EMBARGOED UNTIL 7.00 AM, 11JUNE 2018

IG Design Group PLC

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

Results for the year ended 31 March 2018

Delivering strong profits, investing in future growth and increasing dividends

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of celebration, gifting, stationery and creative play products, is pleased to announce its results for the year ended 31 March 2018.

Financial Highlights

- Revenue up 5% to £327.5 million (2017: £311.0 million)
  - *Up 6% at like-for-like exchange rates*
- Underlying operating profit* increased by 30% to £22.8 million (2017: £17.5 million)
  - *Up 33% at like-for-like exchange rates*
- Underlying profit before tax* up 32% to £21.4 million (2017: £16.3 million)
  - *Gross margin* is up 0.8 percentage points to 21.4% (2017: 20.6%)*
  - *Net operating margin* is up 1.4 percentage points to 7.0% (2017: 5.6%)*
- Profit before tax up 51% to £19.7 million (2017: £13.0 million)
- Underlying fully diluted earnings per share* up 20% at 21.8p (2017: 18.2p)
  - *Fully diluted earnings per share up 37% at 20.5p (2017: 15.0p)*
- Cash generated from operations £21.7 million (2017: £31.5 million) funding increased capital investment of £9.4 million (2017: £5.1 million)
- Year-end net cash balance of £4.4 million (2017: £3.0 million)
- Average leverage* improved to 1.5 times (2017: 2.3 times)
- Final dividend per share increased by 45% to 4.00p (2017: 2.75p), which, together with the interim dividend of 2.00p (2017: 1.75p), produces a total dividend in respect of the year of 6.00p per share up 33% (2017: 4.50p). Dividend cover is 3.6 times.

*(stated before exceptional items and LTIP charges)

Operational Highlights

- All regions deliver sales and profits growth
- Standout performance in USA, Europe and Australia with a return to growth in the UK
- Continued geographic and customer diversification:
  - With growth in all regions, revenues by destination outside of the UK are at 73% (2017: 73%), with 27% remaining UK based;
  - Traded with over 10,000 customers, with products sold in over 200,000 stores in over 80 countries.
- Strategic growth projects successfully executed in all regions:
  - Manufacturing of 'not-for-resale' paper bags commenced in the UK in September 2017;
  - Installation of a new state-of-the-art printing press in the Netherlands completed in March 2018, providing incremental capacity and capability;
  - Upgrade of the US IT systems will further enhance expansion opportunities; and
  - Full integration of the Biscay acquisition in Australia on track for the end of summer 2018.

Paul Fineman, CEO, commented:

'We are delighted to report that 2017/18 has seen our well-diversified business deliver a very successful overall performance, but more importantly, on-going momentum and opportunity for 2018/19 and beyond.

Whilst we have achieved record levels of sales and profits, we have also invested for the future with fast payback capital investment of just over £9.4 million, demonstrating our confidence in the future and our determination to retain a distinct competitive advantage and to be the preferred choice for our customers and all stakeholders.

We are very pleased to have funded strategic growth projects, capital expenditure and the Biscay acquisition over the period, whilst achieving a year-end net cash position of £4.4 million.

Such is the strength of our performance and cash generation that we are, once again, significantly enhancing full year dividends from 4.5p to 6.00p. We look forward to continuing to provide shareholders with strong returns.

Design Group is increasingly able to leverage our global scale as a diversified, design-led, multi-product category and multi-channel business supported by world-class manufacturing and sourcing operations.

With the effective combination of our product and brand portfolio, together with an array of value adding services, we remain very well placed to continue to grow organically, across all regions and channels. This, together with carefully considered M&A opportunities supported by an ever strengthening balance sheet, provides a very bright future.'

For further information:

IG Design Group plc	01525 887310
Paul Fineman, Chief Executive	
Giles Willits, Chief Financial Officer	
Cenkos Securities plc	020 7397 8900
Stephen Keys, Corporate Finance	
Alma PR	
Rebecca Sanders-Hewett	020 3865 9668
Susie Hudson	
Sam Modlin	

EXECUTIVE REVIEW

Financial overview

We are delighted to report that the year has seen our diversified business deliver very healthy profit and earnings per share growth driven by strong performance across all segments. The Group's focus on cash generation has resulted in the business being cash positive at the year end, as well as another year of improvement in average leverage, despite a record level of capital investment and the acquisition of Biscay.

It is particularly pleasing to report that the Group has successfully mitigated the widely reported cost headwinds within the marketplace, with both gross and net margins increasing in the year. This success reflects the broad and diverse nature of our customer base, product categories and brands supported by our focus on efficiency, product mix and innovation.

During the year, Group sales increased by 5% to £327.5 million with profit before tax, exceptional items and LTIP charges increasing by 32% to £21.4 million. Average leverage improved from 2.3 times to 1.5 times, whilst the year-end positive net cash balance increased from £3.0 million in 2017 to £4.4 million in 2018, reflecting the effectiveness of our focus on converting profit into cash and the highly cash generative dynamics within our business.

The combination of reduced leverage and significant cash generation has underpinned a 33% increase in dividends from a level of 4.5p for 2016/17 to a total of 6.0p for 2017/18 with dividend cover at 3.6 times compared to 4.0 times in the prior year.

Fully diluted earnings per share (pre-exceptional items and LTIP charges) are up by 20% on the prior year, to 21.8p (2017: 18.2p). After allowing for exceptional items and LTIP charges, diluted earnings per share was up by 37% to 20.5p (2017: 15.0p).

Our investment in fast payback initiatives and the very latest manufacturing technology suitable for high speed production of several product categories reflects our determination to remain at the forefront of efficient and responsible manufacturing and to continue to add value for our customers in all areas of our activities. This investment will underpin our ability to profitably drive further growth opportunities.

Our strategy

The success of the Group has been driven by our relentless focus on growing the business, delivering efficiency improvements and taking advantage of the increased scale of the Group. Our strategy is based on leveraging the strengths of our business and the many opportunities to grow in the market.

Our business has been built through developing the following core capabilities:

- design and innovation in our chosen product categories;
- manufacture and sourcing of a broad portfolio of products;
- geographic and channel diversity in key markets;
- leveraging our global scale to deliver low cost solutions; and
- a focus on developing value, with award winning services for our customers.

Our future growth focuses on taking advantage of the key trends which include:

- the market – consumers increasingly expect innovation and value in our core and adjacent categories and the number of occasions to celebrate during the year continues to expand;
- our customers – mass, discount and specialist 'experiential' retailers are outpacing their competition with many customers consolidating their supplier relationships;
- technology – technological development is changing consumer habits, providing consumers with new channels to purchase their celebration products, while also giving access to consumer insight to drive improved retail execution; and
- industry – the pressures of raw material inflation and increased environmental compliance have driven increasing demands from customers, creating consolidation opportunities within the fragmented supply base and giving an advantage to those with economies of scale.

Together our core strengths and the market dynamics offer the Group significant opportunities to grow the business – as such our strategy focuses on the following:

- Working with the winners:
  - increasing revenue through organic growth with both existing and new customers, suppliers and product areas benefiting from the shifting retail marketplace.

- Design and innovation:
  - developing new opportunities in new channels and adjacent product categories; and
  - expanding our presence in the growing market for celebration events throughout the year.

- Efficiency and scale:
  - driving margins through investment in process and people; and
  - pursuing accretive M&A opportunities focused on unlocking synergies through economies of scale and strengthening our 'one-stop-shop' position with customers.

During the year the Group made significant progress delivering its strategy. We grew organic revenue across all the regions by working with many of the world's most successful retailers. In particular during 2017/18 sales to our top ten customers grew on average 13% while our business with two of the world's largest discount grocers grew on average 95%. Our focus on design and innovation helped us increase the number of products sold by over 100 million units and included the introduction of a new category, bags 'not-for-resale', as well as significantly more greetings cards and photo frames. Investment in efficiency was reflected through our increased capital expenditure, which helped drive improved margins, while the acquisition of Biscay underpinned the potential that further M&A can bring to the Group.

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

- sustained double digit growth in earnings attributable to shareholders;
- maintaining average leverage between 1.5 times and 2.5 times; and
- a progressive dividend policy and our commitment of moving dividend cover over time towards at least 2.5 times earnings per share.

Outlook

Following the transformation of the Group over recent years, there is considerable scope for further growth across all aspects of the business. We remain focused on the profitable development of our business and confident that we have the team and agility to deliver further successes. We will continue to create value for all stakeholders through our strategy of developing diversified income streams across broad categories and markets, both organically and through well considered acquisitions. With a strong order book in place and a positive start to the new financial year, we are excited about the opportunities to deliver further growth in 2018/19.

Operational regional highlights

Our Group increasingly leverages 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 2017/18, despite the cost headwinds we experienced in the year in respect of paper price inflation.

			Segmental sales			Profit[a]			Margin	
% Group revenue			**2018**	2017	% growth	**2018**	2017	% growth	**2018 %**	2017 %
38%	UK and Asia	£m	**123.3**	117.0	5.4	**7.9**	7.5	5.6	**6.4**	6.4
37%	Americas	$m	**158.8**	151.6	4.8	**12.3**	9.1	34.6	**7.8**	6.0
16%	Europe	€m	**58.5**	53.1	10.1	**7.5**	5.8	29.0	**12.9**	11.0
11%	Australia	AU$m	**63.1**	57.4	10.0	**4.9**	2.9	68.4	**7.8**	5.1
(2%)	Elims/central costs	£m	**(4.8)**	(3.1)	—	**(4.0)**	(4.1)	—	**—**	—
100%	Total		**327.5**	311.0	5.3	**22.8**	17.5	30.4	**7.0**	5.6

(a) Segmental profit is calculated as operating profit before exceptional items, LTIP charges and management recharges.

UK and Asia

With sales volumes and value at record levels, our UK and Asia business accounted for 38% (2017: 38%) of our Group's revenue for the year. Sales in the UK and Asia increased 5.4% to £123.3 million (2017: £117.0 million) delivering a profit up 5.6% at £7.9 million (2017: £7.5 million).

In order to present a unified set of product and supply solutions to our total customer base, leverage our scale across all areas of our activities and utilise the strengths and deep knowledge that our respective teams possess, we decided in 2016/17 to re-organise our three UK businesses under one overall leadership team.

In 2017/18 we have begun to see the tangible benefits of increased cohesiveness, with a return to profit growth in the region and encouraging momentum across many areas of our UK based business.

Whilst our share of the UK market for gift packaging remains substantial there is still scope for profitable growth across this and all other categories, both online and through 'brick and mortar' retailers. This growth opportunity is underpinned by the excellent performance of our gift wrap and paper bag manufacturing operation in Wales and card, bag and cracker production facility in Huizhou, China.

A new initiative to develop new income streams in adjacent categories and channels resulted in the UK manufacturing paper bags for the fast growing 'not-for-resale' market, with a focus on the supply of higher end fashion and beauty brands. With production commencing in September 2017, we are confident that there are many excellent opportunities for growth within this new channel and we are already providing retail brands with a significant volume of bags, with orders in place which will grow the business further still in 2018/19.

Europe

Our business in Europe delivered a strong performance in 2017/18 accounting for 16% (2017: 15%) of the Group's revenue. Sales increased 10.1% to €58.5 million (2017: €53.1 million) with margins up to 12.9% (2017: 11.0%) delivering a €1.7 million improvement in profit year on year.

Having established strong trading relationships over a number of years with each of Europe's top ten retail groups, we have enjoyed excellent growth in the year. This is supported by well executed capital investment programmes and by our dedicated team. Their focus on design-led and constantly refreshed, innovative products provides our customers with an exciting and value-added offering through strong programmes of innovative product development.

Sales of bespoke gift products have been especially strong, with on-trend photo frames and photo-based gift accessories achieving record volumes.

Our efficiency has been further enhanced through our latest investment in a new state-of-the-art printing press which commenced production in the Netherlands in March 2018, underpinning our competitive market position for the future.

Americas

Our Americas business provided a 37% share of overall Group sales (2017: 38%). Sales increased 4.8% to $158.8 million (2017: $151.6 million) reflecting growth across all channels. This drove a 34.6% increase in profit to $12.3 million (2017: $9.1 million) supported by profit margins which increased to 7.8% in the year.

The year featured strong growth in our Creative Play product sales under the recently launched Anker Play Products brand, spearheaded by a specialist and dedicated team developing innovative products, such as play themed educational, art and craft and construction ranges for Mass and Value Retailers. We plan to further develop sales of Anker Play Products, both within the Americas, and throughout our global customer base.

Sales of dated products, such as calendars, grew and alongside the challenges of integrating a new business, the synergy opportunities that were identified during the acquisition of Lang Companies Inc. ("Lang") have continued to be delivered, with further areas of improvement in progress.

New initiatives include the investment in a new IT platform to enable our future growth trajectory to be efficiently delivered and supported by user friendly systems and enhanced commercial and operational capability.

Australia

Our business in Australia accounted for 11% of overall Group sales (2017: 11%). Sales at AU$63.1 million were up 10% year on year with profits up 68.4% as a result of significant margin gains which increased to 7.8% (2017: 5.1%) in the year.

Having won a three-year contract for the supply of greetings cards to Australia's largest discount retailer in 2016/17, we saw the benefits of this flow through during the year combined with the economies of scale that put us in an excellent position to further grow our market share in this higher margin product category. This has been further enhanced with the acquisition in January 2018 of Biscay, with operational and commercial integration firmly on track to complete during the first half of 2018/19.

Our products and brands

Our business provides 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 the Celebrations and greetings based categories.

More than ever before, it is the combination of our ability to create commercially impactful designs and innovative product formats across our full product portfolio, together with a long track record of delivering first class customer service, that underpins our growth.

Our culture is one of ongoing improvement, with a determination to perpetually 'raise the bar' in all aspects of our business in order to remain our customers' preferred 'partner of choice'. Whilst an increasingly global business, we are mindful that local knowledge and understanding is vital in ensuring commercial success.

We have evolved into 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 and partyware products;
- 'Stationery and Creative Play', including home, school and office products;
- 'Gifting', our design-led giftware products category; and
- Our most recently introduced category 'Bags not-for-resale' focused on branded store bags.

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

	31 March 2018		31 March 2017	
Sales by product category	**%**	**£m**	%	£m
Celebrations	**74**	**243.5**	77	240.4
Stationery and Creative Play	**10**	**31.2**	9	26.9
Giftware	**13**	**42.6**	11	35.2
Bags 'not-for-resale'	**3**	**10.2**	3	8.5
Total		**327.5**		311.0

We estimate that over 650 million items, representing over 40,000 SKUs have been manufactured, sourced and delivered to our customers during the year, of which 49%, £160 million sales, carry our Group's generic and licensed brands. Key areas of growth year on year include Celebrations and Creative Play products.

The business has also successfully broadened the revenue generated throughout the year outside of specific Christmas based products by increasing the percentage of sales generated in our 'Everyday' and 'Minor' seasons, which together now account for 49% of the total revenues of the Group, up from 45% in the previous year.

The increasing retail focus on celebrating Valentines, Easter, and other non Christmas occasions provides an exciting growth opportunity for all the business units across the Group.

The multi-faceted activities across our Group's businesses are underpinned by our team of experts within our sourcing and manufacturing operations based in Hong Kong and China, together with a broadening base throughout Asia. They have further continued to maintain their track record of delivering an excellent standard of service that encourages the ongoing loyalty of our large customer base.

Our team

As always, it is the dedication and passion of our talented team across all disciplines and throughout our Group that fuels our success. It was therefore especially pleasing to have been highly commended as 'Company of the Year' during the 2017 Employee Engagement Awards, representing a further acknowledgement of our evolution as one global group of businesses.

It is, once again, our privilege and pleasure to thank all of our colleagues for their contribution during what has been a year of great achievement and overall improvement in performance in highly competitive markets.

Detailed financial review

The Group has delivered a strong financial performance for the year to 31 March 2018 underpinning our ambitions for future growth.

	31 March 2018 £m	31 March 2017 £m	% change
Revenue	**327.5**	311.0	5%
Gross profit	**70.0**	63.9	9%
Gross margin	**21.4%**	20.6%	
Overheads	**(47.2)**	(46.4)	2%
Operating profit before exceptional items and LTIP charges	**22.8**	17.5	30%
Finance charge	**(1.4)**	(1.2)	13%
Profit before tax, exceptional items and LTIP charges	**21.4**	16.3	32%
Exceptional items	**0.5**	(1.1)	
LTIP charges	**(2.2)**	(2.2)	
Profit before tax	**19.7**	13.0	51%
Tax	**(5.4)**	(2.7)	
Profit after tax	**14.3**	10.3	39%

Revenues for the year of £327.5 million have grown 5% over the previous year (2017: £311.0 million). Using like-for-like foreign exchange rates this translates into an increase of 6%. The main drivers of the growth were our European and Australian territories, although all areas delivered year on year improvement.

Overall underlying operating profit before exceptional items and LTIP charges increased by 30% to £22.8 million (2017: £17.5 million) and 33% at like-for-like exchange rates. Operating profit margins pre-tax, exceptional and LTIP charges continue to rise, at 7.0% for the year (2017: 5.6%) driven by a move in product mix toward higher margin product categories, improved efficiencies, and a continued focus on cost management. Our focus on operating efficiencies and optimised procurement shows through in the gross margin, which has increased to 21.4% (2017: 20.6%).

The Group remains focused on further improving margins in future years, by continuing to drive operational efficiencies through sourcing and manufacturing as well as balancing the mix of products toward higher margin categories and channels such as increased sales of Design Group branded products.

The tight management of cost continues at an overhead level, where we have successfully kept selling and administration overheads growth to a low level. Overheads (before exceptional items and LTIP charges) have increased by just under 2% in the year, representing our focus on managing these costs as the business grows which reflects in the fall in overheads as a percentage of sales. We anticipate that this trend will continue, with overheads rising at a lower rate than our sales growth around the Group.

Overall our underlying profit before tax, exceptional items and LTIP charges increased 32% in the year to £21.4 million (2017: £16.3 million). Whilst we focus on profits before exceptional items and LTIP charges as our core measure of profitability, it is encouraging to note that the growth story continues after these items are included with total profit before tax 51% ahead of last year. This result includes an overall exceptional gain of £0.5 million (2017: loss £1.1 million) and an LTIP charge of £2.2 million (2017: £2.2 million).

Profit after tax for the year increased by 39% to £14.3 million (2017: £10.3 million); after removing the effects of exceptional items and LTIP charges, underlying profitability after tax increased by 24% to £15.4 million (2017: £12.4 million).

Finance charge

The Group continues to benefit from having the whole Group (except for our Australia business) under a single banking deal with competitive interest rates. Despite the continued growth in activity, underlying finance costs excluding hedge accounting adjustments of £nil (2017: £0.7m) have reduced to £1.4 million (2017: £1.9 million) reflecting improvement in average debt year on year. Interest cover increased to 16.4 times in 2018, up from 14.2 times in 2017. With interest rates now forecast to rise over coming periods careful management of our cash and working capital balances is as critical as ever.

Exceptional items

The exceptional credit in the year of £0.5 million before tax (2017: loss of £1.1 million) related to three items; firstly the sale of our site in Hirwaun, Wales, which we sold for £2.5 million generating a profit on disposal of £1.1 million after accounting for its book value, sale and related re-organisation costs. Secondly, the transaction costs for the acquisition of Biscay which totalled £0.3 million; and thirdly the balance of restructuring costs in respect of Lang and the US print platform, which totalled £0.2 million.

LTIP charges

LTIP charges were consistent year on year, with a charge of £2.2 million taken to the income statement in the year (2017: £2.2 million). This year saw LTIP vesting under the 2014-2017 LTIP scheme and the resultant exercises of these awards that occurred in the year, together with some exercises of historical LTIP and share option schemes, gave rise to significant cash tax savings. In total, £1.2 million of tax credits arose as a result of share option exercises.

Taxation

The Group continues to manage its tax affairs in an open and transparent manner, observing full compliance with all applicable rules and regulations in countries in which it operates and not entering into any tax avoidance or otherwise aggressive tax planning schemes. The headline taxation charge has increased to £5.4 million (2017: £2.7 million) as a result of both the increase in profitability around the Group and the deferred tax credit netted in last year's charge that arose on changes in historical loss recognition. The effective underlying tax charge on profits before exceptional items and LTIP charges is also up on the prior year at 28.3% (2017: 24.2%). This is close to the underlying blend of statutory rates in the countries in which we operate and represents the impact of increased trading in Australia and the USA where the rates have been 30% and until recently 35%, respectively. The reduction in the US federal rate of corporation tax will mean a fall in this blend of statutory rates in future years and result in a fall in our effective rate accordingly. However, in this year the effect has been mixed with the benefit to current tax of the fall in the rate in the last quarter more than offset by the impact of revaluing down our deferred tax assets in the USA. Based on our current mix of profits forecast across the Group we anticipate the effective tax rate in 2018/19 dropping to 23.9%.

Other than in the UK and Asia segment, where we continue to have unrecognised tax losses that are harder to access, all historical losses are now recognised as deferred tax assets or have been taken as relief against current tax charges. Actual taxation paid in cash during the year was higher than the prior year at £3.1 million (2017: £2.0 million) as our businesses in Australia and the Netherlands do not have losses to offset their profits and we have used up our historical losses in the USA during the period. With improving and sustained profitability, we also expect to pay cash tax in the UK from next year.

Earnings per share

Our key measure for monitoring growth in earnings per share is underlying, fully diluted earnings per share as this marks the performance of the business after accounting for the dilutive effect of share options and one-off effect of exceptional items. Underlying, fully diluted earnings per share before exceptional items and LTIP charges grew 20% to 21.8p (2017: 18.2p) reflecting the strong financial performance in the year. Basic earnings per share were 21.4p (2017: 15.7p).

	31 March 2018 pence	31 March 2017 pence
Underlying fully diluted EPS	**21.8**	18.2
Cost per share on LTIP charge	**(2.7)**	(2.8)
Gain/(cost) per share on exceptional items	**1.4**	(0.4)
Fully diluted EPS	**20.5**	15.0

Dividends

On the back of the strong financial performance the Board is pleased to announce a final dividend of 4.00p (2017: 2.75p) bringing our total dividend in respect of the year to 6.00p per share, up 33% (2017: 4.50p). This is covered by more than three and a half times earnings compared to four times in 2016/17. 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 earnings per share.

Return on capital employed

The Group remains focused on improving the return on capital employed in the business, and each region has its own target to improve its return on the average net capital employed. Overall, the Group saw the return on average net capital employed (excluding cash) increase to 22.2% in 2017/18 from 16.9% in 2016/17.

Cash flow and net cash

At 31 March 2018, the net cash position has improved on the prior year, up at £4.4 million (2017: £3.0 million). Due to the seasonal nature of our business, the Group spends a lot of the year in a net debt position and therefore average leverage, being average monthly net debt divided by EBITDA, is the key measure the Group adopts to manage debt. We seek to maintain our average leverage position in the range between 1.5 times and 2.5 times over the long term. Average leverage for the year to 31 March 2018 was 1.5 times, down from 2.3 times in the prior year, demonstrating the continued focus on our balance sheet and working capital management throughout the year. This puts the Group in a solid position to fund future growth as and when the right opportunities come along.

The strong profit performance in the year was supported by excellent cash conversion with our cash generation from operations at £21.7 million (2017: £31.5 million) delivering an EBITDA to cash conversion of 77.5%. EBITDA increased to £28.0 million, which is up 25% compared to £22.4 million in 2016/17.

	31 March 2018 £m	31 March 2017 £m
EBITDA[(a)]	**28.0**	22.4
Change in trade and other receivables	**(9.1)**	(0.8)
Change in inventory	**0.4**	2.7
Change in creditors, provisions and accruals	**3.3**	8.2
Exceptional items from operations	**(0.5)**	(0.7)
LTIP	**(0.4)**	(0.3)
Cash generated from operations	**21.7**	31.5
Proceeds from sale of property, plant and equipment	**2.6**	0.1
Net capital expenditure	**(9.4)**	(5.1)
Business acquired	**(5.1)**	(2.7)
Tax paid	**(3.1)**	(2.0)
Interest paid	**(1.5)**	(1.9)
Dividends paid to non-controlling interests	**(0.6)**	(0.9)
Equity dividends paid	**(3.0)**	(2.1)
Proceeds from issue of share capital	**0.1**	5.1
Other	**(0.3)**	(1.5)
Movement in net cash	**1.4**	20.5
Opening net cash	**3.0**	(17.5)
Closing net cash (see note 16)	**4.4**	3.0

(a) Before exceptional items and LTIP charges.

Working capital

As always, the management of working capital across the Group remains a priority. The main driver of the working capital outflow in the year was the increase in trade debtors, partially offset by increased trade creditors, which reflects the overall growth of the business year on year, the phasing of sales in the final quarter and the acquisition of Biscay during the year.

We actively track both debtor days and credit rating profiles to ensure that our credit risk on debtors remains as low as possible, and have had only a very low experience of bad debt write-offs in the year, which at £0.2 million, is under 0.1% of turnover (2017: 0.2%).

Stock levels within the business are largely flat, despite an increase in inventory in Australia following the acquisition of Biscay, reflecting tighter management of stock levels elsewhere in the Group.

Capital expenditure

Over the course of the year we have invested significantly in our business. In total we have spent £9.4 million, of which only approximately £3-4 million represents maintenance spend, replacing or maintaining existing capital items. The balance has been spent on increasing capacity, improving our production and operating efficiency and developing new product offerings. Significant capital projects completed and ongoing in the year include:

- the acquisition of a second, state-of-the-art printing press in the Netherlands. Our new market-leading press is our fastest, most efficient yet. It came online at year end, meaning the production efficiencies we will gain over the older press it replaces will benefit the new financial year;
- the introduction of a new bag machine in our UK factory to provide 'not-for-resale' branded bags for retailers. This is now fully operational and delivering incremental profit in this new revenue stream for the Group; and
- an ERP system implementation programme in the USA. Our business in the US has grown rapidly over the last two years and the new ERP will support the delivery of operational efficiencies as well as future growth.

Beyond these significant programmes, we have had a large number of smaller capital spend projects in areas where we have identified opportunities to gain fast returns from investing in our operations. 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 this is achieved.

Biscay acquisition

The Group acquired the trade and certain assets of Biscay Greetings Pty Limited ("Biscay") in January 2018. Biscay is a leading greetings card and paper products business based in Australia. The acquisition brings significant further strength to our greetings cards business in Australia, growing our share of the market with both an enlarged product range, mix and customer base. The acquisition includes natural synergies in procurement, warehouse operations and logistics with the financial impact of this expected to start delivering in the year ending 31 March 2019. The purchase price was AUD 8.9 million with a further AUD 3.0 million required for working capital on acquisition. Full details of the assets acquired, which included stock, customer lists and the Biscay brand, can be found in note 31 to the consolidated financial statements. The acquisition was funded entirely using local debt facilities.

Treasury

We are now in our second year of our global financing deal, with all wholly owned parts of the Group funded through a single global deal with HSBC. The HSBC agreement includes a suite of central and locally provided facilities structured to provide a flexible cost effective solution allowing the Group to make the most efficient use of our cash and facilities across our areas of operation. Westpac continues to support our Australian business including the provision of additional funding this year to finance the acquisition of Biscay.

The HSBC facilities comprise:

- a revolving credit facility ("RCF") of £18.0 million, which after recent extension, runs to May 2021;
- invoice financing arrangements for an initial term of three years in the UK, European, US and Asian markets; and
- a further flexible RCF with availability varying from month to month. This is reviewed annually but capable of extension to match the maturity of the core RCF. This working capital RCF is designed to meet our requirements during those months when stock is being built but will be undrawn for that part of the year where the invoice financing facilities are sufficient to meet our needs.

In total, the available facilities at over £127.9 million are more than sufficient to cover our peak requirements. The facilities have flexible elements within them that mean they can also grow with us. 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 our facilities as follows:

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

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

The Group now has no interest rate hedges in place and elects to accept floating interest rates across a range of currencies. While we will keep this under review, our debt is at its lowest point in many years and may 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 effect on foreign exchange on the Group's results has been less significant this year compared to the impact of the large swings seen in 2016/17. The overall impact on sales 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.

Financial position and going concern basis

The Group's net assets increased by £10.5 million to £100.5 million at 31 March 2018 (31 March 2017: £90.1 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	**Giles Willits**
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)

8 June 2018

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2018

	Notes	2018 Before exceptional items £000	2018 Exceptional items (note 10) £000	2018 Total £000	2017 Before exceptional items £000	2017 Exceptional items (note 10) £000	2017 Total £000
Revenue	4	**327,516**	**—**	**327,516**	310,992	—	310,992
Cost of sales		**(257,532)**	**—**	**(257,532)**	(247,058)	(1,532)	(248,590)
Gross profit		**69,984**	**—**	**69,984**	63,934	(1,532)	62,402
		21.4%		**21.4%**	20.6%		20.1%
Selling expenses		**(20,005)**	**—**	**(20,005)**	(19,019)	—	(19,019)
Administration expenses		**(29,793)**	**(553)**	**(30,346)**	(29,832)	495	(29,337)
Other operating income	7	**385**	**1,092**	**1,477**	210	—	210
Operating profit/(loss)	5	**20,571**	**539**	**21,110**	15,293	(1,037)	14,256
Finance expenses	8	**(1,392)**	**—**	**(1,392)**	(1,229)	—	(1,229)
Profit/(loss) before tax		**19,179**	**539**	**19,718**	14,064	(1,037)	13,027
Income tax (charge)/credit	9	**(5,622)**	**238**	**(5,384)**	(3,480)	761	(2,719)
Profit/(loss) for the year		**13,557**	**777**	**14,334**	10,584	(276)	10,308
Attributable to:							
Owners of the Parent Company				**13,545**			9,650
Non-controlling interests				**789**			658

Earnings per ordinary share

	Note	2018 Diluted	2018 Basic	2017 Diluted	2017 Basic
Earnings per share	23	**20.5p**	**21.4p**	15.0p	15.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	2018 £000	2017 £000
Profit for the year	**14,334**	10,308
Other comprehensive income:		
Exchange difference on translation of foreign operations (net of tax)	**(1,632)**	3,213
Transfer to profit and loss on maturing cash flow hedges (net of tax)	**(271)**	223
Net (loss)/gain on cash flow hedges (net of tax)	**(27)**	271
Other comprehensive (loss)/income for period, net of tax items, which may be reclassified to profit and loss in subsequent periods	**(1,930)**	3,707
Total comprehensive income for the year, net of tax	**12,404**	14,015
Attributable to:		
Owners of the Parent Company	**12,001**	12,795
Non-controlling interests	**403**	1,220
	12,404	14,015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	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 2016	2,963	4,852	17,164	(223)	(100)	43,346	68,002	3,370	71,372
Profit for the year	—	—	—	—	—	9,650	9,650	658	10,308
Other comprehensive income	—	—	—	494	2,651	—	3,145	562	3,707
Total comprehensive income for the year	—	—	—	494	2,651	9,650	12,795	1,220	14,015
Equity-settled share-based payment (note 25)	—	—	—	—	—	1,555	1,555	—	1,555
Tax on equity-settled share-based payments	—	—	—	—	—	913	913	—	913
Shares issued	150	4,883	—	—	—	—	5,033	—	5,033
Options exercised (note 22)	19	34	—	—	—	—	53	—	53
Capital contribution from non-controlling investor	—	—	—	—	—	—	—	110	110
Equity dividends paid	—	—	—	—	—	(2,134)	(2,134)	(867)	(3,001)
At 31 March 2017	3,132	9,769	17,164	271	2,551	53,330	86,217	3,833	90,050
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)**
Shares issued	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
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**

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 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	11	**35,499**	32,607
Intangible assets	12	**36,547**	33,681
Deferred tax assets	13	**2,663**	5,398
Total non-current assets		**74,709**	71,686
Current assets			
Inventory	14	**49,311**	49,475
Trade and other receivables	15	**37,369**	29,622
Derivative financial assets	26	**113**	307
Cash and cash equivalents	16	**9,031**	3,659
Total current assets		**95,824**	83,063
Total assets		**170,533**	154,749
Equity			
Share capital	22	**3,194**	3,132
Share premium		**8,475**	8,429
Reserves		**19,782**	21,326
Retained earnings		**65,404**	53,330
Equity attributable to owners of the Parent Company		**96,855**	86,217
Non-controlling interests		**3,661**	3,833
Total equity		**100,516**	90,050
Non-current liabilities			
Loans and borrowings	17	**3,781**	(39)
Deferred income	18	**998**	1,083
Provisions	19	**894**	881
Other financial liabilities	20	**1,440**	1,911
Deferred tax liability	13	**373**	525
Total non-current liabilities		**7,486**	4,361
Current liabilities			
Bank overdraft	16	**—**	916
Loans and borrowings	17	**894**	(232)
Deferred income	18	**99**	111
Provisions	19	**429**	441
Income tax payable		**3,364**	3,153
Trade and other payables	21	**38,757**	37,450
Other financial liabilities	20	**18,988**	18,499
Total current liabilities		**62,531**	60,338
Total liabilities		**70,017**	64,699
Total equity and liabilities		**170,533**	154,749

These financial statements were approved by the Board of Directors on 8 June 2018 and were signed on its behalf by:

Paul Fineman
Director

Giles Willits
Director

The notes on the following pages form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the year		**14,334**	10,308
Adjustments for:			
Depreciation	11	**4,345**	4,571
Amortisation of intangible assets	12	**818**	798
Impairment of goodwill	12	**36**	—
Finance expenses	8	**1,392**	1,229
Negative goodwill release to income	10	**—**	(1,271)
Income tax charge	9	**5,384**	2,719
(Profit)/loss on sales of property, plant and equipment		**(1,953)**	24
Loss on external sale of intangible fixed assets		**1**	51
Equity-settled share-based payment	25	**2,257**	2,216
Operating profit after adjustments for non-cash items		**26,614**	20,645
Change in trade and other receivables		**(9,133)**	(772)
Change in inventory		**819**	2,670
Change in trade and other payables		**3,612**	8,940
Change in provisions and deferred income		**(199)**	44
Cash generated from operations		**21,713**	31,527
Tax paid		**(3,099)**	(2,003)
Interest and similar charges paid		**(1,483)**	(1,867)
Net cash inflow from operating activities		**17,131**	27,657
Cash flow from investing activities		**2,596**	58
Proceeds from sale of property, plant and equipment			
Acquisition of businesses	31	**(5,145)**	(2,669)
Capital contribution from non-controlling investor		**—**	110
Acquisition of intangible assets	12	**(1,377)**	(534)
Acquisition of property, plant and equipment	11	**(7,992)**	(4,633)
Receipt of government grants		**15**	40
Net cash outflow from investing activities		**(11,903)**	(7,628)
Cash flows from financing activities			
Proceeds from issue of share capital	22	**71**	5,086
Repayment of secured borrowings		**(165)**	(21,774)
Net movement in credit facilities		**—**	(795)
Payment of finance lease liabilities		**(46)**	(2,383)
New bank loans raised		**5,108**	—
Loan arrangement fees		**(111)**	(319)
Equity dividends paid	24	**(3,000)**	(2,134)
Dividends paid to non-controlling interests		**(575)**	(867)
Net cash inflow/(outflow) from financing activities		**1,282**	(23,186)
Net increase/ (decrease) in cash and cash equivalents		**6,510**	(3,157)
Cash and cash equivalents at beginning of period		**2,743**	6,872
Effect of exchange rate fluctuations on cash held		**(222)**	(972)
Cash and cash equivalents at end of the period	16	**9,031**	2,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 31 March 2018

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.

To meet the funding requirements the business has agreed funding in place with HSBC as part of a three year deal first put in place from 6 June 2016 and extended to May 2021.

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

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

Changes in accounting policies
The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

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.

Classification of financial instruments issued by the Group

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

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

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

Trade and other receivables

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

Trade and other payables

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

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

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

Where 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 one to five years.

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 life of computer software and other intangibles are three to five years.

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

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

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

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

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

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

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

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

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

Where goods are sold on a sale or return basis revenue is initially booked net of 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.

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

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

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

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

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

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

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

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

Use of non-GAAP measures
The Directors believe that reporting profits, EPS and average leverage before exceptional items and LTIP charges provides useful information for shareholders on underlying trends and performance.

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

Average leverage is calculated as average monthly net debt divided by EBITDA before exceptional items and LTIP charges.

The adjustments made to profits, EPS and average leverage are:

- IFRS 2 Share–based Payments – a non–cash charge to the income statement for share-based payments and related social security charges. IFRS 2 requires the fair value of equity instruments measured at grant date to be spread over the period during which the employees become unconditionally entitled to the options. Other than the social security charge element, this is a non–cash charge and has been excluded as it does not reflect the underlying core trading performance of the Group; and
- exceptional items – please see note 10.

Figures quoted at like-for-like exchange rates are calculated by retranslating the previous years figures at the current years 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 and amended accounting standards	Effective date	To be adopted by the Group
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 Jan 2018	1 Apr 2018
Annual Improvements to IFRSs 2014-2016 Cycle[a]	1 Jan 2018	1 Apr 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)[a]	1 Jan 2018	1 Apr 2018
IFRIC 22 Foreign Currency Translations and Advice Consideration[a]	1 Jan 2018	1 Apr 2018
IFRS 9 Financial Instruments[a]	1 Jan 2018	1 Apr 2018
IFRS 15 Revenue from Contracts with Customers[a]	1 Jan 2018	1 Apr 2018
IFRS 16 Leases[a]	1 Jan 2019	1 Apr 2019

(a) Endorsed by the EU.

Ahead of the finalisation of these financial statements, work has been undertaken to assess the impact of the three new accounting standards on the Group. The key changes or requirements from the standards as well as the expected impact and progress are shown below:

Applicable standard	Key changes or requirements of the standard	Status of implementation and expected impact
IFRS 9 Financial Instruments	IFRS 9 Financial Instruments replaces IAS 39, covering the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment.	During the financial year, the Group concluded preparations for the new requirements in IFRS 9. An initial assessment indicates that the adoption of IFRS 9 will not have a material impact on the consolidated results and financial position.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The standard clarifies the accounting for goods and services and identification of each 'performance obligation' in contractual arrangements. It also provides more guidance on the measurement of revenue from contracts which have discounts, rebates, payments to suppliers and consignment stock arrangements.	The Group has completed a review of the requirements of IFRS 15 against its existing accounting policies, in particular for trade expenditure, consignment stock, bad debts, and other incentives. As a result of this assessment, recognition under IFRS 15 is expected to be materially consistent with current practice for the Group's revenue. Had the principles of IFRS 15 been applied in the current reporting period, it would not have had a significant impact on the financial statements.
IFRS 16 Leases	IFRS 16, replacing IAS 17, provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases.	IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in cost of sales and admin costs and an increase in finance costs.

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

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.

Impairment of goodwill and property, plant and equipment
Determining whether goodwill and property, plant and equipment are impaired requires an estimation of the value in use of the cash- generating units to which goodwill has been allocated or to which property, plant and equipment belong. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash–generating unit and a suitable discount rate in order to calculate present value.

Provision for slow moving inventory
The Group has guidelines for providing for inventory which may be sold below cost due to its age or condition. Directors assess the inventory at each location and in some cases decide that there are specific reasons to provide more than the guideline levels, or less if there are specific action plans in place which mean the guideline provision level is not required. Determining the level of inventory provision requires an estimation of likely future realisable value of the inventory in various time frames and comparing with the cost of holding stock for those time frames. Regular monitoring of stock levels, the ageing of stock and the level of the provision is carried out by the Directors. Details of inventory carrying values are provided in note 14. At the year end, stock acquired more than 15 months previously and that is therefore at least one selling season old had decreased from £7,232,000 to £6,017,000 and the Group has provisions of £7,485,000 (2017: £8,379,000) 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 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, design-led giftware, and bags 'not-for-resale'.

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. Both the China factory and the majority of the Asian procurement operations are overseen by our UK operational management team and we therefore continue to include Asia within the internal reporting of the UK operations, such that UK and Asia comprise one operating segment.

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

Financial performance of each segment is measured on operating profit before exceptional items, LTIP charges and 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 and Asia £000	**Europe £000**	**USA £000**	**Australia £000**	**Central and eliminations £000**	**Group £000**
Year ended 31 March 2018						
Revenue						
– external	**119,283**	**50,977**	**120,284**	**36,972**	**—**	**327,516**
– inter segment	**4,031**	**786**	**—**	**—**	**(4,817)**	**—**
Total segment revenue	**123,314**	**51,763**	**120,284**	**36,972**	**(4,817)**	**327,516**
Segment result before exceptional items, LTIP charges and management recharge	**7,899**	**6,689**	**9,322**	**2,921**	**(4,003)**	**22,828**
Exceptional items						**539**
LTIP charges						**(2,257)**
Operating profit						**21,110**
Net finance expenses						**(1,392)**
Income tax						**(5,384)**
Profit for the 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**	**1,593**	**—**	**8,790**
– intangible assets	**109**	**50**	**1,218**	**2,624**	**—**	**4,001**
Depreciation	**2,229**	**722**	**871**	**523**	**—**	**4,345**
Amortisation	**219**	**27**	**474**	**98**	**—**	**818**

	UK and Asia £000	Europe £000	USA £000	Australia £000	Central and eliminations £000	Group £000
Year ended 31 March 2017						
Revenue						
– external	114,113	45,497	117,831	33,551	—	310,992
– inter segment	2,904	227	—	—	(3,131)	—
Total segment revenue	117,017	45,724	117,831	33,551	(3,131)	310,992
Segment result before exceptional items, LTIP charges and management recharge	7,479	5,122	7,256	1,739	(4,087)	17,509
Exceptional items						(1,037)
LTIP charges						(2,216)
Operating profit						14,256
Net finance expenses						(1,229)
Income tax						(2,719)
Profit for year ended 31 March 2017						10,308
Balances at 31 March 2017						
Segment assets	95,760	20,413	21,461	11,717	5,398	154,749
Segment liabilities	(10,934)	(16,382)	(27,952)	(5,753)	(3,678)	(64,699)
Capital expenditure additions						
– property, plant and equipment	1,866	687	1,104	1,268	—	4,925
– intangible assets	184	36	1,493	51	—	1,764
Depreciation	1,813	1,081	1,306	371	—	4,571
Amortisation	194	45	536	23	—	798

- Capital expenditure consists of additions of property, plant and equipment, intangible assets and goodwill.
- No single customer accounts for over 10% of total sales.
- The assets and liabilities that have not been allocated to segments consist of deferred tax assets £2,663,000 (2017: £5,398,000) and income tax payable of £3,364,000 (2017: £3,153,000), deferred tax liability £373,000 (2017: £525,000).

Geographical information

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

	Non-current assets	
	2018	2017
	£000	£000
UK and Asia	**40,126**	38,990
USA	**9,076**	9,936
Europe	**16,610**	14,173
Australia and New Zealand	**6,234**	3,189
	72,046	66,288

Turnover by customer destination

	2018	2017	**2018**	2017
	£000	£000	**%**	%
UK	**89,292**	83,249	**27**	27
USA	**136,782**	133,452	**42**	42
Europe	**58,080**	55,122	**18**	18
Australia and New Zealand	**36,972**	33,551	**11**	11
Rest of the world	**6,390**	5,618	**2**	2
	327,516	310,992	**100**	100

All turnover arose from the sale of goods.

5 Expenses and auditor's remuneration

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

		2018	2017
	Notes	**£000**	£000
Depreciation	11	**4,345**	4,571
Profit on sales of property, plant and equipment and intangible assets		**17**	75
Release of deferred grant income	7	**(99)**	(108)
Amortisation of intangible assets	12	**818**	798
Operating lease payment – minimum lease payments	27	**5,289**	4,460
Sub-lease rental income	7	**(710)**	(558)
Write down of inventories to net realisable value	14	**5,491**	7,383
Reversal of previous write down of inventory	14	**(197)**	(57)
Loss on foreign exchange		**373**	860

Auditor's remuneration:

	2018	**2017**
	£000	£000
Amounts receivable by auditor and its associates in respect of:		
Audit of these financial statements	**37**	35
Audit of financial statements of subsidiaries		
– Overseas subsidiaries	**184**	195
– UK subsidiaries	**51**	50
Other services	**85**	158

6 Staff numbers and costs

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

	Number of employees	
	2018	2017
Selling and administration	**520**	480
Production and distribution	**1,434**	1,626
	1,954	2,106

The aggregate payroll costs of these persons were as follows:

		2018	2017
	Note	**£000**	£000
Wages and salaries		**51,283**	49,846
Share-based payments – Long Term Incentive Plan	25	**2,257**	2,216
Social security costs		**3,797**	3,792
Other pension costs		**3,787**	3,473
		61,124	59,327

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

7 Other operating income

		2018	**2017**
	Note	**£000**	£000
Grant income received		**99**	108
Sub-lease rentals credited to the income statement		**710**	558
Other		**(424)**	(456)
		385	210
Exceptional items	10	**1,092**	—
		1,477	210

8 Finance expenses

	2018	**2017**
	£000	£000
Interest payable on bank loans and overdrafts	**946**	1,177
Other similar charges	**332**	580
Finance charges in respect of finance leases	**2**	113
Unwinding of fair value discounts	**80**	79
Interest payable under the effective interest method	**1,360**	1,949
Derivative financial instruments at fair value through the income statement	**32**	(720)
	1,392	1,229

9 Taxation

Recognised in the income statement

	2018	**2017**
	£000	£000
Current tax expense		
Current year – UK corporation tax	**(280)**	607
Current year – foreign corporation tax	**3,635**	2,533
Adjustments in respect of previous periods	**128**	(8)
	3,483	3,132
Deferred tax expense		
Origination and reversal of temporary differences	**2,040**	(219)
Adjustments in respect of previous periods	**(139)**	(194)
	1,901	(413)
Total tax in income statement	**5,384**	2,719

Reconciliation of effective tax rate

	2018	2017
	£000	£000
Profit before tax	**19,718**	13,027
Profit before tax multiplied by the standard rate of corporation tax rate of 19% in the UK (2017: 20%)	**3,746**	2,605
Effects of:		
Expenses not (taxable)/deductible for tax purposes	**(374)**	279
Movement in unrecognised tax assets	**270**	(1,637)
Effect of tax rate changes on deferred tax	**593**	(8)
Differences between UK and overseas tax rates	**1,637**	1,097
Other items	**(477)**	585
Adjustments in respect of previous periods	**(11)**	(202)
Total tax in income statement	**5,384**	2,719

10 Exceptional items

Year ended 31 March 2018	**Admin expenses £000**	**Other operating income £000**	**Total £000**
Transaction costs[(a)]	**(553)**	**—**	**(553)**
Sale of Hirwaun Property[(b)]	**—**	**1,092**	**1,092**
Total before tax	**(553)**	**1,092**	**539**
Income tax credit			**238**
			777

(a) 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.

(b) 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.

Year ended 31 March 2017	Cost of sales £000	Admin expenses £000	Total £000
Acquisition of Lang:			
Transaction and restructuring costs[(c)]	—	(722)	(722)
Gain on bargain purchase[(d)]	—	1,271	1,271
Restructuring of American operations[(e)]	(1,532)	(54)	(1,586)
Total before tax	(1,532)	495	(1,037)
Income tax credit			761
			(276)

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

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

(e) Restructuring of American printing platform.

Impact of exceptional items on cash flow

There was £1,637,000 net inflow on the current year's cash flow (2017: £656,000 outflow) which included £350,000 (2017: £nil) 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 2016	21,404	8,970	44,851	(1,229)	769	74,765
Additions	452	220	3,166	525	270	4,633
Disposals	—	(72)	(4,569)	(538)	(180)	(5,359)
Additions on acquisition of business	—	169	—	123	—	292
Transfer between categories[(a)]	(1,121)	(63)	2,197	4,343	9	5,365
Effect of movements in foreign exchange	658	1,277	2,527	236	87	4,785
Balance at 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 from computer software	—	—	—	294	—	294
Effect of movements in foreign exchange	174	(1,006)	(963)	(128)	(60)	(1,983)
Balance at 31 March 2018	**20,096**	**9,633**	**50,073**	**4,241**	**1,254**	**85,297**
Depreciation and impairment						
Balance as at 1 April 2016	(11,469)	(4,216)	(29,914)	1,476	(452)	(44,575)
Depreciation charge for the year	(742)	(301)	(3,201)	(241)	(86)	(4,571)
Disposals	—	25	4,571	531	150	5,277
Transfers between categories[(a)]	936	17	(2,057)	(4,211)	(50)	(5,365)
Effect of movements in foreign exchange	(236)	(561)	(1,667)	(130)	(46)	(2,640)
Balance at 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 from computer software	—	—	—	(239)	—	(239)
Effect of movements in foreign exchange	(67)	447	544	76	18	1,018
Balance at 31 March 2018	(10,978)	(5,059)	(30,235)	(2,922)	(604)	(49,798)
Net book value						
Balance at 31 March 2018	9,118	4,574	19,838	1,319	650	35,499
At 31 March 2017	9,882	5,465	15,904	885	471	32,607

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

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

Leased plant and machinery
The net book value of property, plant and equipment included an amount of £nil (2017: £144,000) in respect of assets held under finance leases. Depreciation with respect of these assets was £nil (2017: £244,000).

Security
All freehold properties are subject to a fixed charge.

12 Intangible assets

	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
Balance at 1 April 2016	40,931	3,566	110	44,607
Additions	35	487	12	534
Additions on acquisition of businesses	—	261	969	1,230
Disposals	—	(441)	—	(441)
Effect of movements in foreign exchange	1,508	278	42	1,828
Balance at 1 April 2017	42,474	4,151	1,133	47,758
Additions	—	1,377	—	1,377
Additions on acquisition of businesses	1,703	—	921	2,624
Transfer to fixed assets	—	(294)	—	(294)
Disposals	—	(40)	—	(40)
Effect of movements in foreign exchange	(809)	(325)	(154)	(1,288)
Balance at 31 March 2018	**43,368**	**4,869**	**1,900**	**50,137**
Amortisation and impairment				
Balance at 1 April 2016	(9,439)	(2,877)	(55)	(12,371)
Amortisation for the year	—	(432)	(366)	(798)
Disposals	—	390	—	390
Effect of movements in foreign exchange	(1,004)	(285)	(9)	(1,298)
Balance at 1 April 2017	(10,443)	(3,204)	(430)	(14,077)
Amortisation for the year	—	(447)	(371)	(818)
Impairments	(36)	—	—	(36)
Transfers to fixed assets	—	239	—	239
Disposals	—	39	—	39
Effect of movements in foreign exchange	785	228	50	1,063
Balance at 31 March 2018	**(9,694)**	**(3,145)**	**(751)**	**(13,590)**
Net book value				
Balance at 31 March 2018	**33,674**	**1,724**	**1,149**	**36,547**
At 31 March 2017	32,031	947	703	33,681

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

	2018 £000	2017 £000
UK and Asia	**25,600**	25,600
Europe	**5,329**	5,146
Australia	**2,745**	1,285
Total	**33,674**	32,031

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

The Group prepares cash flow forecasts for each cash–generating unit derived from the most recent financial budgets for the following three years which are approved by the Board. The key assumptions in those budgets are sales, margins achievable and overhead costs, which are based on past experience and future expectations. The Group then extrapolates cash flows for the following seven years based on a conservative estimate of market growth of between 0.5% and 2.0% (2017: 2.0%).

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

Pre–tax discount rates used were:

	2018	2017
UK and Asia	**12.8%**	10.5%
Europe	**13.3%**	12.3%
Australia	**15.3%**	14.1%

All of the cash-generating units' values in use were determined to be higher than fair value less costs to sell, thus this was used as the recoverable amount. In all businesses, other than a small £36,000 impairment of a stand-alone operation, 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 5% movement in the discount rate and a flat budget growth rate assumption in their assessment; with these changes in assumptions there is still considerable headroom and no indication of impairment.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**63**	46	**(1,200)**	(1,219)	**(1,137)**	(1,173)
Tax loss carried forward	**584**	1,794	**—**	—	**584**	1,794
Other timing differences[(a)]	**2,986**	4,439	**(143)**	(187)	**2,843**	4,252
Net tax assets/(liabilities)	**3,633**	6,279	**(1,343)**	(1,406)	**2,290**	4,873

Deferred tax is presented net on the balance sheet in so far as a right of offset exists. The net deferred tax asset is £2,663,000 (2017: £5,398,000) and the net deferred tax liability is £373,000 (2017: £525,000).

The deferred tax asset in respect of tax losses carried forward at 31 March 2018 of £584,000 (2017: £1,794,000) comprises UK tax losses of £440,000 (2017: £907,000) and US losses of £144,000 (2017: £887,000). US tax losses carried forward will become irrecoverable in March 2027. UK tax losses may be carried forward indefinitely. The deferred tax assets have been recognised where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Board expects that the tax losses will be recoverable against future profits. 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 £310,000 (2017: £305,000), £490,000 (2017: £84,000) in respect of China, and £221,000 (2017: £284,000) in respect of Asia.

A deferred tax liability of £153,000 (2017: £233,000) has been recognised based on the tax cost of remitting earnings from China. No other deferred tax liability has been recognised on unremitted earnings of the overseas subsidiaries as if all unremitted earnings were repatriated with immediate effect, no other tax charge would be payable. 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.

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

Movement in deferred tax during the year

	1 April 2017 £000	Acquired with subsidiary £000	Recognised in income £000	Recognised in equity £000	**31 March 2018 £000**
Property, plant and equipment	(1,173)	—	75	(39)	**(1,137)**
Tax loss carried forward	1,794	—	(1,152)	(58)	**584**
Other timing differences[(a)]	4,252	(213)	(824)	(372)	**2,843**
Net tax asset/(liability)	4,873	(213)	(1,901)	(469)	**2,290**

Movement in deferred tax during the prior year

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

(a) Other timing differences include a closing balance of £1,942,000 (2017: £1,949,000) in respect of share-based payments.

14 Inventory

	2018	2017
	£000	£000
Raw materials and consumables	**6,325**	5,933
Work in progress	**8,927**	8,668
Finished goods	**34,059**	34,874
	49,311	49,475

Of the £49,311,000 (2017: £49,475,000) stock value £46,984,000 (2017: £46,346,000) is held at cost and £2,327,000 (2017: £3,129,000) is held at net realisable value. The write down in the year of inventories to net realisable value amounted to £5,491,000 (2017: £7,383,000). The reversal of previous write downs amounted to £197,000 (2017: £57,000). 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 £228,776,000 (2017: £213,306,000).

15 Trade and other receivables

	2018	2017
	£000	£000
Trade receivables	**32,490**	25,991
Prepayments and accrued income	**1,553**	1,539
Other receivables	**3,015**	1,871
VAT receivable	**311**	221
	37,369	29,622

The Group has receivable financing arrangements in UK, Europe, USA and Hong Kong. None of this facility was drawn at 31 March 2018 (2017: £nil).

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

There are no trade receivables in the current year (2017: £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

	2018	2017
	£000	£000
Cash and cash equivalents	**9,031**	3,659
Bank overdrafts	**—**	(916)
Cash and cash equivalents per cash flow statement	**9,031**	2,743

Net cash

		2018	2017
	Note	£000	£000
Cash and cash equivalents		**9,031**	3,659
Bank loans and overdrafts	17	**(4,780)**	(916)
Loan arrangement fees		**105**	271
Finance leases		**—**	(45)
Net cash as used in the executive review		**4,356**	2,969

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.

	2018 £000	2017 £000
Non-current liabilities		
Secured bank loans (see below)	**3,791**	—
Loan arrangement fees	**(10)**	(39)
	3,781	(39)
Current liabilities		
Current portion of secured bank loans (see below)	**989**	—
Bank loans and borrowings (see below)	**989**	—
Loan arrangement fees	**(95)**	(232)
	894	(232)

Terms and debt repayment schedule

	Note	2018 £000	2017 £000
Due within one year:			
Bank loans and borrowings (see below)		**989**	—
Bank overdrafts	16	**—**	916
Due between one and two years:			
Secured bank loans (see below)		**989**	—
Due between two and five years:			
Secured bank loans (see below)		**2,802**	—
		4,780	916

Secured bank loans

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

- a three–year revolving credit facility ("RCF") for £18 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 £127.9 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 new facilities as follows:

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

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

In January 2018, the Group's Australia business obtained a secured loan from Westpac of £5,108,000 (AUD 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. £165,000 was repaid during the year which, along with £163,000 exchange movement results in a balance at 31 March 2018 of £4,780,000 (AUD 8,700,000).

18 Deferred income

	2018	2017
	£000	£000
Included within non-current liabilities		
Deferred grant income	**998**	1,083
Included within current liabilities		
Deferred grant income	**99**	98
Other deferred income	**—**	13
Deferred grant income	**99**	111

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

19 Provisions

	Property	Other	Total
	£000	£000	£000
Balance at 1 April 2017	978	344	1,322
Provisions made in the year	—	254	254
Provisions released during the year	—	(118)	(118)
Unwinding of fair value discounts	80	—	80
Provisions utilised during the year	(72)	(152)	(224)
Effect of movements in foreign exchange	—	9	9
Balance at 31 March 2018	**986**	**337**	**1,323**

	2018	2017
	£000	£000
Non-current	**894**	881
Current	**429**	441
	1,323	1,322

The property provision represents the estimated reinstatement cost of two of the Group's leasehold properties under fully repairing leases and provision for an onerous lease for one of those properties. A professional valuation was performed during 2016 for one of the leasehold properties and the provision was reassessed and is stated after discounting. £882,000 (2017: £829,000) of the non- current balance relates to a lease expiring in 2036; the balance relates to items between two and five years.

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

20 Other financial liabilities

	2018	2017
	£000	£000
Included within non-current liabilities		
Finance lease	**—**	13
Other creditors and accruals	**1,440**	1,898
	1,440	1,911
Included within current liabilities		
Finance lease	**—**	32
Other creditors and accruals	**18,832**	18,405
Interest rate swaps and forward foreign currency contracts carried at fair value through the income statement	**40**	2
Interest rate swaps and forward foreign exchange contracts carried at fair value through the hedging reserve	**116**	60
	18,988	18,499

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	Minimum lease payments £000	**Interest £000**	**Principal £000**	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	**—**	**—**	**—**	35	(3)	32
Between one and five years	**—**	**—**	**—**	15	(2)	13
	—	**—**	**—**	50	(5)	45

21 Trade and other payables

	2018 £000	2017 £000
Trade payables	**37,056**	36,341
Other payables including income taxes and social security	**817**	749
VAT payable	**884**	360
	38,757	37,450

22 Share capital

Authorised share capital at 31 March 2018 and 2017 was £6,047,443 divided into 120,948,860 ordinary shares of 5p each.

	Ordinary shares	
In thousands of shares	**2018**	2017
In issue at 1 April	**62,642**	59,257
Options exercised during the year	**1,248**	385
Share placing	**—**	3,000
In issue at 31 March – fully paid	**63,890**	62,642

	2018 £000	2017 £000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each	**3,194**	3,132

Share options exercised during the year resulted in 510,000 ordinary shares being issued (2017: 385,000) which generated cash proceeds of £71,000 (2017: £53,000).

LTIP options exercised during the year resulted in 738,111 ordinary shares being issued at nil cost (2017: 607,652 ordinary shares being issued at nil cost).

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

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

23 Earnings per share

	2018		2017	
	Diluted pence	**Basic pence**	Diluted pence	Basic pence
Underlying earnings per share excluding exceptional items and LTIP charges	**21.8**	**22.9**	18.2	19.0
Cost per share on LTIP charge	**(2.7)**	**(2.9)**	(2.8)	(2.9)
Underlying earnings per share excluding exceptional items	**19.1**	**20.0**	15.4	16.1
Cost per share on exceptional items	**1.4**	**(0.4)**	(0.4)	1.4
Earnings per share	**20.5**	**21.4**	15.0	15.7

The basic earnings per share is based on the profit attributable to equity holders of the Company of £13,545,000 (2017: £9,650,000) and the weighted average number of ordinary shares in issue of 63,198,000 (2017: 61,539,000) calculated as follows:

In thousands of shares	2018	2017
Issued ordinary shares at 1 April	**62,642**	59,257
Shares issued in respect of exercising of share options	**556**	260
Shares issued in respect of share placing	**—**	2,022
Weighted average number of shares at 31 March	**63,198**	61,539

Underlying basic earnings per share excludes exceptional items credited of £700,000 (2017: £1,037,000 charged) and the tax relief attributable to those items of £211,000 (2017: £761,000), to give underlying profit including the effect of non-controlling interest of £12,634,000 (2017: £9,926,000).

Underlying diluted earnings per share excludes exceptional items and LTIP charges of £1,718,000 (2017: £3,253,000) and tax relief attributable to those items of £683,000 (2017: £1,203,000), to give underlying profit of £14,446,000 (2017: £11,700,000).

Diluted earnings per share

The average number of share options under the Executive share options 2008 scheme outstanding in the year is 612,795 (2017: 835,680) at an average exercise price of 14p (2017: 14p). The average number of share options under the LTIP scheme outstanding in the year is 1,371,743 (2017: 500,000) 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 1,213,794 share options. There is also a small adjustment for shares issued that could be funded by option exercise costs in respect of the 2008 Scheme. At 31 March 2018 the diluted number of shares was 66,389,000 (2017: 64,161,000).

24 Dividends paid and proposed

A final dividend for year ending 31 March 2017 of 2.75p (for year ending 31 March 2016: 1.75p) was paid on 7 September 2017. An interim dividend of 2.00p was paid on 18 January 2018 (2017: 1.75p). The Directors are recommending a final dividend of 4.00p per share in respect of the year ended 31 March 2018 (2017: 2.75p). If approved it will be paid in September 2018 to shareholders on the register at the close of business on 5 July 2018.

	2018		2017	
	Pence per share	**£000**	Pence per share	£000
Final equity dividend for prior year	**2.75**	**1,734**	1.75	1,037
Interim equity dividend for current year	**2.00**	**1,266**	1.75	1,097
Dividends paid in the year		**3,000**		2,134

	2018		2017	
Proposed for approval at Annual General Meeting	**Pence per share**	**£000**	Pence per share	£000
Final equity dividend for the current year	**4.00**	**2,556**	2.75	1,723

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 2018 there were 200,000 approved options outstanding with a weighted average contractual life of 0.7 years (2017: 1.7 years). No share options were granted under this scheme during the year (2017: nil).

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

	2018		2017	
	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**	**710,000**	14.00	1,096,000
Exercised during the period	**14.00**	**(510,000)**	14.00	(386,000)
Outstanding at the end of the period	**14.00**	**200,000**	14.00	710,000
Exercisable at the end of the period	**14.00**	**200,000**	14.00	710,000

The weighted average share price at the date of exercise of share options exercised during the period was 376.0p (2017: 212.7p).

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 be not more than 100% in value of the relevant employee's salary base or 150% for the CEO, although the rules allow an upper maximum of 150% for all employees.

Vested LTIP schemes – outstanding options

	Number of ordinary shares	Exercise price pence	Exercise dates
2012-2015 LTIP scheme	425,000	nil	June 2016 – March 2024
2014-2017 LTIP scheme	667,240	nil	June 2017 – August 2024
2015-2018 LTIP scheme[(a)]	1,213,794	nil	June 2018 – August 2025
	2,306,034		

All performance criteria have been met for the above schemes.

	2018		2017	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	**nil**	**1,830,351**	nil	500,000
Options vesting during the period(a)	**nil**	**1,213,794**	nil	1,330,351
Exercised during the period	**nil**	**(738,111)**	nil	—
Outstanding at the end of the period	**nil**	**2,306,034**	nil	1,830,351
Exercisable at the end of the period	**nil**	**2,306,034**	nil	1,830,351

(a) The shares relating to the 2015-2018 scheme formally vest on 6 June 2018 following the Remuneration Committee and Audit Committee approval of the results of the year ended 31 March 2018.

Scheme details for LTIPs in vesting periods during the year

During the financial year to 31 March 2018 there were three LTIP schemes still within their vesting periods (2017: three). The award and performance targets for these are in the tables below.

Awards:

	2015-2018		2016-2019		2017-2020	
	Grant A	Grant B	Grant A	Grant B	Grant A	Grant B
Fair value per share (£)	1.29	4.04	1.82	4.04	3.71	4.04
Number of participants awarded	26	1	23	1	24	2
Initial award	1,176,860	100,474	827,220	72,885	347,101	297,844
Dividend shares awarded	40,806	3,833	28,547	2,697	8,095	6,985
Lapses and forfeitures	(108,179)	—	(135,372)	—	(7,918)	—
Expected to vest as at 31 March 2018	**1,109,487**	**104,307**	**720,395**	**75,582**	**347,278**	**304,829**
Expected to vest as at 31 March 2017	1,216,833	—	916,509	—	—	—

The LTIP awards 'Grant A' were made in 2015/16, 2016/17 and 2017/18, 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.

The grant date fair value of the options granted in the year assuming they are to vest in full is £3,191,000 (2017 £1,503,000). 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 target for the 2016-2019 scheme is the sole exception to this: the threshold of 7.5% CAGR[(a)] pays out at 0%, with the award vesting straight-line from here to 100% at stretch.

	Weighting	Threshold	Stretch
2015-2018 LTIP			
EPS	50%	CAGR[(a)] 10%	CAGR[(a)] 17.5%
Profit before tax, exceptional items and LTIP charges	30%	CAGR[(a)] 10%	CAGR[(a)] 17.5%
Average leverage	20%	2.5x	1.8x
2016-2019 LTIP			
EPS	60%	CAGR[(a)] 7.5%	CAGR[(a)] 17.5%
Profit before tax, exceptional items and LTIP charges	40%	CAGR[(a)] 10%	CAGR[(a)] 17.5%
2017-2020 LTIP			
EPS	100%	CAGR[(a)] 10%	CAGR[(a)] 17.5%

(a) 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:

	2018 £000	2017 £000
Charge in relation to the 2014-2017 LTIP scheme	**—**	517
Charge in relation to the 2015-2018 LTIP scheme	**913**	662
Charge in relation to the 2016-2019 LTIP scheme	**473**	376
Charge in relation to the 2017-2020 LTIP scheme	**291**	—
Equity-settled share-based payments	**1,677**	1,555
Social security charge on 2008 executive share option awards	**29**	—
Social security charge on LTIP awards	**551**	661
Equity-settled share-based payments	**2,257**	2,216

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 £1,197,000 (2017: £973,000).

26 Financial instruments
Derivative financial assets

	2018 £000	2017 £000
Financial assets designated at fair value through the income statement	**113**	307

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 2018, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of £113,000 (2017: £307,000) and a liability of £156,000 (2017: £62,000).

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

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

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

b) Credit risk

Financial risk management

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

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

The Group has no significant concentration of credit risk exposure as revenues are split across a large number of customers in different geographical areas. The main customers of the Group are large and mid–sized retailers, other manufacturers and wholesalers of greetings products, service merchandisers and trading companies. The Group has established procedures to minimise the risk of default of trade receivables including detailed credit checks undertaken before new customers are accepted and rigorous credit control procedures after sale. These processes have proved effective in minimising the level of 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 £44,649,000 (2017: £31,828,000) 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:

	2018	2017
	£000	£000
UK and Asia	**10,685**	5,486
USA	**12,863**	13,021
Europe	**4,549**	3,954
Australia	**4,393**	3,530
	32,490	25,991

Credit quality of financial assets and provisions for doubtful debts

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

	2018		2017	
	Gross	**Provisions for doubtful debts**	Gross	Provisions for doubtful debts
	£000	**£000**	£000	£000
Not past due	**19,786**	**—**	21,875	(31)
Past due 0-60 days	**10,404**	**(100)**	3,465	(146)
61-90 days	**628**	**(93)**	705	(68)
More than 90 days	**2,476**	**(611)**	768	(577)
	33,294	**(804)**	26,813	(822)

There were no unimpaired balances outstanding at 31 March 2018 (2017: £nil) where the Group had renegotiated the terms of the trade receivable.

The movement in the provisions for doubtful debts in respect of trade receivables during the year was as follows:

	2018	2017
	£000	£000
Balance at 1 April	**822**	350
Charge for the year	**434**	673
Unused amounts reversed	**(237)**	—
Amounts written off	**(149)**	(235)
Effects of movement in foreign exchange	**(66)**	34
Balance at 31 March	**804**	822

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 2018 is set out in note 17.

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

31 March 2018	Notes	Carrying amount £000	Contractual cash flows £000	One year or less £000	One to two years £000	Two to five years £000	More than five years £000
Non-derivative financial liabilities							
Secured bank loans – Australian dollar[(a)]		**4,780**	**(5,242)**	**(1,162)**	**(1,121)**	**(2,959)**	**—**
Other financial liabilities	20	**20,272**	**(20,272)**	**(18,832)**	**(176)**	**(10)**	**(1,254)**
Trade payables	21	**37,056**	**(37,056)**	**(37,056)**	**—**	**—**	**—**
Other payables	21	**1,701**	**(1,701)**	**(1,701)**	**—**	**—**	**—**
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the income statement	20	**40**	**—**	**—**	**—**	**—**	**—**
Forward foreign exchange contracts carried at fair value through the hedging reserve	20	**116**	**(5,835)**	**(5,835)**	**—**	**—**	**—**
		63,965	**(70,106)**	**(64,586)**	**(1,297)**	**(2,969)**	**(1,254)**

(a) Nominal interest rate 3.57%.

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

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

	31 March 2018				31 March 2017			
	Carrying amount £000	**Facility in use contractual cash flows £000**	**Facility unused £000**	**Total facility £000**	Carrying amount £000	Facility in use contractual cash flows £000	Facility unused £000	Total facility £000
Secured bank loans	**4,780**	**(5,242)**	**—**	**(5,242)**	—	—	—	—
Corporate revolving credit facilities	**—**	**—**	**(19,622)**	**(19,622)**	—	—	(18,000)	(18,000)
Receivables financing	**—**	**—**	**(17,981)**	**(17,981)**	—	—	(12,123)	(12,123)
Bank overdraft	**—**	**—**	**(3,654)**	**(3,654)**	916	(916)	(1,613)	(2,529)
	4,780	**(5,242)**	**(41,257)**	**(46,499)**	916	(916)	(31,736)	(32,652)

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, at the peak borrowing point in the annual cycle, with the major bank was £127.9 million (2017: £125.5 million). At 31 March 2018, the facility amounted to £37.7 million (2017: £30.1 million).

Additional overdraft facilities were available at other banks of £3.7 million (2017: £2.5 million), along with a loan of AUD 9,000,000 repayable monthly over a five year period.

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

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

The Group has forward currency hedging contracts outstanding at 31 March 2018 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 2018/19 were assessed to be highly effective and as at 31 March 2018 a net unrealised loss of £27,000 (2017: £271,000 gain) with related deferred tax credit of £nil (2017: £nil) was included in other comprehensive income in respect of these hedging contracts.

e) Market risk

Financial risk management

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

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

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

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

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

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

31 March 2017	Note	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Cash and cash equivalents	16	1,021	(455)	2,659	434	3,659
Trade receivables	15	5,265	3,764	13,378	3,584	25,991
Other receivables		800	30	102	—	932
Financial assets at fair value through the income statement		307	—	—	—	307
Loan arrangement fees	17	271	—	—	—	271
Finance leases	20	—	(45)	—	—	(45)
Bank overdrafts	16	—	—	—	(916)	(916)
Trade payables	21	(10,268)	(4,624)	(17,533)	(3,916)	(36,341)
Other payables	21	(553)	(362)	—	(194)	(1,109)
Balance sheet exposure		(3,157)	(1,692)	(1,394)	(1,008)	(7,251)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	**2018**	2017
Euro	**1.14**	1.19	**1.14**	1.17
US dollar	**1.34**	1.30	**1.40**	1.25

Sensitivity analysis

A 10% weakening of the following currencies against sterling at 31 March 2018 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 2017.

	Equity		Profit/(loss)	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Euro	**118**	154	**(879)**	(732)
US dollar	**(146)**	127	**(521)**	(635)

On the basis of the same assumptions, a 10% strengthening of the above currencies against sterling at 31 March 2018 would have affected equity and profit or loss by the following amounts:

	Equity		Profit/(loss)	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Euro	**(144)**	(188)	**1,075**	895
US dollar	**178**	(155)	**637**	777

Profile

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

		2018	2017
	Note	**£000**	£000
Variable rate instruments			
Financial assets		**9,031**	3,659
Financial liabilities		**(4,780)**	(916)
Loan arrangement fees		**105**	271
Finance leases		**—**	(45)
Net debt	16	**4,356**	2,969

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 2017.

	2018	2017
	£000	£000
Equity		
Increase	**21**	14
Profit or loss		
Increase	**21**	14

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 borrowing as shown in the balance sheet), less cash and cash equivalents. The banking facilities with our principal bank have covenants relating to interest cover, cash flow cover and leverage, and our articles currently permit borrowings (including letter of credit facilities) to a maximum of four times equity.

		Equity	
		2018	2017
	Note	**£000**	£000
Net assets attributable to owners of the Parent Company		**96,855**	86,217
Net cash	16	**(4,356)**	(2,969)
Trading capital		**92,499**	83,248

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

27 Operating leases

Non–cancellable operating lease rentals are payable as follows:

	2018	2017
	£000	£000
Less than one year	**5,108**	4,515
Between one and five years	**9,925**	11,064
More than five years	**17,807**	19,419
	32,840	34,998

Non-cancellable operating lease rentals are receivable as follows:

	2018	**2017**
	£000	£000
Between one and five years	**1,728**	790

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 £710,000 (2017: £558,000) were received during the financial year.

During the year, £5,289,000 was recognised as an expense in the income statement in respect of operating leases (2017: £4,460,000).

28 Capital commitments

At 31 March 2018, the Group had outstanding authorised capital commitments to purchase plant and equipment for £551,000 (2017: £575,000).

29 Related parties

	2018	2017
	£000	£000
Sale of goods:		
AB Alrick – Hedlund	**—**	1
Hedlunds Pappers Industri AB	**172**	149
Festive Productions Ltd	**24**	37
Hedlund Import AB	**2,718**	4,596
S A Greetings (South African Greetings)	**91**	26
	3,005	4,809
Purchase of goods:		
Hedlund Import AB	**—**	60
Mattr Media Ltd	**62**	69
	62	129
Receivables		
Hedlund Import AB	**17**	112
Hedlunds Pappers Industri AB	**—**	7
Balance at 31 March	**17**	119
Payables		
Hedlund Import AB	**—**	—
Balance at 31 March	**—**	—

Identity of related parties and trading

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

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

During the year the Company paid £62,000 (2017: £69,000) 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 45% (2017: 46%) of the voting shares of the Company.

30 Subsidiary with significant non–controlling interest

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

Australia balance sheet as at 31 March	**2018 £000**	2017 £000
Non-current assets	**5,538**	2,611
Current assets	**7,637**	10,800
Current liabilities	**(5,604)**	(5,699)
Non-current liabilities	**(45)**	(146)

Australia comprehensive income for the year ended 31 March	**2018 £000**	2017 £000
Turnover	**36,972**	33,551
Profit after tax	**1,265**	1,325
Total comprehensive income	**1,345**	1,563

Australia cash flow for the year ended 31 March	**2018 £000**	2017 £000
Net increase/(decrease) in cash and cash equivalents	**550**	(807)

Australia non-controlling interest	**2018 £000**	2017 £000
1 April	**3,833**	3,370
Share of profits for the year	**789**	658
Other comprehensive income	**40**	119
Capital contribution from non-controlling investor	**—**	110
Dividend paid to the non-controlling interest	**(575)**	(867)
Currency translation	**(426)**	443
31 March	**3,661**	3,833

31 Acquisition of business

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 £5,145,000 (AUD 8,900,000) using local debt facilities. The consideration represents 2.7x EBITDA for the year ended 30 June 2017 although an injection of working capital of up to £1,700,000 (AUD 3,000,000) may 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 would have been £334,854,000. The trade of Biscay has been incorporated into that of IG Design Group Australia Pty Limited. It is not possible to disclose separately the profit of the Biscay business.

Effect of acquisition

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

	Recognised fair values on acquisition £000
Property, plant and equipment	**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**

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.

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

Effect of acquisition

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

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

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

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