from a total cost perspective across the whole season so that we can deliver great value to customers and strong returns to shareholders;
- balancing our business: we monitor the mix and profitability in each of our businesses across season, brand and product categories, seeking out those opportunities that yield the best returns on our scarce capital while rooting out those activities that consume resources for little or no gain; and
- providing differentiated product offerings: across the value, mass and upscale markets.

Foreign exchange impact to profit and earnings

Our diverse geographical revenue and profit streams continue to provide us with market resilience, but naturally this carries with it the volatility of currency.

As noted above in the context of net debt, foreign exchange rates can impact significantly on the translation of our overseas figures relative to prior years. During the year the US dollar rate moved from 1.44 to 1.25, the euro from 1.26 to 1.17 and the Australian dollar rate from 1.87 to 1.64. As noted above, this change in rates had a material impact on the sterling value of sales and profits during the year – though the impact to net profit was lower at only £1.5 million because the Group matches the currency of costs and funding where possible.

Additionally, the relative strength of the US dollar against other currencies can materially impact purchase prices out of China. This is noticeable across all our non-US trading businesses which are all finding that their margins are squeezed through substantial foreign exchange headwinds on products bought in from the Far East. It is also a feature of our business that we innovate, invest and commercially redesign products to combat this effect but this can take more than one season.

With Brexit negotiations now to take place and the outcome of the UK general election removing the previous majority of the Conservative government, movements in foreign exchange rates, prices and markets in general could be material and are very unpredictable. We import substantial amounts of raw material and finished product from overseas markets, notably China and to a lesser degree we export from the UK to the USA and Europe. It is important to the Group that we have clarity on the future trading environment so that we can adapt appropriately. For the year ahead, our Group has strong natural hedges in terms of US dollar to sterling, and no material transaction exposure to euro movements. Our European and Australian businesses have greater outstanding exposures to volatility in the US dollar as a result of world events with a weaker dollar favouring them. As noted above, our business is flexible and with the benefit of time to see macroeconomic considerations settle, we can re-engineer our product to hit required price points.

The greatest impact of such volatility as we have seen this year remains the translation effect on our sales, profits and working capital cash flows. Weak sterling has provided us with the advantage this year of higher reported profits and a reversal of this position would clearly slow our growth in sterling terms, though this would now appear less likely. However, our portfolio of businesses is strong enough to move forwards regardless of circumstances and we forecast and plan prudently to try to accommodate these risks. We also fund a large part of the working capital needs of our overseas businesses in local currency, so the translation impact on facilities headroom is less pronounced than otherwise would be the case.

Treasury operations

Our global refinancing (announced in June 2016) is a milestone moment for the Group as it represents the opportunity to fund our operations in an innovative and truly joined-up manner, optimising efficiency and cost. The terms and conditions of the refinancing are materially more favourable than those previously in place both financially and in respect of freedom to act. While there were costs associated with cancelling the old facilities and setting up the new, the benefits in 2016/17 were greater than expected. More expensive hire purchase facilities were repaid in the year, yielding further savings.

Since the year end, the Group has also exercised an option to extend the core facilities for a further year and increased the facility value of the invoice financing arrangements to support our growth. The Group is now funded globally with HSBC providing a full suite of cost effective facilities available to all wholly owned businesses while Westpac continues to support our Australian joint venture. To support this structure, we have now moved our worldwide operational banking to HSBC other than minor niche requirements in selected territories.

The HSBC facilities comprise:

- a three-year revolving credit facility ("RCF") of £18 million. This facility is capable of extension on the same terms for a further year if the parties agree;
- invoice financing arrangements for an initial term of three years in the UK, European, US and Asian markets; and
- a further flexible RCF with availability varying from month to month. This is reviewed annually but capable of extension to match the maturity of the core RCF. This working capital RCF is designed to meet our requirements during those months when stock is being built but will be undrawn for that part of the year where the invoice financing facilities are sufficient to provide our needs.

In total we estimate the effectively available facilities at over £125.5 million more than sufficient to cover even our peak requirements. The facilities have flexible elements within them that mean they can also grow with us. The facility includes an additional uncommitted amount to finance potential acquisitions. The facilities do not amortise with time.

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

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

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

The Group now has no interest rate hedges in place and elects to accept floating interest rates across a range of currencies. While we will keep this risk under review, our debt is at its lowest point in many years and may fall further relative to profitability. While global interest rates are rising they remain low and margins have further capacity to fall as leverage performance improves and we are therefore comfortable with this position. The Group also actively manages FX transaction exposure in each of its businesses, with advice and support from the central treasury team.

Note 26 to the financial statements provides further information in respect of treasury matters.

Conclusion

The Group delivered an exceptionally strong year, with all metrics well beyond our initial expectations. We are still building further foundations for success, investing carefully and creating new competencies that will power continued growth in profitability for many years ahead. Achieving a debt-free year end and profits[(a)] growth of almost 51% was especially pleasing. Our continued outperformance in the arena of cash management is providing the Group with additional flexibility and options to create value for shareholders in the future.

(a) Profit before tax, exceptional items and LTIP charges.

Anthony Lawrinson
Chief Financial Officer
26 June 2017

CHAIRMAN'S CORPORATE GOVERNANCE REVIEW

Dear Shareholder

We are delighted to be able to share a further year of excellent progress with you. Your Board is very pleased with the performance of our Group during the year ended 31 March 2017. We have, once again, exceeded the goals that we set ourselves in terms of profit and earnings per share, but we are particularly pleased with the excellent levels of cash generation that were achieved, resulting in an outcome of being cash positive at year end with a significant reduction in average leverage to the extent that we achieved our target of below 2.5x, two years ahead of plan.

Having established an excellent record of identifying fast payback capital investment opportunities and executing them on time and on budget, we embarked upon some further capital expenditure initiatives to improve manufacturing efficiency, deliver improved margins and increase capacity within our businesses in the UK, Holland and Australia.

The markets in which we operate remain highly competitive. It is therefore especially pleasing to report that sales volume increases within our core business have been achieved whilst also increasing gross margin. This reflects the outcome of implementing one of our key strategies to improve efficiencies, reduce our cost of goods and eliminate unnecessary expense. We shall continue to put considerable effort into strengthening our position as one of the world's leading designers, manufacturers, importers and distributors of each of the core product categories on which we focus.

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

Corporate governance

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

Whilst there is no obligation for AIM-listed companies to comply fully with this Code, the Board endorses the principles of effective corporate governance and we are committed to maintaining the highest standards of ethics and professional competence. That said, the Directors do not consider that full compliance with every aspect of the Code is appropriate for our Group at this stage in its development. However, we shall keep the matter under review and continue to develop procedures and policies as the Group grows.

Board of Directors

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

Division of responsibilities

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

Composition of the Board

There were no changes to the composition of the Board during the year. We continue to operate with three Executive Directors balanced by three Non-Executive Directors, with myself as Chairman. Our Non-Executive Directors have an important role of constructively challenging, and working closely with the Executive Directors to develop and agree proposals on strategy, to scrutinise management's performance in meeting agreed goals and objectives and monitoring performance reports.

The Board has three Committees – Remuneration, Audit and Nomination. Our Remuneration Committee is chaired by Elaine Bond, one of our Non-Executive Directors and the Committee comprises Mark Tentori and myself. Our Audit Committee comprises Elaine and myself and is chaired by Mark. Our Nomination Committee is chaired by myself, and Elaine and Mark sit on that Committee.

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

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

Following a competitive tender process in the autumn of 2016, the Company appointed Mazars LLP to provide internal audit services to the Group. As the internal auditors, Mazars will perform a series of audits across the Group in line with the risk-based internal audit plan. This plan will be reviewed and approved annually by the Committee. Mazars will meet with the Committee to present the findings of their work and follow-up checks twice a year.

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

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

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

Board process and information

The Board met seven times during the year, including an in-depth review of 2017/18 budgets, annual operating plans and strategic objectives with the Executive Directors and some members of the senior management teams of our businesses. This took place over two days during March 2017. The Board aims to meet at least six times a year for formal Board meetings and up to six further times in between for informal business reviews, to review budgets and to focus on strategy. As previously advised, where possible and cost effective, the Board tries to meet on the premises of various of its subsidiaries during the year, which provides an opportunity for the Directors to visit our businesses, meet with the senior management and be seen by our associates as a Board that genuinely wishes to be involved.

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

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

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

Accountability and audit

All Directors have accepted a duty of care and accountability to act in the interests of the Company.

As stated, the Audit Committee oversees how the Board monitors risk and reviews the adequacy of the risk management framework.

Risk management

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

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

Whilst this report provides an overview of the policies and procedures that we adopt in following good corporate governance, I wish to take the opportunity of thanking my fellow Directors for their hard work, commitment, loyalty and support that they give to our Group. I also wish to place on record once again our sincere thanks and appreciation to all our employees and associates throughout the Group. It is through their efforts and support that we are, once again, able to report another year of very strong progress. We value greatly their commitment and loyalty. It is also with great pride that I congratulate Paul Fineman, our Group CEO on being recognised with the award of Chief Executive Officer of the Year by the Quoted Company Awards 2017.

Finally, I should like to take this opportunity to thank our shareholders, bankers, customers, suppliers and advisers for their input and contributions to all our businesses throughout the world. As always, we never take your support for granted and we are very appreciative of the strong working relationship and partnership that we continue to enjoy with you.

John Charlton
Chairman
26 June 2017

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2017.

Likely future developments
See above.

Financial risk
See above.

Dividends
A final dividend for the year ending 31 March 2016 of 1.75p was paid on 21 September 2016 (year ending 31 March 2015: 1p). An interim dividend for the year ended 31 March 2017 of 1.75p was paid on 17 January 2017 (2016: 0.75p). The Directors are recommending a final dividend for the year ended 31 March 2017 of 2.75p per share (2016: 1.75p). If approved, it will be paid on 7 September 2017 to shareholders on the register at the close of business on 7 July 2017.

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

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

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

Directors and Directors' interests
The Directors who held office during the year were as follows:

Elaine Bond
Lance Burn
John Charlton
Paul Fineman
Anders Hedlund
Anthony Lawrinson
Mark Tentori

In accordance with the Company's Articles of Association, John Charlton and Paul Fineman will stand for re-election at the forthcoming Annual General Meeting.

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

	Interest at end of year					Interest at beginning of year			
	Ordinary shares	LTIP vested 2012-2015	LTIP not yet vested[d] 2014-2017	LTIP not yet vested 2015-2018	LTIP not yet vested 2016-2019	Ordinary shares	LTIP vested 2012-2015	LTIP vested 2014-2017	LTIP not yet vested 2015-2018
Elaine Bond	15,816	—	—	—	—	—	—	—	—
Lance Burn	—	—	268,678	192,191	110,259	—	—	262,083	185,871
John Charlton[a]	619,655	—	—	—	—	620,000	—	—	—
Paul Fineman[b]	4,453,534	—	—	207,774	148,999	4,453,534	—	—	200,948
Anders Hedlund[c]	448	—	—	—	—	448	—	—	—
Anthony Lawrinson	—	500,000	290,462	166,219	119,199	—	500,000	283,333	160,759

In addition to the above holdings:

(a) 37,500 (2016: 37,500) shares are held by the wife of John Charlton.

(b) Paul Fineman owns a non-beneficial interest in 174,608 (2016: 174,608) ordinary shares of 5p each.

(c) 17,142,640 (2016: 17,142,640) and 5,275,116 (2016: 5,275,116) ordinary shares of 5p each are respectively registered in the names of AC Artistic Limited (“Artistic”) and Malios Limited, companies incorporated in the British Virgin Islands, and under the ultimate control of the Hedlund family. In addition to the Hedlund family’s beneficial interest set out above, the Hedlund family also holds interests in a further 1,150,790 ordinary shares, representing a further 1.84% of the current issued share capital of the Company. These ordinary shares are held by West Coast Trust, a trust for the benefit of Anders Hedlund’s adult children, which holds 900,790 ordinary shares and Claes Hedlund, Anders Hedlund’s brother, who owns 250,000 ordinary shares. In total the Hedlund family has interests in 23,568,994 ordinary shares, representing 37.63% of the current issued share capital of the Company.

(d) All of these shares formally vest on 21 June 2017 following the Remuneration Committee and Audit Committee approval of the results for the year ended 31 March 2017.

No shares were purchased by Directors between 31 March 2017 and the date of this annual report.

Employees

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

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

Donations

Political contributions in the year were nil (2016: nil).

Health and safety

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

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

Going concern

The Group’s business activities, together with the factors likely to affect its future development, its performance and position are set out in the Chief Executive Officer’s review. The financial position of the Group, its cash flows, liquidity position and its management of both working capital and capital expenditure are set out in the financial review. Details of bank loans and borrowings are given in note 17 to the financial statements and liquidity risks are given in note 26 to the financial statements.

The Group relies on its banks for financial support and is confident that the facilities in place are sufficient to meet its needs for the foreseeable future (see note 1 to the financial statements). Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

Purchase of own shares

The Directors are authorised to make market purchases of the Company’s own shares under an authority granted at the last Annual General Meeting. During the year the Company did not buy back any of its shares. The Directors will seek renewal of this authority at the forthcoming Annual General Meeting and at each succeeding Annual General Meeting.

Any shares purchased under this authority would either be treated as cancelled (and the number of shares in issue reduced accordingly) or held in treasury, available for re-sale by the Company or transferred to an employee share scheme.

Auditor

The Directors who held office at the date of approval of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Company’s auditor is unaware and, each Director has taken all the steps that ought to have been taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

Anthony Lawrinson
Director
26 June 2017

FINANCIALS – GROUP

CONSOLIDATED INCOME STATEMENT
year ended 31 March 2017

		2017			
	Note	**Before exceptional items £000**	**Exceptional items (note 10) £000**	**Total £000**	2016 Total £000
Revenue	4	**310,992**	**—**	**310,992**	236,950
Cost of sales		**(247,058)**	**(1,532)**	**(248,590)**	(193,552)
Gross profit		**63,934**	**(1,532)**	**62,402**	43,398
		20.6%		**20.1%**	18.3%
Selling expenses		**(19,019)**	**—**	**(19,019)**	(12,609)
Administration expenses		**(29,832)**	**495**	**(29,337)**	(18,923)
Other operating income	7	**210**	**—**	**210**	758
Operating profit/(loss)	5	**15,293**	**(1,037)**	**14,256**	12,624
Finance expenses	8	**(1,229)**	**—**	**(1,229)**	(2,763)
Profit/(loss) before tax		**14,064**	**(1,037)**	**13,027**	9,861
Income tax (charge)/credit	9	**(3,480)**	**761**	**(2,719)**	(2,219)
Profit/(loss) for the year		**10,584**	**(276)**	**10,308**	7,642
Attributable to:					
Owners of the Parent Company				**9,650**	7,261
Non-controlling interests				**658**	381

Earnings per ordinary share

		2017		2016	
	Note	**Diluted**	**Basic**	Diluted	Basic
Earnings per share	23	**15.0p**	**15.7p**	12.0p	12.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
year ended 31 March 2017

	2017 £000	2016 £000
Profit for the year	**10,308**	7,642
Other comprehensive income:		
Exchange difference on translation of foreign operations (net of tax)	**3,213**	1,794
Transfer to profit and loss on maturing cash flow hedges (net of tax)	**223**	(572)
Net gain/(loss) on cash flow hedges (net of tax)	**271**	(223)
Other comprehensive income for period, net of tax items which may be reclassified to profit and loss in subsequent periods	**3,707**	999
Total comprehensive income for the year, net of tax	**14,015**	8,641
Attributable to:		
Owners of the Parent Company	**12,795**	8,191
Non-controlling interests	**1,220**	450
	14,015	8,641

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 March 2017

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non–controlling interest £000	Total £000
At 31 March 2015	2,910	4,801	17,164	572	(1,825)	36,042	59,664	2,920	62,584
Profit for the year	—	—	—	—	—	7,261	7,261	381	7,642
Other comprehensive income	—	—	—	(795)	1,725	—	930	69	999
Total comprehensive income for the year	—	—	—	(795)	1,725	7,261	8,191	450	8,641
Equity-settled share-based payment (note 25)	—	—	—	—	—	596	596	—	596
Tax on equity-settled share-based payments	—	—	—	—	—	509	509	—	509
Options exercised (note 22)	53	51	—	—	—	(30)	74	—	74
Equity dividends paid	—	—	—	—	—	(1,032)	(1,032)	—	(1,032)
At 31 March 2016	2,963	4,852	17,164	(223)	(100)	43,346	68,002	3,370	71,372
Profit for the year	—	—	—	—	—	9,650	9,650	658	10,308
Other comprehensive income	—	—	—	494	2,651	—	3,145	562	3,707
Total comprehensive income for the year	—	—	—	494	2,651	9,650	12,795	1,220	14,015
Equity-settled share-based payment (note 25)	**—**	**—**	**—**	**—**	**—**	**1,555**	**1,555**	**—**	**1,555**
Tax on equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**913**	**913**	**—**	**913**
Shares issued	**150**	**4,883**	**—**	**—**	**—**	**—**	**5,033**	**—**	**5,033**
Options exercised (note 22)	**19**	**34**	**—**	**—**	**—**	**—**	**53**	**—**	**53**
Capital contribution from non-controlling investor	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**110**	**110**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**(2,134)**	**(2,134)**	**(867)**	**(3,001)**
At 31 March 2017	**3,132**	**9,769**	**17,164**	**271**	**2,551**	**53,330**	**86,217**	**3,833**	**90,050**

Merger reserve

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

Capital redemption reserve

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

Hedging reserve

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

Translation reserve

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

Shareholders' equity

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

CONSOLIDATED BALANCE SHEET

as at 31 March 2017

	Notes	**2017 £000**	2016 £000
Non-current assets			
Property, plant and equipment	11	**32,607**	30,190
Intangible assets	12	**33,681**	32,236
Deferred tax assets	13	**5,398**	4,296
Total non-current assets		**71,686**	66,722
Current assets			
Inventory	14	**49,475**	46,006
Trade and other receivables	15	**29,622**	21,187
Derivative financial assets	26	**307**	218
Cash and cash equivalents	16	**3,659**	8,380
Total current assets		**83,063**	75,791
Total assets		**154,749**	142,513
Equity			
Share capital	22	**3,132**	2,963
Share premium		**8,429**	3,512
Reserves		**21,326**	18,181
Retained earnings		**53,330**	43,346
Equity attributable to owners of the Parent Company		**86,217**	68,002
Non-controlling interests		**3,833**	3,370
Total equity		**90,050**	71,372
Non-current liabilities			
Loans and borrowings	17	**(39)**	18,349
Deferred income	18	**1,083**	1,145
Provisions	19	**881**	869
Other financial liabilities	20	**1,911**	2,095
Deferred tax liability	13	**525**	352
Total non-current liabilities		**4,361**	22,810
Current liabilities			
Bank overdraft	16	**916**	1,508
Loans and borrowings	17	**(232)**	3,584
Deferred income	18	**111**	118
Provisions	19	**441**	212
Income tax payable		**3,153**	1,945
Trade and other payables	21	**37,450**	27,221
Other financial liabilities	20	**18,499**	13,743
Total current liabilities		**60,338**	48,331
Total liabilities	4	**64,699**	71,141
Total equity and liabilities	4	**154,749**	142,513

These financial statements were approved by the Board of Directors on 26 June 2017 and were signed on its behalf by:

Paul Fineman **Anthony Lawrinson**
Director Director

The notes following form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
year ended 31 March 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		**10,308**	7,642
Adjustments for:			
Depreciation	11	**4,571**	3,596
Amortisation of intangible assets	12	**798**	285
Finance expenses		**1,229**	2,763
Negative goodwill release to income	10	**(1,271)**	—
Income tax charge	9	**2,719**	2,219
Loss/(profit) on sales of property, plant and equipment	5	**24**	(186)
Loss on external sale of intangible fixed assets	5	**51**	1
Equity-settled share-based payment	25	**2,216**	908
Operating profit after adjustments for non-cash items		**20,645**	17,228
Change in trade and other receivables		**(772)**	1,041
Change in inventory		**2,670**	1,219
Change in trade and other payables		**8,940**	1,863
Change in provisions and deferred income		**44**	(607)
Cash generated from operations		**31,527**	20,744
Tax paid		**(2,003)**	(1,797)
Interest and similar charges paid		**(1,867)**	(1,961)
Net cash inflow from operating activities		**27,657**	16,986
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**58**	1,568
Acquisition of businesses	31	**(2,669)**	—
Capital contribution from non-controlling investor		**110**	—
Acquisition of intangible assets	12	**(534)**	(382)
Acquisition of property, plant and equipment	11	**(4,633)**	(4,377)
Receipt of government grants		**40**	—
Net cash outflow from investing activities		**(7,628)**	(3,191)
Cash flows from financing activities			
Net proceeds from issue of share capital	22	**5,086**	74
Repayment of secured borrowings		**(21,774)**	(5,708)
Net movement in credit facilities		**(795)**	184
Payment of finance lease liabilities		**(2,383)**	(1,712)
Loan arrangement fees		**(319)**	—
Equity dividends paid	24	**(2,134)**	(1,032)
Dividends paid to non-controlling interests		**(867)**	—
Net cash outflow from financing activities		**(23,186)**	(8,194)
Net (decrease)/increase in cash and cash equivalents		**(3,157)**	5,601
Cash and cash equivalents at beginning of period		**6,872**	1,278
Effect of exchange rate fluctuations on cash held		**(972)**	(7)
Cash and cash equivalents at end of the period	16	**2,743**	6,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 31 March 2017

1 Accounting policies

IG Design Group plc is a public limited company, incorporated and domiciled in England and Wales. The Company's ordinary shares are listed on AIM.

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

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

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

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

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

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

To meet the funding requirements the business has agreed funding in place with HSBC and this has been renegotiated as part of a new three year deal in place from 6 June 2016 and extended for a further year on 31 May 2017. As with any company placing reliance on external entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of this report, they have no reason to believe that it will not do so.

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

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

Changes in accounting policies
The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

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

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

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

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

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

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

b) Joint arrangements
A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties.

The Group's interests in joint ventures are accounted for using the equity method. Under this method the Group's share of the profits less losses of jointly controlled entities is included in the consolidated income statement and its interest in their net assets is included in 'investments' in the consolidated balance sheet.

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

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling 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 ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations, and of related qualifying hedges, are taken directly to the translation reserve. They are released into the income statement upon disposal or loss of control and on maturity or disposal of the hedge, respectively.

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

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

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

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

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

Trade and other payables
Where it is likely to be materially different from the nominal value, trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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

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

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

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

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

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

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

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

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

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

freehold buildings	25-30 years
leasehold land and buildings	life of lease
plant and equipment	four-25 years
fixtures and fittings	three-five years
motor vehicles	four years

No depreciation is provided on freehold land.

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

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

Intangible assets and goodwill
Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 April 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

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

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

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

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

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

The main class of other intangible assets is publishing imprints.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance income and expenses
Finance expenses comprise interest payable, finance charges on finance leases and unwinding of the discount on provisions.

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

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

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

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

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

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

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

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

National Insurance ("NI") on share-based incentives
Employer's NI 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.

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

New standards
There are no IFRS or IFRIC interpretations or amendments effective for the first time this financial year that have any material impact on the Group.

Use of non–GAAP measures
The Directors believe that reporting profits and EPS before exceptional items and LTIP charges provides useful information for shareholders on underlying trends and performance. These are the measures used internally and are considered more useful measures

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

The adjustments made to profits and EPS are:

- exceptional items – please see note 14; and
- IFRS 2 Share-based Payments – a non-cash charge to the income statement for share-based payments and related NI costs. IFRS 2 requires the fair value of equity instruments measured at grant date to be spread over the period during which the employees become unconditionally entitled to the options. Other than the NI element, this is a non-cash charge and has been excluded as it does not reflect the underlying core trading performance of the Group.

New standards and interpretations not applied

Management continually reviews the impact of newly published standards and amendments and considers, where applicable, disclosure of their impact on the Group.

The following standards, interpretations and amendments issued by the IASB have an effective date after the date of these financial statements and are considered by management to be relevant to the Group:

- IFRS 9 Financial Instruments replaces the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including the new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. This is not expected to have a significant impact on the Group;
- IFRS 15: IFRS 15 replaces existing IFRS revenue recognition requirements in IAS 18 Revenue. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g. disposals of property, plant and equipment). The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application is required for annual periods beginning on or after 1 January 2017. The Group are currently assessing the impact of IFRS 15, we do not currently anticipate that it will have a significant impact on our results; and
- IFRS 16 Leases: will bring all leases onto the balance sheet. The Group are currently assessing the impact of IFRS 16.

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

New pronouncement	Effective date	To be adopted by the Group
Annual Improvements 2012-2014 Cycle	1 Jan 2017	1 Apr 2017
IFRS 15 Revenue from Contracts with Customers(a)	1 Jan 2018	1 Apr 2018
IFRS 9 Financial Instruments(a)	1 Jan 2018	1 Apr 2018
IFRS 16 Leases(a)	1 Jan 2019	1 Apr 2019

(a) Not yet endorsed by European Financial Reporting Advisory Group.

2 Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

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

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, 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.

Exceptional items

The Directors have chosen to separate certain items of financial performance which they believe, because of size or incidence, require separate disclosure to enable underlying performance to be assessed. These items are fully described in note 10.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed in the strategic report and below.

Consolidation of less than 100% owned subsidiaries

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

Impairment of goodwill and property, plant and equipment

Determining whether goodwill and property, plant and equipment are impaired requires an estimation of the value in use of the cash‑generating units to which goodwill has been allocated or to which property, plant and equipment belong. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £32.0 million (2016: £31.5 million). No impairment (2016: nil) was required. The carrying amount of property, plant and equipment was £32.6 million (2016: £30.2 million). No impairment loss (2016: nil) was required (see notes 11 and 12).

Provision for slow moving inventory

The Group has guidelines for providing for inventory which may be sold below cost due to its age or condition. Directors assess the inventory at each location and in some cases decide that there are specific reasons to provide more than the guideline levels, or less if there are specific action plans in place which mean the guideline provision level is not required. Determining the level of inventory provision requires an estimation of likely future realisable value of the inventory in various time frames and comparing with the cost of holding stock for those time frames. Regular monitoring of stock levels, the ageing of stock and the level of the provision is carried out by the Directors. Details of inventory carrying values are provided in note 14. At the year end, stock acquired more than 15 months previously had increased from £5.9 million to £7.2 million and the Group has provisions of £8.4 million (2016: £4.6 million) over the total inventory value.

Share-based payments

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

Taxation

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

3 Financial risk management

Risk management is discussed in the strategic report. See note 26 for additional information about the Group's exposure to each of these risks and the ways in which they are managed. Below are key financial risk management areas:

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

4 Segmental information

The Group has one material business activity being the design, manufacture and distribution of gift packaging and greetings, stationery and creative play products, and design‑led giftware.

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

The results below are allocated based on the region in which the businesses are located; this reflects the Group's management and internal reporting structure. The decision was made during 2011 to focus Asia as a service provider of manufacturing and procurement operations, whose main customers are our UK businesses. Both the China factory and the majority of the Asian procurement operations are overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise an operating segment.

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

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

Segment assets are all non‑current and current assets, excluding deferred tax and income tax, which are shown in the eliminations column. Where cash shown in one segment nets under the Group's banking facilities against overdrafts in other segments, the elimination is shown in the eliminations column. Inter‑segment receivables and payables are eliminated similarly.

	UK and Asia £000	**Europe £000**	**USA £000**	**Australia £000**	**Eliminations £000**	**Group £000**
Year ended 31 March 2017						
Revenue – external	**114,113**	**45,497**	**117,831**	**33,551**	**—**	**310,992**
– inter segment	**2,904**	**227**	**—**	**—**	**(3,131)**	**—**
Total segment revenue	**117,017**	**45,724**	**117,831**	**33,551**	**(3,131)**	**310,992**
Segment result before exceptional items	**5,541**	**4,490**	**6,119**	**1,710**	**—**	**17,860**
Exceptional items	**—**	**—**	**(1,037)**	**—**	**—**	**(1,037)**
Segment result	**5,541**	**4,490**	**5,082**	**1,710**	**—**	**16,823**
Central administration costs						**(2,567)**
Net finance expenses						**(1,229)**
Income tax						**(2,719)**
Profit for the year ended 31 March 2017						**10,308**
Balances at 31 March 2017						
Segment assets	**95,760**	**20,413**	**21,461**	**11,717**	**5,398**	**154,749**
Segment liabilities	**(10,934)**	**(16,382)**	**(27,952)**	**(5,753)**	**(3,678)**	**(64,699)**
Capital expenditure						
– property, plant and equipment	**1,866**	**687**	**812**	**1,268**	**—**	**4,633**
– intangible	**184**	**36**	**263**	**51**	**—**	**534**
Depreciation	**1,813**	**1,081**	**1,306**	**371**	**—**	**4,571**
Amortisation	**194**	**45**	**536**	**23**	**—**	**798**

	UK and Asia £000	Europe £000	USA £000	Australia £000	Eliminations £000	Group £000
Year ended 31 March 2016						
Revenue – external	109,723	34,097	65,259	27,871	—	236,950
– inter segment	2,085	337	—	—	(2,422)	—
Total segment revenue	111,808	34,434	65,259	27,871	(2,422)	236,950
Segment result	5,700	2,874	3,465	,494	—	13,533
Central administration costs						(909)
Net finance expenses						(2,763)
Income tax						(2,219)
Profit for year ended 31 March 2016						7,642
Balances at 31 March 2016						
Segment assets	114,171	18,029	(3,789)	9,806	4,296	142,513
Segment liabilities	(46,711)	(10,499)	(6,678)	(4,956)	(2,297)	(71,141)
Capital expenditure						
— property, plant and equipment	1,508	530	1,924	415	—	4,377
— intangible	285	16	56	25	—	382
Depreciation	2,062	654	711	169	—	3,596
Amortisation	163	40	55	27	—	285

- Capital expenditure consists of additions of property, plant and equipment, intangible assets and goodwill.
- No single customer accounts for over 10% of total sales.
- The assets and liabilities that have not been allocated to segments consist of deferred tax assets £5,398,000 (2016: £4,296,000) and income tax payable of £3,153,000 (2016: £1,945,000), deferred tax liability £525,000 (2016: £352,000).
- Central recharges are included within the result of the segment that takes the recharge. The balance of the central costs are not allocated to segments.

Geographical information

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

	Non-current assets	
	2017	2016
	£000	£000
UK and Asia	**38,990**	38,857
USA	**9,936**	7,939
Europe	**14,173**	13,683
Australia	**3,189**	1,947
	66,288	62,426

All turnover arose from the sale of goods.

Turnover by customer destination

	2017	2016	**2017**	2016
	£000	£000	**%**	%
UK	**83,249**	80,010	**27**	34
USA	**133,452**	79,629	**42**	33
Europe	**55,122**	43,836	**18**	19
Australia and New Zealand	**33,551**	27,871	**11**	12
Rest of the world	**5,618**	5,604	**2**	2
	310,992	236,950	**100**	100

5 Expenses and auditor's remuneration

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

		2017	2016
	Notes	**£000**	£000
Depreciation	11	**4,571**	3,596
Profit/(loss) on sales of property, plant and equipment and intangible assets		**75**	(185)
Release of deferred grant income	7	**(108)**	(645)
Amortisation of intangible assets	12	**798**	285
Operating lease payment – minimum lease payment	27	**4,460**	3,889
Sub-lease rental income	7	**(558)**	(547)
Write down of inventories to net realisable value	14	**7,383**	4,316
Reversal of previous write downs on inventory	14	**(57)**	—
Loss/(gain) on foreign exchange		**860**	(1,100)

Auditor's remuneration:

	2017	2016
	£000	£000
Amounts receivable by auditor and its associates in respect of:		
Audit of these financial statements	**35**	30
Audit of financial statements of subsidiaries pursuant to legislation		
– Overseas subsidiaries	**195**	143
– UK subsidiaries	**50**	50
Other services	**158**	—

6 Staff numbers and costs

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

	Number of employees	
	2017	2016
Selling and administration	**480**	418
Production and distribution	**1,626**	1,554
	2,106	1,972

The aggregate payroll costs of these persons were as follows:

		2017	2016
	Note	**£000**	£000
Wages and salaries		**49,846**	39,647
Share-based payments – Long Term Incentive Plan	25	**2,216**	908
Social security costs		**3,792**	2,904

Other pension costs	**3,473**	2,957
	59,327	46,416

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

7 Other operating income

	2017	2016
	£000	£000
Grant income received	**108**	645
Sub-lease rentals credited to the income statement	**558**	547
Other	**(456)**	(434)
	210	758

8 Finance expenses

	2017	2016
	£000	£000
Interest payable on bank loans and overdrafts	**1,177**	1,622
Other similar charges	**580**	349
Finance charges in respect of finance leases	**113**	149
Unwinding of fair value discounts	**79**	74
Interest payable under the effective interest method	**1,949**	2,194
Derivative financial instruments at fair value through income statement	**(720)**	569
	1,229	2,763

9 Taxation

Recognised in the income statement

	2017	2016
	£000	£000
Current tax expenses		
Current year – UK corporation tax	**607**	67
Current year – foreign tax	**2,533**	1,506
Adjustments for prior years	**(8)**	(53)
	3,132	1,520
Deferred tax expense		
Original and reversal of temporary differences	**(219)**	913
Adjustments in respect of previous periods	**(194)**	(214)
	(413)	699
Total tax in income statement	**2,719**	2,219

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit before tax	**13,027**	9,861
Profit before tax multiplied by the standard rate of corporation tax rate of 20% in the UK (2016: 20%)	**2,605**	1,972
Effects of:		
Expenses not deductible for tax purposes	**279**	138
Previously unrecognised tax assets	**(1,637)**	(367)
Deferred tax effect on tax rate changes	**(8)**	140
Differences between UK and overseas tax rates	**1,097**	704
Other items	**585**	(101)
Adjustments in respect of prior years	**(202)**	(267)
Total tax in income statement	**2,719**	2,219

10 Exceptional items

	Cost of sales	**Admin expenses**	**Total**
	£000	**£000**	**£000**
Acquisition of The Lang Companies Inc			
Transaction and restructuring costs[(a)]	**—**	**722**	**722**
Gain on bargain purchase[(b)]	**—**	**(1,271)**	**(1,271)**

Restructuring of American operations[c]	**1,532**	**54**	**1,586**
Total before tax	**1,532**	**(495)**	**1,037**
Income tax credit			**(761)**
			276

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

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

(c) Restructuring of American printing platform.

There were no exceptional items in the year ended 31 March 2016.

Impact of exceptional items on cash flow

There was a £656,000 impact on the current year's cash flow (2016: £200,000) which included £nil (2016: £200,000) of outflow deferred from last year.

11 Property, plant and equipment

	Land and buildings		Plant and	Fixtures and	Motor	
	Freehold	Leasehold	equipment	fittings	vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 April 2015	23,120	8,476	43,900	473	613	76,582
Additions	172	297	3,548	156	204	4,377
Disposals	(2,564)	(12)	(3,600)	(1,972)	(95)	(8,243)
Effect of movements in foreign exchange	676	209	1,003	114	47	2,049
Balance at 1 April 2016	21,404	8,970	44,851	(1,229)	769	74,765
Additions	452	220	3,166	525	270	4,633
Disposals	—	(72)	(4,569)	(538)	(180)	(5,359)
Additions on acquisition of business	—	169	—	123	—	292
Transfers between categories[a]	(1,121)	(63)	2,197	4,343	9	5,365
Effect of movements in foreign exchange	658	1,277	2,527	236	87	4,785
Balance at 31 March 2017	**21,393**	**10,501**	**48,172**	**3,460**	**955**	**84,481**
Depreciation and impairment						
Balance as at 1 April 2015	(11,636)	(3,691)	(30,701)	(257)	(422)	(46,707)
Depreciation charge for the year	(910)	(441)	(2,012)	(145)	(88)	(3,596)
Disposals	1,317	12	3,467	1,972	93	6,861
Effect of movements in foreign exchange	(240)	(96)	(668)	(94)	(35)	(1,133)
Balance at 1 April 2016	(11,469)	(4,216)	(29,914)	1,476	(452)	(44,575)
Depreciation charge for the year	(742)	(301)	(3,201)	(241)	(86)	(4,571)
Disposals	—	25	4,571	531	150	5,277
Transfers between categories[a]	936	17	(2,057)	(4,211)	(50)	(5,365)
Effect of movements in foreign exchange	(236)	(561)	(1,667)	(130)	(46)	(2,640)
Balance at 31 March 2017	**(11,511)**	**(5,036)**	**(32,268)**	**(2,575)**	**(484)**	**(51,874)**
Net book value						
Balance at 31 March 2017	**9,882**	**5,465**	**15,904**	**885**	**471**	**32,607**
At 31 March 2016	9,935	4,754	14,937	247	317	30,190

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

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

Leased plant and machinery

The net book value of property, plant and equipment included an amount of £144,000 (2016: £3,725,000) in respect of assets held under finance leases. Depreciation with respect of these assets was £244,000 (2016: £290,000).

Security

All freehold properties are subject to a fixed charge.

12 Intangible assets

	Computer	Other	

	Goodwill £000	software £000	intangibles £000	Total £000
Cost				
Balance at 1 April 2015	40,252	3,821	102	44,175
Additions	—	382	—	382
Disposals	—	(694)	—	(694)
Effect of movements in foreign exchange	679	57	8	744
Balance at 1 April 2016	40,931	3,566	110	44,607
Additions	35	487	12	534
Additions on acquisition of businesses	—	261	969	1,230
Disposals	—	(441)	—	(441)
Effect of movements in foreign exchange	1,508	278	42	1,828
Balance at 31 March 2017	**42,474**	**4,151**	**1,133**	**47,758**
Amortisation and impairment				
Balance at 1 April 2015	(9,193)	(3,266)	(24)	(12,483)
Amortisation for the year	—	(258)	(27)	(285)
Disposals	—	693	—	693
Effect of movements in foreign exchange	(246)	(46)	(4)	(296)
Balance at 1 April 2016	(9,439)	(2,877)	(55)	(12,371)
Amortisation for the year	—	(432)	(366)	(798)
Disposals	—	390	—	390
Effect of movements in foreign exchange	(1,004)	(285)	(9)	(1,298)
Balance at 31 March 2017	**(10,443)**	**(3,204)**	**(430)**	**(14,077)**
Net book value				
Balance at 31 March 2017	**32,031**	**947**	**703**	**33,681**
At 31 March 2016	31,492	689	55	32,236

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

	2017 £000	2016 £000
UK and Asia	**25,600**	25,600
Europe	**5,146**	4,797
Australia	**1,285**	1,095
Total	**32,031**	31,492

Impairment

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

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

The Group prepares cash flow forecasts for each cash-generating unit derived from the most recent financial budgets for the following three years which are approved by the Board. The key assumptions in those budgets are sales, margins achievable and overhead costs, which are based on past experience and future expectations. The Group then extrapolates cash flows for the following seven years based on a conservative estimate of market growth of 2% (2016: 2%).

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

Pre-tax discount rates used were:

	2017	2016
UK and Asia	**10.5%**	11.5%
Europe	**12.3%**	11.3%
Australia	**14.1%**	14.1%

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

The Directors do not believe a reasonably possible change to the assumptions would give rise to an impairment. The Directors have considered a 3% movement in the discount rate and a flat budget growth rate assumption in their assessment, with these changes in assumptions there is still considerable headroom and no indication of impairment.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**46**	41	**(1,143)**	(1,115)	**(1,097)**	(1,074)
Capital gains deferred	**—**	—	**(76)**	(184)	**(76)**	(184)
Tax loss carried forward	**1,794**	2,622	**—**	(1)	**1,794**	2,621
Other timing differences	**4,439**	2,583	**(187)**	(2)	**4,252**	2,581
Net tax assets/(liabilities)	**6,279**	5,246	**(1,406)**	(1,302)	**4,873**	3,944

Deferred tax is presented net on the balance sheet in so far as a right of offset exists. The net deferred tax asset is £5,398,000 (2016: £4,296,000) and the net deferred tax liability is £525,000 (2016: £352,000).

The deferred tax asset in respect of tax losses carried forward at 31 March 2017 of £1,794,000 (2016: £2,621,000) is comprised of UK tax losses of £907,000 (2016: £1,055,000) and US losses of £887,000 (2016: £1,566,000). US tax losses carried forward will become irrecoverable in March 2027. UK tax losses may be carried forward indefinitely. The deferred tax assets have been recognised where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Board expects that the tax losses will be recoverable against future profits but given the level of tax losses brought forward, recoverability has been assessed on the basis of expected profits currently forecast in the next three to five years. Deferred tax assets in respect of taxable losses that are expected to be recovered outside this forecast period have not been recognised. This includes unrecognised deferred tax assets in respect of UK losses of £305,000 (2016: £340,000), £nil (2016: £1,385,000) in respect of US tax losses, £84,000 (2016: £118,000) in respect of China, and £284,000 (2016: £261,000) in respect of Asia.

A deferred tax liability of £233,000 has been recognised based on the tax cost of remitting earnings from China. No other deferred tax liability has been recognised on unremitted earnings of the overseas subsidiaries as if all unremitted earnings were repatriated with immediate effect, no other tax charge would be payable. Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantially enacted on 26 October 2015. A 17% UK corporate tax rate was substantially enacted on 6 September 2016 and will replace the 18% rate effective from 1 April 2020. Those rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

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

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

	1 April 2015 £000	Acquired with subsidiary £000	Recognised in income £000	Recognised in equity £000	31 March 2016 £000
Property, plant and equipment	(127)	—	(890)	(57)	(1,074)
Capital gains deferred	(280)	—	96	—	(184)
Tax loss carried forward	3,334	—	(677)	(36)	2,621
Other timing differences	1,194	—	772	615	2,581
Net tax assets	4,121	—	(699)	522	3,944

14 Inventory

	2017 £000	2016 £000
Raw materials and consumables	**5,933**	5,981
Work in progress	**8,668**	8,934
Finished goods	**34,874**	31,091

	49,475	46,006

Of the £49,475,000 (2016: £46,006,000) stock value £46,346,000 (2016: £40,899,000) is held at cost and £3,129,000 (2016: £5,107,000) is held at net realisable value. The write down in the year of inventories to net realisable value amounted to £7,383,000 (2016: £4,316,000). The reversal of previous write downs amounted to £57,000 (2016: £nil). The reversal is due to the inventory being either used or sold.

Materials, consumables, changes in finished goods and work in progress recognised as a cost of sale amounted to £213,306,000 (2016: £169,491,000).

On the 6 June 2016 the Group's bank facilities were renegotiated, the asset‑backed loan facility was replaced with an invoice discounting facility. Stock is no longer used to secure the bank facilities except as part of a fixed and floating charge over all other assets of the Group.

In the prior year part of the Group's funding was via asset‑backed loans from our bankers. These loans were secured on part of the inventory and trade receivables of the UK, European and American businesses. The amount of the prior year‑end inventory available to secure an asset‑backed loan was £37,981,000. In addition bank loans to Hoomark and IG Design Group USA, Inc (formerly International Greetings USA) (which were repaid during the year) were secured on a freehold property and contents, including inventory, therein.

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

During the year the Group reviewed the life of certain printing consumables (printing sleeves and cylinders) resulting in a revision to the estimated life over which their costs are charged to cost of sales in the profit and loss account. The detailed review considered the current usage patterns and the estimated lives were updated to best reflect the likely future usage. The net impact of this change in estimate was an increased underlying charge of £172,000 and an exceptional charge of £1,137,000 in the year.

15 Trade and other receivables

	2017 **£000**	2016 £000
Trade receivables	**25,991**	18,634
Prepayments and accrued income	**1,539**	1,645
Other receivables	**1,871**	790
VAT receivable	**221**	118
	29,622	21,187

On 6 June 2016 the Group's bank facilities were renegotiated, the asset backed loan facility was replaced with an invoice discounting facility and seasonal revolving credit facility. None of this facility was drawn at 31 March 2017.

In the prior year part of the Group's funding was via asset‑backed loans from our bankers. These loans were secured on part of the inventory and trade receivables of the UK, European and American businesses. The amount of the prior year‑end trade receivables available to secure the asset‑backed loans was £14,839,000. The asset-backed loan balance at 31 March 2016 was £797,000.

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

There are no trade receivables in the current year (2016: £nil) expected to be recovered in more than twelve months.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 26.

16 Cash and cash equivalents/bank overdrafts

	2017 **£000**	2016 £000
Cash and cash equivalents	**3,659**	8,380
Bank overdrafts	**(916)**	(1,508)
Cash and cash equivalents per cash flow statement	**2,743**	6,872

Net debt

	Note	**2017** **£000**	2016 £000
Cash and cash equivalents		**3,659**	8,380
Bank loans and overdrafts	17	**(916)**	(23,650)
Loan arrangement fees		**271**	209
Finance leases		**(45)**	(2,422)
Net debt as used in the financial review		**2,969**	(17,483)

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

The bank loans and overdrafts are secured by a fixed charge on certain of the Group's land and buildings, a fixed charge on certain of the Group's book debts and a floating charge on certain of the Group's other assets. See note 17 for further details of the Group's loans and overdrafts.

17 Loans and borrowings

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

	2017	2016
	£000	£000
Non-current liabilities		
Secured bank loans (see below)	**—**	18,425
Loan arrangement fees	**(39)**	(76)
	(39)	18,349
Current liabilities		
Asset backed loan	**—**	797
Current portion of secured bank loans (see below)	**—**	2,920
Bank loans and borrowings (see below)	**—**	3,717
Loan arrangement fees	**(232)**	(133)
	(232)	3,584

Terms and debt repayment schedule

		2017	2016
	Note	**£000**	£000
Due within one year:			
Bank loans and borrowings (see below)		**—**	3,717
Bank overdrafts	16	**916**	1,508
Due between one and two years:			
Secured bank loans (see below)		**—**	5,407
Due between two and five years:			
Secured bank loans (see below)		**—**	10,250
Due after more than five years:			
Secured bank loans (see below)		**—**	2,768
		916	23,650

Secured bank loans

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

- a three-year revolving credit facility ("RCF") for £18 million which is sufficient to fund the Group's core financing requirements;
- a hire purchase agreement for £2.3 million in respect of the equipment installed in Wales in 2014 and maturing in 2021 – this was the only part of the facilities that was unchanged in the new arrangements and was repaid later in the year.
- receivables financing arrangements for an initial term of three years in the UK, Europe, USA and Hong Kong; and
- a further flexible RCF with availability varying from month to month to meet requirements during the seasonal inventory build. This is reviewed annually but capable of extension to match the maturity of the core RCF.

In total the Group estimates the effectively available facilities at over £125.5 million, more than sufficient to cover the peak requirements. The facilities have flexible elements within them that mean they can grow with the Group's requirements.

The facility was capable of extension for two further years at the same terms should the parties agree. The first one year extension was agreed on 31 May 2017.

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

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

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

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

Under the terms of the refinancing agreement the loans shown below, where outstanding, were repaid on 6 June 2016.

The following facilities were in place at 31 March 2016 and were all repaid during the current year.

Bank overdraft and ABL

Bank overdrafts and ABL balances were £1,508,000 and £797,000 at 31 March 2016. The outstanding balances at 6 June 2016 were repaid. The overdraft was secured on the assets of the Group, ABL balances were secured over inventory and trade receivable balances (see notes 14 and 15 for further details).

Loan 1

The principal of £263,000 was repayable over a five-year period ending September 2019. It was repaid early on 6 June 2016 It was secured over part of the plant and machinery of IG Design Group Americas Inc. It was subject to a variable rate of interest linked to the US FRR. The currency of denomination of the loan was US dollars.

Loan 2

The principal of £4,553,000 was repayable quarterly over a 20-year period ending in July 2028. It was repaid early on 6 June 2016. The loan was secured over the freehold land and buildings and the content therein of Hoomark BV and was subject to a variable rate of interest linked to EURIBOR, that had been swapped to a fixed rate for a notional amount of £5,469,000 over a period of five years ending in January 2017. This interest rate swap was cancelled during the year. The currency of denomination of the loan was euros.

Loan 3

The principal of £9,068,000) was repayable in May 2018. It was repaid early on 6 June 2016. £6,925,000 was denominated in sterling and £2,143,000 was denominated in US dollars. They were subject to a variable interest rate linked to LIBOR except for the element that has been swapped. At 31 March 2016 the Group had an interest rate cap on a notional amount of £8 million, and a notional amount of $8 million, whereby interest payable had been capped at 1.5% on both notional amounts. Both these swaps expired during the year.

Loan 4

The principal of £7,462,000) was repayable and amortised to May 2017. It was repaid early on 6 June 2016. £4,337,000 was denominated in sterling and £3,125,000) was denominated in US dollars. They were subject to a variable interest rate linked to LIBOR.

See the financial review for further details.

18 Deferred income

	2017 **£000**	2016 £000
Included within non-current liabilities		
Deferred grant income	**1,083**	1,145
Included within current liabilities		
Deferred grant income	**98**	105
Other deferred income	**13**	13
Deferred grant income	**111**	118

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

19 Provisions

	Property £000	Other £000	Total £000
Balance at 1 April 2016	971	110	1,081
Provisions made in the year	—	338	338
Provisions released during the year	—	(113)	(113)
Unwinding of fair value discounts	79	—	79
Provisions utilised during the year	(72)	(3)	(75)
Effect of movements in foreign exchange	—	12	12
Balance at 31 March 2017	**978**	**344**	**1,322**

	2017 **£000**	2016 £000
Non-current	**881**	869
Current	**441**	212
	1,322	1,081

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

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

20 Other financial liabilities

	2017	2016
	£000	£000
Included within non-current liabilities		
Finance lease	**13**	1,948
Other creditors and accruals	**1,898**	147
	1,911	2,095
Included within current liabilities		
Finance lease	**32**	474
Other creditors and accruals	**18,405**	12,020
Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	**2**	678
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	**60**	571
	18,499	13,743

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2017			2016		
	Minimum lease payments	**Interest**	**Principal**	Minimum lease payments	Interest	Principal
	£000	**£000**	**£000**	£000	£000	£000
Less than one year	**35**	**(3)**	**32**	562	(88)	474
Between one and five years	**15**	**(2)**	**13**	2,072	(124)	1,948
More than five years	**—**	**—**	**—**	—	—	—
	50	**(5)**	**45**	2,634	(212)	2,422

21 Trade and other payables

	2017	2016
	£000	£000
Trade payables	**36,341**	26,023
Other payables including income taxes and social security	**749**	730
VAT payable	**360**	468
	37,450	27,221

22 Share capital

Authorised share capital at 31 March 2017 and 2016 was £6,047,443 divided into 120,948,860 ordinary shares of 5p each.

	Ordinary shares	
In thousands of shares	**2017**	2016
In issue at 1 April	**59,257**	58,206
Options exercised during the year	**385**	1,051
Share placing	**3,000**	—
In issue at 31 March – fully paid	**62,642**	59,257

	2017	2016
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each	**3,132**	2,963

Share options exercised during the year resulted in 385,000 ordinary shares being issued (2016: 443,000) which generated cash proceeds of £53,000 (2016: £104,000).

No LTIP options were exercised during the year (2016 exercises amounted to 607,652 ordinary shares being issued at nil cost).

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

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

23 Earnings per share

	2017		2016	
	Diluted pence	**Basic pence**	Diluted pence	Basic pence
Underlying earnings per share excluding exceptional items and LTIP charges	**18.2**	**19.0**	13.2	13.5
Cost per share on LTIP charge	**(2.8)**	**(2.9)**	(1.2)	(1.2)
Underlying earnings per share excluding exceptional items	**15.4**	**16.1**	12.0	12.3
Cost per share on exceptional items	**(0.4)**	**(0.4)**	0.0	0.0
Earnings per share	**15.0**	**15.7**	12.0	12.3

The basic earnings per share is based on the profit attributable to equity holders of the Company of £9,650,000 (2016: £7,261,000) and the weighted average number of ordinary shares in issue of 61,539,000 (2016: 58,843,000) calculated as follows:

In thousands of shares	**2017**	2016
Issued ordinary shares at 1 April	**59,257**	58,206
Shares issued in respect of exercising of share options	**260**	637
Shares issued in respect of share placing	**2,022**	—
Weighted average number of shares at 31 March	**61,539**	58,843

Underlying basic earnings per share excludes exceptional items charged of £1,037,000 (2016: £nil) and the tax relief attributable to those items of £761,000 (2016: £nil), to give underlying profit of £9,926,000 (2016: £7,261,000).

Underlying earnings per share excludes exceptional items and LTIP charges of £3,253,000 (2016: £908,000) and tax relief attributable to those items of £1,203,000 (2016: £205,000), to give underlying profit of £11,700,000 (2016: £7,964,000).

Diluted earnings per share

The average number of share options under the Executive Share Options 2008 Scheme outstanding in the year is 835,680 (2016: 1,371,739) at an average exercise price of 14p (2016: 14p). The average number of share options under the LTIP scheme outstanding in the year is 500,000 (2016: 638,178) at nil cost. The diluted earnings per share is calculated assuming all these options were exercised, and taking into account LTIP awards whose specified performance conditions were satisfied at the end of the reporting period. At 31 March the diluted number of shares was 64,161,000 (2016: 60,745,000).

24 Dividends paid and proposed

A final dividend for year ending 31 March 2016 of 1.75p (for year ending 31 March 2015: 1p) was paid on 21 September 2016. An interim dividend of 1.75p was paid on 17 January 2017 (2016: 0.75p). The Directors are recommending a final dividend of 2.75p per share in respect of the year ended 31 March 2017 (2016: 1.75p). If approved it will be paid in September 2017 to shareholders on the register at the close of business on 7 July 2017.

	2017		2016	
	Pence per share	**£000**	Pence per share	£000
Final equity dividend for prior year	**1.75p**	**1,037**	1p	582
Interim equity dividend for current year	**1.75p**	**1,097**	0.75p	450
Dividends paid in the year		**2,134**		1,032

	2017		2016	
Proposed for approval at Annual General Meeting	**Pence per share**	**£000**	Pence per share	£000
Final equity dividend for the current year	**2.75p**	**1,723**	1.75p	1,037

25 Share-based payments

Executive Share Options 2008

Options to subscribe for ordinary shares have been granted, pursuant to the Company's approved and unapproved Employee Share Option Schemes, which are exercisable at dates ranging up to December 2018. At 31 March 2017, outstanding options were as follows:

Exercise

	Number of ordinary shares	price pence	Exercise dates
Approved:	638,570	14	December 2011 – December 2018
Unapproved:	71,430	14	December 2011 – December 2018
	710,000		

All share–based payments are equity–settled.

There were no performance conditions attached to the approved options (other than continued employment). Conditions related to profitability for the two years to March 2011 were attached to the unapproved options awarded to Executive Directors. The conditions to both schemes have now been fully met.

For the share options outstanding at 31 March 2017, the weighted average remaining contract life was 1.7 years (2016: 2.7 years).

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

	2017		2016	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	**14**	**1,096,000**	16	1,589,285
Lapsed during the year	**62**	**—**	62	(50,000)
Exercised during the period	**14**	**(386,000)**	17	(443,285)
Outstanding at the end of the period	**14**	**710,000**	14	1,096,000
Exercisable at the end of the period	**14**	**710,000**	14	1,096,000

The weighted average share price at the date of exercise of share options exercised during the period was 212.7p (2016: 171.8p).

No share options were granted under this scheme during the year or the previous year.

Long Term Incentive Plan

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

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

	Number of ordinary shares	Exercise price pence	Exercise dates
2012-2015 LTIP scheme	500,000	nil	June 2016 – March 2024
2014-2017 LTIP scheme[(a)]	1,330,351	nil	June 2017 – August 2024
	1,830,351		

All performance criteria have been met.

	2017		2016	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	**nil**	**500,000**	nil	1,107,652
Options vesting during the period[(a)]	**nil**	**1,330,351**	nil	—
Exercised during the period	**nil**	**—**	nil	(607,652)
Outstanding at the end of the period	**nil**	**1,830,351**	nil	500,000
Exercisable at the end of the period	**nil**	**1,830,351**	nil	500,000

(a) The shares relating to the 2014-17 scheme formally vest on 21 June 2017 following the Remuneration Committee and Audit Committee approval of the results for the year ended 31 March 2017.

The award periods now in place under the LTIP are as follows:

2014–2017: provisional share awards totalling 1,297,698 shares

Share awards totalling 1,297,698 (1,330,351 after adjusting for the effect of dividends) were issued during 2014/15 to 18 members of the leadership teams across the Group. The performance condition applied is CAGR in fully diluted earnings per share (before exceptional items) and this must be not less than 10% for any initial vesting to take place and up to 20% for the whole amount to vest.

The charge for the LTIP granted during the year was based on the share price of 72p at the time the scheme was approved and the expected number of shares to vest.

2015–2018: provisional share awards totalling 1,176,860 shares

Share awards totalling 1,176,860 (1,216,833 after adjusting for the effect of dividends) were issued during 2015/16 to 26 members of the leadership teams across the Group. The performance conditions applied are fully diluted earnings per share (before exceptional items and LTIP charges), profit before tax, LTIP and exceptional items and average leverage.

	Weighting	Threshold	Stretch
EPS	50%	CAGR[(a)] 10%	CAGR[(a)] 17.5%
PBT	30%	CAGR[(a)] 10%	CAGR[(a)] 17.5%
Average leverage	20%	2.5x	1.8x

(a) CAGR = compound annual growth rate.

25% of the weighted award vests if the relevant threshold target is achieved with straight-line vesting of the balance up to the stretch target at which 100% of the weighted award is made.

The charge for the LTIP granted during the year was based on the share price of £1.29 at the time the scheme was approved and the expected number of shares to vest.

2016–2019: provisional share awards totalling 896,649 shares

Share awards totalling 896,649 (916,509 after adjusting for the effect of dividends) were issued during the year to 28 members of the leadership teams across the Group. The performance conditions applied are fully diluted earnings per share (before exceptional items and LTIP charges), profit before tax, LTIP and exceptional items. Vesting increases on a straight-line basis and the full number of shares are issuable when both stretch targets are met.

	Weighting	Threshold	Stretch
EPS	60%	CAGR[(a)] 10%	CAGR[(a)] 17.5%
PBT	40%	CAGR[(a)] 10%	CAGR[(a)] 17.5%

(a) CAGR = compound annual growth rate.

25% of the weighted award vests if the relevant threshold target is achieved with straight-line vesting of the balance up to the stretch target at which 100% of the weighted award is made.

The charge for the LTIP granted during the year was based on the share price of £1.82 at the time the scheme was approved and the expected number of shares to vest.

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

	2017	2016
	£000	£000
Charge in relation to the 2014-2017 LTIP scheme	**517**	387
Charge in relation to the 2015-2018 LTIP scheme	**662**	209
Charge in relation to the 2016-2019 LTIP scheme	**376**	—
Equity-settled share-based payments	**1,555**	596
National Insurance charge on LTIP awards	**661**	312
Equity-settled share-based payments	**2,216**	908

	2017	2016
	£000	£000
National Insurance accrual arising from share–based payment transactions	**973**	320

The fair value of the options granted in the year was £1,537,000 (2016: £825,000). The exercise price is nil.

National Insurance ("NI") on share-based incentives

Employer's NI 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.

26 Financial instruments

Derivative financial assets

	2017	2016
	£000	£000
Financial assets designated at fair value through the profit and loss	**307**	218

a) Fair values of financial instruments

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

As at 31 March 2017, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of £307,000 (2016: £218,000) and a liability of £62,000 (2016: £1,249,000).

Derivative financial instruments

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

Fair value hierarchy

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

b) Credit risk

Financial risk management

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

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

The Group has no significant concentration of credit risk exposure as revenues are split across a large number of customers in different geographical areas. The main customers of the Group are large and mid-sized retailers, other manufacturers and wholesalers of greetings products, service merchandisers and trading companies. The Group has established procedures to minimise the risk of default of trade receivables including detailed credit checks undertaken before new customers are accepted and rigorous credit control procedures after sale. These processes have proved effective in minimising the level of impairments 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 £23,924,000 (2016: £28,022,000) being the total of the carrying amount of financial assets excluding equity investments above.

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

	2017	2016
	£000	£000
UK and Asia	**5,486**	7,882
USA	**13,021**	4,617
Europe	**3,954**	3,299
Australia	**3,530**	2,836
	25,991	18,634

Credit quality of financial assets and impairment losses

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

	2017		2016	
	Gross	Impairment	Gross	Impairment
	£000	£000	£000	£000
Not past due	**21,875**	**(31)**	13,135	(39)
Past due 0-60 days	**3,465**	**(146)**	3,960	(72)

61-90 days	**705**	**(68)**	405	(43)
More than 90 days	**768**	**(577)**	1,484	(196)
	26,813	**(822)**	18,984	(350)

There were no unimpaired balances outstanding at 31 March 2017 (2016: £nil) where the Group had renegotiated the terms of the trade receivable.

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

	2017	2016
	£000	£000
Balance at 1 April	**350**	209
Charge for the year	**673**	311
Unused amounts reversed	**—**	(68)
Amounts written off	**(235)**	(115)
Effects of movement in foreign exchange	**34**	13
Balance at 31 March	**822**	350

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

c) Liquidity risk

Financial risk management

The Group's policy with regard to liquidity ensures adequate access to funds by maintaining an appropriate mix of short-term and longer-term facilities, which are reviewed on a regular basis. The maturity profile and details of debt outstanding at 31 March 2017 is set out in note 17.

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

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

(a) Measured at Level 3.

(b) Measured at Level 2.

31 March 2016	Notes	Nominal interest rate %	Carrying amount £000	Contractual cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Non-derivative financial liabilities								
Secured bank loans – sterling		2.8	11,262	(11,939)	(1,473)	(3,085)	(7,381)	—
Secured bank loans – US dollar		2.3 – 2.5	5,531	(5,151)	(743)	(2,205)	(2,203)	—
Secured bank loans – euros		5.0	4,552	(5,883)	(552)	(537)	(1,522)	(3,272)
Total secured bank loans	17		21,345	(22,973)	(2,768)	(5,827)	(11,106)	(3,272)
Finance leases	20							
– sterling leases		3.9	2,350	(2,555)	(529)	(528)	(1,498)	—
– euro leases		5.0	72	(79)	(33)	(33)	(13)	—
Other financial liabilities			12,167	(12,167)	(12,020)	(147)	—	—
Trade payables	21		26,023	(26,023)	(26,023)	—	—	—
Other payables	21		1,198	(1,198)	(1,198)	—	—	—
Asset-backed loans		2.1 – 3.5	797	(797)	(797)	—	—	—
Bank overdraft		1.0 – 3.9	1,508	(1,508)	(1,508)	—	—	—
Derivative financial liabilities								

Financial liabilities at fair value through the income statement – interest rate swaps[(a)]	152	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the income statement	526	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve	571	(2,546)	(2,546)	—	—	—
	66,709	(69,846)	(47,422)	(6,535)	(12,617)	(3,272)

(a) The interest rate swaps with fair values of £152,000 mature over a period of three years ending January 2017.

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

	31 March 2017				31 March 2016			
	Carrying amount £000	**Facility used contractual cash flows £000**	**Facility unused £000**	**Total facility £000**	Carrying amount £000	Facility used contractual cash flows £000	Facility unused £000	Total facility £000
Secured bank loans	**—**	**—**	**—**	**—**	21,345	(22,973)	—	(22,973)
Corporate revolving credit facilities	**—**	**—**	**(18,000)**	**(18,000)**	—	—	—	—
Invoice discounting/asset-backed financing	**—**	**—**	**(12,123)**	**(12,123)**	797	(797)	(15,459)	(16,256)
Bank overdraft	**916**	**(916)**	**(1,613)**	**(2,529)**	1,508	(1,508)	(2,247)	(3,755)
	916	**(916)**	**(31,736)**	**(32,652)**	23,650	(25,278)	(17,706)	(42,984)

The invoice discounting/asset-backed loan facilities are dependent upon the levels of the relevant inventory and receivables.

The major bank facilities vary in the year depending on forecast debt requirements. The maximum limit across all facilities with the major bank was £125.5 million (2016: £74 million). At 31 March 2017 the facility amounted to £30.1 million (2016: £27.1 million).

Additional facilities were available at other banks of £2.5 million (2016: £14.3 million).

d) Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

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

31 March 2016	Carrying amount £000	Contractual cash flows £000	One year or less £000
Forward exchange contracts:			
Liabilities	571	(2,546)	(2,456)

At 31 March 2016 the Group had an interest rate swap in place with a notional amount of €7 million, £5.6 million) whereby it received a floating rate of interest based on EURIBOR and paid a fixed rate of interest at 2.29% on the notional amount. This swap was to hedge the exposure to changes in the interest rate. It was cancelled during the year.

The Group has forward currency hedging contracts outstanding at 31 March 2017 designated as hedges of expected future purchases in US dollars and Chinese renminbi for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments.

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

The cash flow hedges of the expected future purchases in 2017/18 were assessed to be highly effective and as at 31 March 2017 a net unrealised gain of £271,000 (2016: £223,000 loss) with related deferred tax debit of £nil (2016 £nil) was included in other comprehensive income in respect of these hedging contracts.

e) Market risk

Financial risk management

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

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

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

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

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

31 March 2017	Notes	**Sterling £000**	**Euro £000**	**US dollar £000**	**Other £000**	**Total £000**
Cash and cash equivalents	16	**1,021**	**(455)**	**2,659**	**434**	**3,659**
Trade receivables	15	**4,578**	**3,764**	**14,035**	**3,614**	**25,991**
Other receivables		**902**	**30**	**—**	**—**	**932**
Financial assets at fair value through income statement		**307**	**—**	**—**	**—**	**307**
Loan arrangement fees	17	**271**	**—**	**—**	**—**	**271**
Finance leases	20	**—**	**(45)**	**—**	**—**	**(45)**
Bank overdrafts	16	**—**	**—**	**—**	**(916)**	**(916)**
Trade payables	21	**(10,269)**	**(6,054)**	**(16,103)**	**(3,915)**	**(36,341)**
Other payables	21	**(722)**	**(387)**	**—**	**—**	**(1,109)**
Balance sheet exposure		**(3,912)**	**(3,147)**	**591**	**(783)**	**(7,251)**

31 March 2016	Notes	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	16	2,281	(390)	5,303	1,186	8,380
Trade receivables	15	6,630	3,163	5,506	3,335	18,634
Other receivables		793	16	—	—	809
Financial assets at fair value through income statement		218	—	—	—	218
Secured bank loans	17	(11,262)	(4,552)	(5,531)	—	(21,345)
Loan arrangement fees	17	162	—	47	—	209
Finance leases	20	(2,350)	(72)	—	—	(2,422)
Asset-backed loans	17	—	(797)	—	—	(797)
Bank overdrafts	16	—	—	—	(1,508)	(1,508)
Trade payables	21	(9,533)	(3,318)	(10,082)	(3,090)	(26,023)
Other payables	21	(817)	(381)	—	—	(1,198)
Balance sheet exposure		(13,878)	(6,331)	(4,757)	(77)	(25,043)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	**2017**	2016
Euro	**1.19**	1.36	**1.17**	1.26
US dollar	**1.30**	1.50	**1.25**	1.44

Sensitivity analysis

A 10% weakening of the following currencies against sterling at 31 March 2017 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 is performed on the same basis for 31 March 2016.

	Equity		Profit/(loss)	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Euro	**286**	89	**(732)**	18
US dollar	**(54)**	432	**(635)**	(959)

On the basis of the same assumptions, a 10% strengthening of the above currencies against sterling at 31 March 2017 would have affected equity and profit or loss by the following amounts:

	Equity		Profit/(loss)	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Euro	**(350)**	(109)	**895**	(22)
US dollar	**66**	(529)	**777**	1,172

Profile

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

	Notes	**2017 £000**	2016 £000
Fixed rate instruments			
Financial liabilities		**—**	(19,112)
Variable rate instruments			
Financial assets		**3,659**	8,380
Financial liabilities		**(916)**	(4,538)
Loan arrangement fees		**271**	209
Finance leases		**(45)**	(2,422)
Net cash/(debt)	16	**2,969**	(17,483)

The fixed rate borrowings in the prior year above are shown after taking account of interest rate swaps and interest rate caps.

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

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect on financial instruments with variable interest rates, financial instruments at fair value through profit or loss. The analysis is performed on the same basis for 31 March 2016.

	2017 £000	2016 £000
Equity		
Increase	14	—
Decrease	—	24
Profit or loss		
Increase	14	—
Decrease	—	24

f) Capital management

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

As stated in note 17 the Group secured a global refinancing on 6 June 2017.

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

		Equity	
	Notes	**2017 £000**	2016 £000
Net assets attributable to owners of the Parent Company		**86,217**	68,002
Net cash/(debt)	16	**(2,969)**	17,483
Trading capital		**83,248**	85,485

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

27 Operating leases

Non–cancellable operating lease rentals are payable as follows:

	2017	2016
	£000	£000
Less than one year	**4,515**	4,051
Between one and five years	**11,064**	11,698
More than five years	**19,419**	5,853
	34,998	21,602

Non-cancellable operating leases are receivables as follows:

	2017	2016
	£000	£000
Less than one year	**—**	908
Between one and five years	**790**	2,355
	790	3,263

The Group leases a number of warehouse and factory facilities as well as vehicles and office equipment under operating leases. The leases of warehouse and factory facilities typically have an option to renew at the end of the lease term and lease payments are subject to five–yearly rent reviews.
One of the leased properties has been sublet by the Group and part of a second. The main sub–leases have periods to run of between one and five years. Sub–lease payments of £558,000 (2016: £547,000) were received during the financial year.

During the year £4,460,000 was recognised as an expense in the income statement in respect of operating leases (2016: £3,889,000).

28 Capital commitments
At 31 March 2017, the Group had outstanding authorised capital commitments to purchase plant and equipment for £575,000 (2016: £160,000).

29 Related parties

	2017	2016
	£000	£000
Sale of goods:		
AB Alrick – Hedlund	**1**	8
Hedlunds Pappers Industri AB	**149**	121
Festive Productions Ltd	**37**	128
Hedlund Import AB	**4,596**	7,003
S A Greetings (South African Greetings)	**26**	8
	4,809	7,268
Purchase of goods:		
Hedlund Import AB	**60**	86
Festive Productions Ltd	**—**	18
Mattr Media Ltd	**69**	
	129	104
Receivables		
Hedlund Import AB	**112**	320
Hedlunds Pappers Industri AB	**7**	19
Balance at 31 March	**119**	339
Payables		
Hedlund Import AB	**—**	(1)
Balance at 31 March	**—**	(1)

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

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

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

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

Other related party transactions

Directors of the Company and their immediate relatives have an interest in 46% (2016: 49%) of the voting shares of the Company. The shareholdings of Directors and changes during the year are shown in the Directors' report.

30 Subsidiary with significant non–controlling interest

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

Australia balance sheet as at 31 March	**2017 £000**	2016 £000
Non-current assets	**2,611**	1,418
Current assets	**10,800**	9,831
Current liabilities	**(5,699)**	(4,281)
Non-current liabilities	**(146)**	(227)

Australia comprehensive income for the year ended 31 March	**2017 £000**	2016 £000
Turnover	**33,551**	27,873
Profit after tax	**1,325**	761
Total comprehensive income	**1,563**	502

Australia cash flow for the year ended 31 March	**2017 £000**	2016 £000
Net increase/(decrease in cash and cash-equivalents)	**(807)**	1,294

Australia non-controlling interest	**2017 £000**	2016 £000
1 April	**3,370**	2,920
Share of profits for the year	**658**	381
Other comprehensive income	**119**	(130)
Capital contribution from non-controlling investor	**110**	
Dividend paid to the non-controlling interest	**(867)**	—
Currency translation	**443**	199
31 March	**3,833**	3,370

31 Acquisition of business

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

Effect of acquisition

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

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

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

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