EMBARGOED UNTIL 7.00 AM, 11JUNE 2019

IG Design Group PLC

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

Results for the year ended 31 March 2019

Organic and acquisitive growth drives record revenue and profits alongside 42% increased dividend

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of Gift Packaging, Celebrations, Stationery and Creative Play products, Giftware and related product categories announces its results for the year ended 31 March 2019.

Financial Highlights

- Revenue up 37% to £448.4 million (2018: £327.5 million), with 9.8% organic growth
- Adjusted operating profit* increased by 41% to £ 32.6 million (2018: £23.2 million)
    - Adjusted operating margin* is up 0.2 percentage points to 7.3% (2018: 7.1%)
- Adjusted profit before tax* up 39% to £30.3 million (2017: £21.8million)
- Adjusted earnings per share* up 33% to 29.3p (2018: 22.1p)
- Adjusted cash generated from operations £50.5 million (2018: £22.6 million) funding capital expenditure of £7.9 million (2018: £9.4 million)
- Average leverage* improved to 1.3 times (2018: 1.5 times) with year-end net cash balance up £12.7 million to £17.1 million (2018: £4.4 million)
- Final dividend per share increased by 50% to 6.00p (2018: 4.00p), delivering total dividend in respect of the year of 8.50p per share up 42% (2018: 6.00p). Dividend cover is 3.4 times.

**(stated before exceptional items, amortisation of acquired intangibles and LTIP charges)*

Reported Results

- As a result of exceptional costs of £8.4 million, primarily related to the acquisition of Impact Innovation, Inc. (“Impact”) and the subsequent restructuring in the US, profit before tax decreased to £17.3 million (2018: £19.7 million), in line with market guidance
- Fully diluted earnings per share 16.0p (2018: 20.5p)

Operational Highlights

- All regions delivered sales and profit growth
    - Outstanding performance in USA, Europe and Australia with on-going growth in the UK
- Continued geographic and customer diversification:
    - With growth in all regions, revenues by destination outside of the UK are at 78% (2018: 73%), with 22% remaining UK based.
    - Traded with in excess of 11,000 customers, with more than 750 million units of consumer products sold in over 210,000 stores across 80 countries.
- Strategic growth projects successfully executed in all regions:
    - Acquisition of Impact in USA in August 2018. Operational synergies delivering to plan
    - Doubling of revenues of ‘not-for-resale’ consumable products globally to £20 million, including UK manufactured paper bags
    - 24% increase to £197 million in sales of non-Christmas merchandise, including significant growth in the sale of Creative Play products
    - Successful initial phase upgrade of IT systems in USA

Post-period Highlights

- New increased banking facility agreed supporting future growth, both organic and M&A

Paul Fineman, CEO, commented:

"We have generated sales of more than 750 million units of consumer products across over 50,000 individually designed items. This tremendous level of innovation, together with our ability to manage and leverage considerable scale, has resulted in our business meeting ambitious targets and achieving record revenues, profit, cash generation and EPS. As a consequence, we have significantly enhanced our full year dividend up 42% to 8.50p.

Having successfully concluded, in August 2018, the acquisition of Impact in the USA, I am particularly pleased that we have 'hit the ground running' in terms of delivering on our plans for operational and commercial synergies that were identified at the time of the acquisition; an excellent example of collaboration and team work amongst our new and enlarged team in the US.

As ever, our eye is on the future and we continue to invest to enhance our competitive advantage. We have delivered £7.9 million of capital expenditure projects within the year and have additional exciting fast payback investments taking place in 2020. Furthermore, our investment in our team continues at pace with the focus on leveraging scale and driving innovation.

Supported by an ever strengthening balance sheet, our business remains very well placed to continue to grow both organically and through carefully considered M&A opportunities and we look forward to the future with enthusiasm and optimism."

For further information:

IG Design Group plc 01525 887310
Paul Fineman, Chief Executive
Giles Willits, Chief Financial Officer

Canaccord Genuity Limited 020 7523 8000
Bobbie Hilliam – NOMAD
Alex Aylen - Sales

Alma PR
Rebecca Sanders-Hewett 020 3405 0205
Susie Hudson designgroup@almapr.co.uk
Sam Modlin

EXECUTIVE REVIEW

Overview

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

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

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

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

The results are testament to our successful focus on the Group's key strategic drivers; working with the winners in both existing and new channels and markets; design and innovation, growing existing, new and adjacent product categories; and efficiency and scale, investing in state-of-the-art machinery across the globe, growing our scale through acquisitions and leveraging synergies from these. The combination of reduced average leverage and strong cash generation has underpinned a 42% increase in the dividend from a level of 6.00p for 2018 to a total of 8.50p for 2019. This increase not only reflects the growth in the business but also the commitment to reduce dividend cover, which decreased to 3.4 times compared to 3.7 times in the prior year.

Our strategy

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

Working with the winners

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

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

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

Our focus on working with the winners helps ensure we are benefiting as our customers continue to grow. But it also requires us to decide who we will not work with and this has been especially important during a year that has witnessed challenging retail markets, with a number of high profile retailers facing financial troubles. This is highlighted by our low bad debt write offs at 0.1% of revenues. The Impact acquisition has resulted in a strengthening of our relationship with Walmart, the largest retailer in the world. With over 11,000 stores worldwide, Walmart is our largest customer, and now accounts for approximately 20% of the Group's revenue. Our focus on great customer service is a must for maintaining and developing all relationships, and we were delighted that Impact was awarded Walmart Supplier of the Year in March 2019. Next year will see us continue to grow our business with Walmart.

Design & innovation

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

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

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

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

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

Efficiency & scale

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

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

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

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

Targets for growth

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

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

Outlook

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

We continue to invest in building the capability and strength of our teams around the world to ensure we remain agile to the opportunities that will deliver further successes. In particular, in the US we have recently recruited new senior management to lead our sales and manufacturing teams.
We continue to set ourselves ambitious targets and remain focused on creating value for all stakeholders through the delivery of our strategy. We are excited by the positive start to the new financial year and the potential to drive the business forward through compelling M&A opportunities.

Operational regional highlights

Our Group looks to leverage our global scale as a diversified, design-led, multi-product category and multi-channel business supported by world class manufacturing and sourcing operations. With an effective mix of creativity and reliability, our teams strive to deliver commercially successful design, product development and innovation across our global customer base. The success of this can be seen by the resulting growth in all of our regions in the year ended 31 March 2019.

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

Americas

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

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

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

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

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

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

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

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

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

UK

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

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

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

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

Europe

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

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

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

Australia

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

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

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

Our products and brands

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

Part of the Group's ongoing strategy is to be partner of choice to our customers which means providing our broad customer base with a 'one-stop-shop' product offering which is a compelling blend of great design and value for money products across all our categories. This was further enhanced this year with the acquisition of Impact, adding Seasonal décor to our product categories.

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

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

Since last year, we have evolved even further as a diversified, multi-category, multi-channel and multi-product manufacturer and supplier with our activities and sales generated across four core categories:

- 'Celebrations', including gift packaging, greetings, seasonal décor and partyware products;
- 'Stationery and creative play', including home, school and office products;
- 'Gifting', our design-led giftware products category; and
- 'Not-for-resale' consumables focused on branded store bags, and now point of purchase products.

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

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

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

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

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

Our team

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

Alternative performance measures

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

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

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

Exceptional items

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

Acquisition related costs

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

Reorganisation and restructuring costs

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

LTIP costs

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

Acquisition amortisation costs

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

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

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

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

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

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

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

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

Detailed financial review

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

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

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

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

Finance charge

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

Exceptional items

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

The costs related to three items:

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

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

LTIP charges

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

Taxation

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

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

Earnings per share

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

Dividends

The Board is pleased to announce a final dividend of 6.00p (2018: 4.00p) bringing our total dividend in respect of the year to 8.50p per share, up 42% (2018: 6.00p). This represents 3.4 times dividend cover compared to 3.7 times in 2018. This improvement in pay-out is in line with our progressive dividend policy and our commitment of moving our dividend cover over time towards at least two and a half times adjusted earnings per share.

Return on capital employed

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

Cash flow and net cash

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

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

Working capital

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

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

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

Capital expenditure

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

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

There are also smaller capital projects that we have invested in throughout the year and in all cases we seek rapid payback from our investment and monitor projects closely both during implementation and then through the payback period to ensure we achieve the expected returns.

Impact acquisition and associated share capital issue

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

Average leverage and treasury

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

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

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

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

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

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

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

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

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

Foreign exchange

The overall impact on revenue and profits from currency movements is not significant. However, we adopt an active hedging policy where required. In particular, cash flow hedging ensures further foreign exchange movements remain mitigated as far as possible. A reasonable proportion of this hedging is achieved through natural hedges whereby our purchases and sales in US dollars are offset. The balance of our hedging is achieved through forward exchange contracts and similar derivatives.

New accounting standards

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

Financial position and going concern basis

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

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

Paul Fineman
Chief Executive Officer (CEO)

Giles Willits
Chief Financial Officer (CFO)

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 MARCH 2019

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

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

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

Earnings per ordinary share

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2019

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

Non-controlling interests	**1,264**	403
	13,636	12,404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2019

	Share capital £000	Share premium and capital redemption reserve £000	Merger reserves £000	Hedging reserves £000	Translation reserve £000	Retained earnings £000	Shareholder equity £000	Non-controlling interest £000	Total £000
At 31 March 2017	3,132	9,769	17,164	271	2,551	53,330	86,217	3,833	90,050
Profit for the year	—	—	—	—	—	13,545	13,545	789	14,334
Other comprehensive income	—	—	—	(298)	(1,246)	—	(1,544)	(386)	(1,930)
Total comprehensive income for the year	—	—	—	(298)	(1,246)	13,545	12,001	403	12,404
Equity-settled share-based payment (note 25)	—	—	—	—	—	1,677	1,677	—	1,677
Tax on equity-settled share-based payments	—	—	—	—	—	(111)	(111)	—	(111)
Options exercised (note 22)	62	46	—	—	—	(37)	71	—	71
Equity dividends paid	—	—	—	—	—	(3,000)	(3,000)	(575)	(3,575)
At 31 March 2018	3,194	9,815	17,164	(27)	1,305	65,404	96,855	3,661	100,516
Profit for the year	**—**	**—**	**—**	**—**	**—**	**11,925**	**11,925**	**1,326**	**13,251**
Other comprehensive income	**—**	**—**	**—**	**145**	**302**	**—**	**447**	**(62)**	**385**
Total comprehensive income for the year	**—**	**—**	**—**	**145**	**302**	**11,925**	**12,372**	**1,264**	**13,636**
Equity-settled share-based payment (note 25)	**—**	**—**	**—**	**—**	**—**	**2,333**	**2,333**	**—**	**2,333**
Tax on equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**764**	**764**	**—**	**764**
Shares issued	**641**	**63,065**	**—**	**—**	**—**	**—**	**63,706**	**—**	**63,706**
Recognition of non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**311**	**311**
Disposal of minority interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(110)**	**(110)**
Options exercised (note 22)	**83**	**18**	**—**	**—**	**—**	**(72)**	**29**	**—**	**29**
Equity dividends paid	**—**	**—**	**—**	**—**	**—**	**(4,553)**	**(4,553)**	**(1,075)**	**(5,628)**
At 31 March 2019	**3,918**	**72,898**	**17,164**	**118**	**1,607**	**75,801**	**171,506**	**4,051**	**175,557**

Merger reserve

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

Capital redemption reserve

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

Hedging reserve

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

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

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

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2019

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

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

Paul Fineman

Director

Giles Willits

Director

Notes 1 to 32 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

1 Accounting policies

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

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

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

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

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

Going concern basis

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

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

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Measurement convention

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

Changes in accounting policies

The majority of the accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018 with the exception of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) which were new accounting standards adopted for the first time in these financial statements with IFRS 15 being adopted retrospectively. Accounting policies have been updated to reflect the new standards although there was no material impact of adopting either standard.

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

Foreign currency translation

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

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

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

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

Financial instruments (policy adopted from 1 April 2018)

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

Financial assets

a) Classification

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

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

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

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

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

b) Subsequent measurement and gains and losses

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

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

Classification of financial instruments issued by the Group

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

Trade and other receivables

The Group have trade receivables without significant financing components. These assets are recognised initially at transaction price less attributable transaction costs. Trade and other receivables are subsequently reviewed for recoverability and impairment with any losses taken to profit and loss immediately. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

Amounts previously recognised in other comprehensive income are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

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

Impairment of financial instruments

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

Property, plant and equipment

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

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

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

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

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

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

No depreciation is provided on freehold land.

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

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

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

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

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

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

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

Computer software
Computer software is capitalised at its initial cost and amortised over its useful life.

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

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

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

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

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

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

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

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

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

The recoverable amount of the Group's assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time, value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

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

The Group recognise revenue on sales of Celebration, Stationery and creative play, Giftware and 'Not-for-resale' consumable products across four geographical segments. Typically the products that we supply form the only performance obligations within a customer agreement, and although the Group can provide ancillary services such as merchandising, these are not separately identifiable obligations. Revenue recognised in respect of these obligations represents the amounts, net of discounts, allowances for volume and promotional rebates and other payments to customers (excluding value added tax) derived from the provision of goods and services to customers during the year.

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

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

Provisions are made for volume and promotional rebates where they have been agreed or are reasonably likely to arise, based upon actual and forecast sales. Revenue is only recognised when highly probable that a significant reversal in the amount of cumulative revenue will not be required.

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

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

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

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

Expenses

Operating lease payments

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

Finance lease payments

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

Finance income and expenses

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

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

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

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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

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

Dividend distribution

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

Employee benefits

Pensions

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

The Netherlands subsidiary operates an industrial defined benefit fund, based on average wages, that has an agreed maximum contribution. The pension fund is a multi-employer fund and there is no contractual or constructive obligation for charging the net defined benefit cost of the plan to participating entities other than an agreed maximum contribution for the period, that is shared between employer (4/7) and employees (3/7).

The Dutch Government is not planning to make employers fund any deficits in industrial pension funds; accordingly the Group treats the scheme as a defined contribution scheme for disclosure purposes. The Group recognises a cost equal to its contributions payable for the period.

Share-based payment transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which they are granted.

The fair value is determined by using an appropriate pricing model. The fair value cost is then recognised over the vesting period, ending on the date on which the relevant employees become fully entitled to the award.

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 2 (LTIP) costs
As part of our senior management remuneration, the Group operate a Long Term Incentive Plan ('LTIP') in the form of options for ordinary shares of the Group. In accordance with accounting principles, despite this plan not being a cash cost to the business, a share-based payments charge is taken to the income statement. We consider that these charges do not form part of the underlying operational costs and therefore exclude them from our adjusted measures.

Acquisition amortisation costs
Under IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer lists and brand which form part of the intangible value of the acquired business but are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over an appropriately judged period. These are not operational costs relating to the running of

the acquired business and are directly related to the accounting for the acquisition. As such we exclude them from the underlying results of the business. 2019 is the first year that these costs have been included given the significant acquisition of Impact Innovations, Inc.

Like-for-like comparators

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

New standards and interpretations not applied

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

New or amended EU endorsed accounting standards

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

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

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

New accounting standards not yet adopted

IFRS 16 Leases

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

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

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

No other standards, interpretations or amendments, other than IFRS 16, which have been issued but are not yet effective are expected to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure.

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

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

Provision for slow moving inventory
The Group has guidelines for providing for inventory which may be sold below cost due to its age or condition. Directors assess the inventory at each location and in some cases decide that there are specific reasons to provide more than the guideline levels, or less if there are specific action plans in place which mean the guideline provision level is not required. Determining the level of inventory provision requires an estimation of likely future realisable value of the inventory in various time frames and comparing with the cost of holding stock for those time frames. Regular monitoring of stock levels, the ageing of stock and the level of the provision is carried out by the Directors. Details of inventory carrying values are provided in note 14. At the year end the Group has provisions of £8,827,000 (2018: £7,757,000) over the total inventory value.

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

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

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

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

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

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

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

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

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

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

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

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

(a) Including Asian manufacturing and sourcing.

		UK[(a)]	Europe	USA	Australia	Central & eliminations	Group
		£000	£000	£000	£000	£000	£000
Year ended 31 March 2018							
Revenue	– external	119,283	50,977	120,284	36,972	—	327,516
	– inter segment	4,031	786	—	—	(4,817)	—
Total segment revenue		123,314	51,763	120,284	36,972	(4,817)	327,516
Segment result before exceptional items, acquisition amortisation, LTIP charges and management recharge		7,899	6,697	9,608	2,998	(4,003)	23,199
Exceptional items							539
Acquisition amortisation							(371)
LTIP charges							(2,257)
Operating profit							21,110
Net finance expenses							(1,392)
Income tax							(5,384)
Profit for year ended 31 March 2018							14,334
Balances at 31 March 2018							

Segment assets	123,310	15,146	14,064	15,350	2,663	170,533
Segment liabilities	(31,916)	(8,695)	(15,983)	(9,686)	(3,737)	(70,017)
Capital expenditure additions						
– property, plant and equipment	4,078	2,786	333	795	—	7,992
– property, plant and equipment on acquisition of business	—	—	—-	798	—	798
– intangible assets	109	50	1,218	—	—	1,377
– intangible assets on acquisition of business	—	—	—	2,624	—	2,624
Depreciation	2,229	722	871	523	—	4,345
Amortisation	219	27	474	98	—	818

(a) Including Asian manufacturing and sourcing.

- Capital expenditure consists of additions of property, plant and equipment, intangible assets and goodwill.
- The Group has one customer that accounts for 18% of the total Group revenues. In the year ended 31 March 2019 total sales to that customer were £79,138,000 (2018: £15,978,000). This customer falls solely within the USA operating segment above. No other single customer accounts for over 10% of total sales.
- The assets and liabilities that have not been allocated to segments consist of deferred tax assets £3,160,000 (2018: £2,663,000), income tax payable of £3,370,000 (2018: £3,364,000) and deferred tax liability £692,000 (2018: £373,000).

Geographical information

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

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

Revenue by customer destination

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

All revenue arose from the sale of goods.

5 Expenses and auditor's remuneration

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

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

Loss on foreign exchange	**814**	373

Auditor's remuneration:

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

6 Staff numbers and costs

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

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

The aggregate payroll costs of these persons were as follows:

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

7 Other operating income

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

8 Finance expenses

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

	2,476	1,392

9 Taxation

Recognised in the income statement

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

Reconciliation of effective tax rate

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

10 Exceptional items

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

Acquisition related costs

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

Reorganisation and restructuring costs

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

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

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

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

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

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

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

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

The cash flow effect on exceptional items

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

11 Property, plant and equipment

	Land and buildings		Plant and	Fixtures and	Motor	
	Freehold	Leasehold	equipment	fittings	vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 April 2017	21,393	10,501	48,172	3,460	955	84,481
Additions	432	138	6,588	804	30	7,992
Disposals	(1,903)	—	(4,148)	(216)	(18)	(6,285)
Additions on acquisition of business	—	—	424	27	347	798
Transfers to computer software	—	—	—	294	—	294
Effect of movements in foreign exchange	174	(1,006)	(963)	(128)	(60)	(1,983)
Balance at 1 April 2018	20,096	9,633	50,073	4,241	1,254	85,297
Additions	1,078	126	3,712	550	233	5,699
Disposals	(405)	(8,252)	(352)	(285)	(351)	(9,645)
Additions on acquisition of business	462	—	8,851	—	—	9,313
Transfers between fixed asset categories	(57)	83	(43)	17	—	—
Transfers to computer software	—	—	(620)	—	—	(620)
Effect of movements in foreign exchange	(127)	636	351	62	(8)	914

Balance at 31 March 2019	**21,047**	**2,226**	**61,972**	**4,585**	**1,128**	**90,958**
Depreciation and impairment						
Balance at 1 April 2017	(11,511)	(5,036)	(32,268)	(2,575)	(484)	(51,874)
Depreciation charge for the year	(749)	(470)	(2,590)	(389)	(147)	(4,345)
Disposals	1,349	—	4,079	205	9	5,642
Transfers to computer software	—	—	—	(239)	—	(239)
Effect of movements in foreign exchange	(67)	447	544	76	18	1,018
Balance at 1 April 2018	(10,978)	(5,059)	(30,235)	(2,922)	(604)	(49,798)
Depreciation charge for the year	(769)	(414)	(3,478)	(502)	(165)	(5,328)
Disposals	152	3,769	86	248	84	4,339
Transfers between fixed asset categories	6	—	35	(41)	—	—
Transfers to computer software	—	—	170	—	—	170
Effect of movements in foreign exchange	57	(301)	(224)	(44)	6	(506)
Balance at 31 March 2019	**(11,532)**	**(2,005)**	**(33,646)**	**(3,261)**	**(679)**	**(51,123)**
Net book value						
Balance at 31 March 2019	**9,515**	**221**	**28,326**	**1,324**	**449**	**39,835**
At 31 March 2018	9,118	4,574	19,838	1,319	650	35,499

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

Security
All freehold properties are subject to a fixed charge.

12 Intangible assets

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

Effect of movements in foreign exchange	(475)	(101)	(11)	(26)	—	(613)
Balance at 31 March 2019	**(10,136)**	**(3,507)**	**(589)**	**(1,697)**	**(111)**	**(16,040)**
Net book value						
Balance at 31 March 2019	**61,645**	**3,478**	**1,750**	**16,795**	**22**	**83,690**
At 31 March 2018	33,674	1,724	287	837	25	36,547

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

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

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 above), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is referred to below as a cash-generating unit. During the last few years the businesses have begun to work more closely with each other, exploiting the synergies that arise. The recoverable amounts of cash-generating units are determined from the higher of value in use and fair value less costs to sell.

The Group prepares cash flow forecasts for each cash-generating unit derived from the most recent financial budgets for the following three years which are approved by the Board. The key assumptions in those budgets are sales, margins achievable and overhead costs, which are based on past experience and future expectations. The Group then extrapolates cash flows for the following five years plus a terminal value based on a conservative estimate of market growth of 0.5% (2018: between 0.5% and 2.0%).

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

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

Pre-tax discount rates used were:

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

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

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

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

Deferred tax liabilities	(4,159)	—	—	(205)	(4,364)
Deferred tax assets	254	1,874	2,589	2,565	7,282
	(3,905)	**1,874**	**2,589**	**2,360**	**2,918**

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

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

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

The deferred tax asset in respect of tax losses carried forward at 31 March 2019 of £1,874,000 (2018: £584,000) comprises UK tax losses of £991,000 (2018: £440,000) and US losses of £883,000 (2018: £144,000). The majority of the US tax losses carried forward will become irrecoverable in March 2029. UK tax losses may be carried forward indefinitely. The deferred tax assets have been recognised where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Board expects that the tax losses will be recoverable against future profits. Deferred tax assets in respect of taxable losses that are expected to be recovered outside this forecast period have not been recognised. This includes unrecognised deferred tax assets in respect of UK losses of £574,000 (2018: £310,000), £369,000 (2018: £490,000) in respect of China, and £235,000 (2018: £221,000) in respect of Asia.

A deferred tax liability of £237,000 (2018: £153,000) has been recognised based on the tax cost of remitting earnings from China. No other deferred tax liability has been recognised on unremitted earnings of the overseas subsidiaries as if all unremitted earnings were repatriated with immediate effect, no other tax charge would be payable. A 17% UK corporate tax rate was substantively enacted on 6 September 2016 and will replace the current effective rate of 19% from 1 April 2020. A reduction in the US federal corporation tax rate from 35% to 21% was announced in 2017 and enacted effective 1 January 2018. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

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

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

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

14 Inventory

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

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

Materials, consumables, changes in finished goods and work in progress recognised as a cost of sale amounted to £323,486,000 (2018: £228,776,000).

15 Trade and other receivables

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

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

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

There are no trade receivables in the current year (2018: £nil) expected to be recovered in more than twelve months.

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

16 Cash and cash equivalents/bank overdrafts

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

Net cash

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

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

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

17 Loans and borrowings

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

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

Terms and debt repayment schedule

	2019	2018
	£000	£000
Due within one year:		
Bank loans and borrowings	**984**	989
Due between one and two years:		
Secured bank loans	**984**	989

Due between two and five years:		
Secured bank loans	**437**	2,802
	2,405	4,780

Changes in liabilities from financing activities

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

Secured bank loans

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

- a three-year revolving credit facility ('RCF') for £28 million which is sufficient to fund the Group's core financing requirements;
- receivables financing arrangements for an initial term of three years in the UK, Europe, USA and Hong Kong; and
- a further flexible 'working capital' RCF with availability varying from month to month to meet requirements during the seasonal inventory build. This is reviewed annually but capable of extension to match the maturity of the core RCF.

While the facilities have no overall limit in total the Group, estimates the effectively available facilities at over £139.0 million, more than sufficient to cover the peak requirements. The facilities have flexible elements within them that mean they can grow with the Group's requirements.

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

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

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

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

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

In January 2018, the Group's Australia business obtained a secured loan from Westpac of £5,108,000 (AU$9,000,000). This is repayable monthly over a five year period. It is subject to a variable interest rate linked to the Australian base rate. £2,350,000 was repaid during the year which, along with £25,000 exchange movement results in a balance at 31 March 2019 of £2,405,000 (AU$4,400,000).

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

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

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

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

18 Deferred income

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

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

19 Provisions

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

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

The property provision represents the estimated reinstatement cost of six of the Group's leasehold properties under fully repairing leases and a provision for an onerous lease for one of those properties. A professional valuation was performed during 2016 for one of the leasehold properties and the provision was reassessed and is stated after discounting. £935,000 (2018: £882,000) of the non-current balance relates to a lease expiring in 2036; the balance relates to items between one and five years.

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

20 Other financial liabilities

	2019	2018
	£000	£000
Included within non-current liabilities		
Other creditors and accruals	**1,817**	1,440
Included within current liabilities		
Other creditors and accruals	**14,712**	18,832

Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	**—**	40
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	**2**	116
	14,714	18,988

21 Trade and other payables

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

22 Share capital

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

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

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

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

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

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

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

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

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

23 Earnings per share

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

(a) Excludes exceptional items, acquisition amortisation and LTIP charges of £12,891,000 (2018: £1,889,000) and tax relief attributable to those items of £3,016,000 (2018: £765,000), to give adjusted profit (including the effect of non-controlling interest) of £21,800,000 (2018: £14,669,000).
(b) Excludes acquisition amortisation and LTIP charges of £4,459,000 (2018: £2,589,000) and tax relief attributable to those items of £978,000 (2018: £554,000), to give adjusted profit (including the effect of non-controlling interest) of £15,406,000 (2018: £15,580,000).
(c) Excludes LTIP charges of £3,005,000 (2018: £2,257,000) and tax relief attributable to those items of £178,000 (2018: £445,000), to give adjusted profit (including the effect of non-controlling interest) of £14,752,000 (2018: £15,357,000).
(d) The basic earnings per share is based on the profit attributable to equity holders of the Company of £11,925,000 (2018: £13,545,000) and the weighted average number of ordinary shares in issue of 73,661,000 (2018: 64,538,000) calculated as follows:

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

Diluted earnings per share

The average number of share options under the Executive share options 2008 scheme outstanding in the year is nil (2018: 612,795 at an average exercise price of 14p). The average number of share options under the LTIP scheme outstanding in the year is 1,366,118 (2018: 1,371,743) at nil cost. The diluted earnings per share is calculated assuming all these options were exercised, and taking into account LTIP awards whose specified performance conditions were satisfied at the end of the reporting period of 723,632 share options. At 31 March 2019 the diluted number of shares was 74,385,000 (2018: 66,358,000).

24 Dividends paid and proposed

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

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

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

25 Share-based payments

Executive share options 2008

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

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

As at 31 March 2019 there were no approved options outstanding (2018: 200,000) with a weighted average contractual life of 0 years (2018: 0.7 years). No share options were granted under this scheme during the year (2018: nil).

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

	2019		2018	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	**14.00**	**200,000**	14.00	710,000

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

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

Long Term Incentive Plan

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

The performance period for each award under the LTIP is three years. The cost to employees of ordinary shares issued under the LTIP if the performance criteria are met is nil. In principle the number of ordinary shares to be granted to each employee under the LTIP will not be more than 325% in value of the relevant employee's salary base. The maximum opportunity available is up to 175% for the CEO and for other Executive Directors up to 150% of base salary. For the 2018-21 scheme grant B there is an outperformance element of up to 50% of the initial grant.

Vested LTIP schemes – outstanding options

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

All performance criteria have been met for the above schemes.

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

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

Scheme details for LTIPs in vesting periods during the year

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

Awards

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

Expected to vest as at 31 March 2018	720,395	75,582	347,278	304,829	—	—

The LTIP awards 'Grant A' were made in 2017, 2018 and 2019 respectively. The LTIP awards 'Grant B' were made in January 2018 to Paul Fineman in respect of the 2015-2018 and 2016-2019 schemes and to Paul Fineman and Giles Willits in respect of the 2017-2020 scheme. There was also a 'Grant B' award in respect of the 2018-2021 scheme to Paul Fineman, Giles Willits, Lance Burn and the other two member of the Executive Committee in November 2018.

The grant date fair value of the options granted in the year assuming they are to vest in full is £4,364,000 (2018: £3,191,000). The exercise price is nil.

Performance targets

Awards are granted with threshold and stretch targets. 25% of the weighted awards vests if the relevant threshold target is achieved with straight-line vesting of the balance up to 100% of the weighted award if the stretch target is achieved. The EPS[a] target for the 2016-2019 scheme is the sole exception to this: the threshold of 7.5% CAGR(b) pays out at 0%, with the award vesting straight-line from here to 100% at stretch.

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

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

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

(a) EPS before LTIP charges and Board approved exceptional items.
(b) CAGR = compound annual growth rate.

Share-based payments charges

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

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

Social security charges on share-based payments

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

The total social security accrual outstanding at the year end in respect of share-based payment transactions was £1,088,000 (2018: £1,197,000).

26 Financial instruments

Derivative financial assets

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

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

As at 31 March 2019, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of £129,000 (2018: £113,000) and a liability of £2,000 (2018: £156,000).

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

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

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

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

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

The main customers of the Group are large and mid-sized retailers, other manufacturers and wholesalers of greetings products, service merchandisers and trading companies. The Group has established procedures to minimise the risk of default of trade receivables including detailed credit checks undertaken before new customers are accepted and rigorous credit control procedures after sale. These processes have proved effective in minimising the level of provisions for doubtful debts required.

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

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £59,536,000 (2018: £44,649,000) being the total of the carrying amount of financial assets, excluding equity investments above.

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

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

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

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

	2019			2018		
	Expected loss rate	**Gross**	**Provisions for doubtful debts**	Expected loss rate	Gross	Provisions for doubtful debts
	%	**£000**	**£000**	%	£000	£000
Not past due	**0.6**	**31,666**	**(200)**	—	19,786	—
Past due 0-60 days	**5.4**	**6,854**	**(369)**	1.0	10,404	(100)
61-90 days	**18.4**	**1,601**	**(295)**	14.8	628	(93)

More than 90 days	**90.9**	**5,727**	**(5,206)**	24.7	2,476	(611)
	13.2	**45,848**	**(6,070)**	2.4	33,294	(804)

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

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

Expected credit loss assessment

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

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

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

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

c) Liquidity risk

Financial risk management

The Group's policy with regard to liquidity ensures adequate access to funds by maintaining an appropriate mix of short-term and longer-term facilities, which are reviewed on a regular basis. The maturity profile and details of debt outstanding at 31 March 2019 are set out in note 17.

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

		Carrying	**Contractual**	**One year**	**One to two**	**Two to five**	**More than**
		amount	**cash flows**	**or less**	**years**	**years**	**five years**
31 March 2019	Note	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Non-derivative financial liabilities							
Secured bank loans – Australian dollar[a]		**2,405**	**(2,532)**	**(1,069)**	**(1,023)**	**(440)**	**—**
Other financial liabilities[b]	20	**16,529**	**(16,529)**	**(14,712)**	**(373)**	**(171)**	**(1,273)**
Trade payables[b]	21	**57,336**	**(57,336)**	**(57,336)**	**—**	**—**	**—**
Other payables[b]	21	**1,227**	**(1,227)**	**(1,227)**	**—**	**—**	**—**
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the hedging reserve[b]		**2**	**(248)**	**(248)**	**—**	**—**	**—**
		77,499	**(77,872)**	**(74,592)**	**(1,396)**	**(611)**	**(1,273)**

(a) Nominal interest rate 4.49%.
(b) Measured at Level 2.

		Carrying	Contractual	One year	One to two	Two to five	More than
		amount	cash flows	or less	years	years	five years
31 March 2018	Note	£000	£000	£000	£000	£000	£000
Non-derivative financial liabilities							
Secured bank loans – Australian dollar[a]		4,780	(5,242)	(1,162)	(1,121)	(2,959)	—
Other financial liabilities[b]	20	20,272	(20,272)	(18,832)	(176)	(10)	(1,254)

Trade payables(b)	21	37,056	(37,056)	(37,056)	—	—	—
Other payables(b)	21	1,701	(1,701)	(1,701)	—	—	—
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the income statement(b)		40	—	—	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve(b)		116	(5,835)	(5,835)	—	—	—
		63,965	(70,106)	(64,586)	(1,297)	(2,969)	(1,254)

(a) Nominal interest rate 3.57%.
(b) Measured at Level 2.

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

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

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

The major bank facilities vary in the year depending on forecast debt requirements. The maximum limit across all facilities with the major bank was £139.0 million (2018: £127.9 million).

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

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

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

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

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

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

The Group has forward currency hedging contracts outstanding at 31 March 2019 designated as hedges of expected future purchases in US dollars and Chinese renminbi and sales in euros for which the Group has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments.

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

The cash flow hedges of the expected future purchases in 2020 were assessed to be highly effective and as at 31 March 2019 a net unrealised gain of £118,000 (2018: £27,000 loss) with related deferred tax credit of £nil (2018: £nil) was included in other comprehensive income in respect of these hedging contracts.

e) Market risk

Financial risk management

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

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

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

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

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

		Sterling	**Euro**	**US dollar**	**Other**	**Total**
31 March 2019	Notes	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and cash equivalents	16	**65,845**	**(4,617)**	**(46,596)**	**4,826**	**19,458**
Trade receivables	15	**7,731**	**5,403**	**22,793**	**3,851**	**39,778**
Other receivables		**966**	**22**	**1,651**	**40**	**2,679**
Financial assets at fair value through the income statement		**110**	**—**	**—**	**19**	**129**
Secured bank loans	17	**—**	**—**	**—**	**(2,405)**	**(2,405)**
Loan arrangement fees	17	**31**	**—**	**—**	**—**	**31**
Trade payables	21	**(10,494)**	**(7,013)**	**(30,378)**	**(9,451)**	**(57,336)**
Other payables	21	**(541)**	**(409)**	**—**	**(277)**	**(1,227)**
Balance sheet exposure		**63,648**	**(6,614)**	**(52,530)**	**(3,397)**	**1,107**

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

The following significant exchange rates applied during the year:

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

Sensitivity analysis

A 10% weakening of the following currencies against sterling at 31 March 2019 would have affected equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis was performed on the same basis for 31 March 2018.

	Equity		Profit/(loss)	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000

Euro	**601**	118	**6**	(879)
US dollar	**4,775**	(146)	**883**	(521)

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

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

Profile

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

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

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

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect on financial instruments with variable interest rates, financial instruments at fair value through profit or loss. The analysis is performed on the same basis for 31 March 2018.

Sensitivity analysis

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

f) Capital management

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

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

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

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

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

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

Non-cancellable operating leases are receivable as follows:

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

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

One of the leased properties has been sublet by the Group and part of a second. The main sub-leases have periods to run of between one and five years. Sub-lease payments of £583,000 (2018: £710,000) were received during the financial year.

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

28 Capital commitments

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

29 Related parties

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

Identity of related parties and trading

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

John Charlton is Chairman of SA Greetings (pty) Ltd and Elaine Bond is a shareholder.

During the year the Company paid £56,000 (2018: £62,000) for marketing services to Mattr Media Ltd, a company controlled by Joshua Fineman, who is the son of the Group CEO.

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

Other related party transactions
Directors of the Company and their immediate relatives have an interest in 34% (2018: 45%) of the voting shares of the Company.

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

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

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

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

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

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

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

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

The Directors believe that the acquisition will:

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

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

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

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

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

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

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

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

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

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

The acquisition, made through IG Design Group Australia Pty Limited, was satisfied by a cash consideration of £5.1 million (AU$8.9 million) using local debt facilities. The consideration represented 2.7x EBITDA for the year ended 30 June 2017 although an injection of working capital of up to £1.7 million (AU$3.0 million) might also be required.

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

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

Effect of acquisition of Biscay

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

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

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

32 Non-adjusting post balance sheet events

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