EMBARGOED UNTIL 20th June at 7.00am

IG Design Group PLC

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

Results for the year ended 31 March 2023

IG Design Group plc, one of the world's leading designers, innovators and manufacturers of Gift packaging, Celebrations, Craft & creative play, Stationery, Gifting and related product categories announces its audited results for the year ended 31 March 2023.

Highlights for the year ended 31 March 2023

Financial Highlights	**FY2023**	FY2022
Revenue	**$890.3m**	$965.1m
Adjusted[(a)]		
- Profit/(loss) before tax	**$9.2m**	($1.3m)
- Diluted loss per share	**(0.2c)**	(7.7c)
Reported		
- (Loss)/profit before tax	**($18.9m)**	$2.2m
- Diluted loss per share	**(28.6c)**	(3.3c)
Net cash as at the period end	**$50.5m**	$30.2m
Full year dividend	**-**	1.7c
Average leverage	**0.6x**	1.0x

(a) Adjusted results exclude the impact of adjusting items – for further detail see alternative performance measures reconciliation within the detailed financial review

- Adjusted profit before tax was significantly ahead of initial expectations mostly driven by strong trading in Europe, and further benefits from ongoing restructuring initiatives in the US
- We delivered on customer commitments, but reported revenues were down by nearly 8% (4% on constant currency) mainly as a result of adverse foreign currency movements, lower second-half volumes in DG Americas and the strategic decision to continue to exit from unprofitable contracts in the US
- Margins improved due to continued efforts to manage costs, simplify the business and some recovery of prices in the face of continued high cost inflation
- Reported profit before tax was significantly impacted by a non-cash, one-off write-down of the historic goodwill in the UK business
- The Group remained net cash positive at year-end, at $50.5 million, with the strong year-on-year improvement reflecting better working capital management
- In line with the Board's previous guidance, no dividend is being declared for the year (FY2022: 1.25 pence)
- Post year end, the Group announced that it had completed the refinancing of its banking facilities to June 2026 which has secured access to appropriate financing to support the seasonal working capital cycle
- Board changes include the appointment of Paul Bal, previously Group CFO, as Group CEO from April 2023; Rohan Cummings joins as Group CFO from July 2023; Lance Burn stepped down as Interim Group COO at the end of March 2023; and Claire Binyon joined as an independent Non-Executive Director in June 2022
- Senior management team strengthened with the appointments of new CEO and CFO for DG Americas and two new MDs within the DG International businesses
- Supported our workforce through additional cost of living enhancements

Outlook

- The immediate priority of the Group remains continued recovery in its financial performance with particular focus on DG Americas, where the leadership team has been strengthened

- The FY2024 orderbook continues to build, at 62% of budgeted revenues (FY2022: 71%), reflecting a return to more normalised phasing of orders between H1 and H2 than experienced last year, as customers expect more stable supply chains
- Inflation remains an issue, with pricing challenges in all markets, but especially so in the UK
- A new strategy to restore sustainable, profitable growth is being developed and cascaded through the Group
- During FY2024, the Board anticipates continued progress with its aspiration to return to pre-pandemic operating profit margins by the end of FY2025

Stewart Gilliland, Non-Executive Chair, commented:

"FY2023 was a strong year of recovery and delivery by the Group, notwithstanding continued economic challenges across our markets. Last year's decision to place stronger, immediate focus on recovering margins, simplifying the business model and better managing working capital delivered results ahead of our expectations. I thank our teams across the Group for their extraordinary efforts. Our aspiration to return to pre-pandemic operating margins by the end of FY2025 remains, and we hope to continue growing profits and margins in FY2024 despite the continuing tough market back-drop and the uncertainty it is creating for our customers and our consumers.

We have made good progress in strengthening our leadership teams, both at Board and local level, and especially so in the US. We have been able to attract high calibre individuals as well as promote talent from within. With more stability in future leadership, we are able to outline a new strategy designed to return the Group to more sustainable and profitable growth, building on the recovery that is underway. We have a refreshed team, scale that we can leverage, very strong customer relationships, and have recently secured longer-term financing, all of which gives us a stronger foundation from which to build a more resilient business."

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EXECUTIVE REVIEW

Overview

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

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

The two main drivers behind this result were stronger than anticipated trading within DG International, notably in continental Europe, and benefits coming from the turnaround initiatives underway in the DG Americas division which resulted in the division returning to profitability. During the year we have strengthened the DG Americas leadership team and are currently in the process of doing the same in DG international. These improvements more than offset a weakening in the UK market in the last quarter of the year, predominantly driven by lower consumer demand, and will have consequences for the outlook for the year ahead. It has also led to a significant non-cash write-down of historically acquired goodwill in that market. Adverse currency movements and softening of demand in some of our markets are reflected in the year's revenue performance. Group **revenue** was down 4% in constant currency (8% in reported terms) versus prior year. Much of the revenue decline was experienced in DG Americas, where **revenue** was 10% lower. This resulted from a combination of the strategic decision to exit loss-making business, as well as lower volume in the second half of the year. DG International, though down 3% in reported **revenue**, grew 10% in constant currency with growth in all markets on a full-year basis.

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

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

Board changes

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

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

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

Lance Burn, Interim Chief Operating Officer (COO), stepped down from the Board at the end of March 2023, and will stay with the Group to the end of October 2023. The Board is very grateful for his dedication and contribution to the business for over a decade, and especially as it navigated the various challenges of the past eighteen months. The leadership team of DG Americas, which Lance had been supporting since March 2022, has been strengthened with the appointment of a new DG Americas CEO and CFO. The DG International leadership team is also being strengthened, and this will remove the requirement for a COO.

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

Incentive schemes

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

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

Our strategy

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

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

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

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

In summary, the new strategy concentrates on two areas:

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

The strategy is being rolled-out across the business units over the summer and will be driven through a combination of centrally co-ordinated as well as local initiatives. At the half-year, we hope to share with shareholders further details of our progress as well as sharing case studies further down the line to highlight some of the initiatives underway. Further details on the new strategy are set out in the Annual Report and Financial Statements for 2023.

Outlook

FY2023's financial performance exceeded our aspirations for the year. Not only was the profit decline stabilised, but it was also turned around. This performance puts us ahead in our journey to restore pre-pandemic operating profit margins in FY2025. The Board does however now expect FY2024 to present continued demand and pricing challenges given the depressed consumer demand experienced in several of our markets since Christmas 2022. This may temper some of our progress during FY2024, but we still anticipate further operating profit growth and margin improvement over the full year. Within the year, we anticipate a return to a more normalised H1/H2 split, reversing the accelerated ordering experienced in H1 FY2023. The Board remains encouraged by the enduring strength of our longstanding customer relationships, which has already generated an orderbook representing 62% of FY2024's budgeted revenues (71% at this stage last year). We still believe our FY2025 operating profit margin aspiration to be achievable. Additional support to deliver this will come from the new strategy as initiatives get underway.

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

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

Summary FY2023 results

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

The Group's **adjusted operating profit margin** rose 140 basis points, to 1.8%, with the growth coming from DG Americas returning to profitability, as the various restructuring and turnaround initiatives gained traction and delivered benefits. Consequently, DG Americas' **adjusted operating profit margin** rose 230 basis points to 0.5%. Some slippage in the DG International adjusted operating profit margin predominantly reflected the adverse foreign exchange effects and the tougher UK market. The improved operating profits, helped by better cash generation, kept interest costs below expectation and resulted in an **adjusted profit before tax** of $9.2m, versus last year's loss of $1.3m. Taking into account the tax charge, this resulted in a small **adjusted diluted loss per share** of 0.2 cents versus last year's loss of 7.7 cents.

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

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

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

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

Regional highlights

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

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

Design Group Americas

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

Despite the decline in revenues, DG Americas returned to profitability, and delivered an **adjusted operating profit** of $2.9 million (FY2022: loss of $11.7 million). The drivers behind this turnaround are benefits coming from the various initiatives set in motion last year following the collapse in the division's profitability. The initiatives focused on delivering pricing, cost-savings and simplifying our commercial proposition. They delivered benefits of c$56 million at an adjusted operating profit level in the year. The initiatives included: the closure of 4 surplus sites; sale of the Manhattan, Kansas site in April 2022 for net proceeds of $6.7 million, yielding a profit on disposal of $4.6 million; further utilisation of Mexican facilities for near-shoring; more effective procurement and shipment; and a net headcount reduction of 100. In addition, our category teams were reorganised and underpinned with additional support for product development, design, sales and account management. New initiatives and opportunities continue to be identified, and the Design Group Americas team expects further value to be generated from these activities in FY2024 and beyond. Capabilities are also being developed and strengthened to support future profitable revenue growth. This is being complemented by further reorganisation, investment in technology, and training and development of our commercial organisation to streamline our product cycles and improve execution in the retail environment.

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

Design Group International

This division largely comprises the Group's businesses in the United Kingdom, continental Europe, the Far East and Australia. It saw a 3% **revenue** year-on-year decline at reported rates, to $299.6 million. The main driver of this decline was adverse foreign currency impacts due to the strength of the US dollar versus all of the other key currencies transacted by the businesses in the segment. At constant exchange rates, revenues were up 10%, with increases experienced in all key markets. The second half of the year saw marked softening in DG UK, and a slight reduction in our DG Australia joint venture as the economic environment deteriorated and put pressure on consumer discretionary spend.

Adjusted operating profit at $19.8 million (FY2022: $20.8 million) was down 5%. However at constant currency rates **adjusted operating profit** was up 10%. This result was driven by the strong trading performance from our businesses operating in continental Europe, which did not experience the same degree of softness in the second half of the year. Consumer sentiment in Europe was more resilient, and our key customers emerged as "winners" in the current value-focused retail environment. The weakness in the UK market in the second half of the year was volume-driven and meant DG International's **adjusted operating profit margin** retreated slightly by 20 basis points to 6.6%.

DG UK's **revenue** for the year grew just over 5%, but the second half was challenging as demand declined after Christmas. As a result, the business only delivered a small operating profit with continued inflation in paper and energy costs largely offsetting improved pricing. Our key brands in the UK have continued to perform well with Eco Nature™ sales and profits growing 10% and 11% respectively, with more details set out in the section on sustainability in the Annual Report and Financial Statements for 2023. Our premium Tom Smith® brand celebrated the 175th birthday of the Christmas cracker, holding a Royal Warrant for the supply of Christmas crackers to the Royal Household since 1906. Recently DG UK was proud to receive Tesco's supplier innovation award for our collaborative work on category development. Looking ahead, in response to the demand challenges experienced in the second half, we have recently undertaken a restructuring of the UK business, which represents c15% of the Group's FY2023 revenues. The intention is to develop a more competitive and agile business model that is better suited to today's UK retail environment. Whilst this has regrettably involved a net headcount reduction of 31, the leadership team is being strengthened. The business has also formed a creative collaboration with the University of Northampton to leverage their capabilities as well as foster relationships with up and coming design talent.

DG Europe benefitted from strong demand from our more value-orientated key customers which are winning in the current economic climate. The business enjoyed very strong **revenue** growth of 18%, which included improved pricing to recover continued inflation in paper and energy prices. **Adjusted operating profit** grew 41%, and margins improved further, as the team continues to adopt a continuous improvement approach, combined with high automation.

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

Our products, brands and channels

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

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

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

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

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

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

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

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

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

Sustainability

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

The Group's sustainability strategy is underpinned by our overall aim to minimise our impact on the environment by constantly challenging ourselves to find ways in which we can use our scale and people to influence and drive positive, proactive change. We understand that our impact and responsibilities extend beyond our immediate surroundings, into the lives of our employees, the environment, and our local and global communities. We continue to believe we have a moral as well as a commercial necessity to strive for the highest standards of ethical behaviour and to innovate to reduce the environmental impact of our operations to protect and preserve our planet, for this and future generations. Over the past year we have continued to refine the Group's approach to sustainability and the associated key performance sustainability indicators (KPIs). We report our performance against these and the progress the Group has made during the year as seen in the Sustainability report in the Annual Report and Financial Statements for 2023. We recognise that we are on a sustainability journey so as we move forward, we'll seek to further enhance the metrics we monitor whilst also looking to set targets by which to measure our success.

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

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

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

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

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

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

Detailed financial review

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

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

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

Adjusted operating profit saw an increase year-on-year to $16.1 million (FY2022: $3.8 million) and **adjusted gross margin** increased to 14.9% (FY2022: 12.4%), reflecting stronger than anticipated trading within DG International particularly continental Europe, benefits from the turnaround initiatives in DG Americas and some catch-up pricing to offset some of the inflation continuing in our inputs. Inventory provisions made in the year were $19.3 million (FY2022: $18.3 million) and inventory provision releases were $6.3 million (FY2022: $5.0 million). **Adjusted overheads** as a percentage of revenue increased to 13.1% (FY2022: 12.0%). **Adjusted operating margin** at 1.8% (FY2022: 0.4%) was up year-on-year, reflecting the higher gross margins and cost management. Overall **adjusted profit before tax** was $9.2 million (FY2022: loss before tax $1.3 million). The Group finished the year with a reported **loss before tax** of $18.9 million (FY2022: profit before tax of $2.2 million). This is significantly adverse to the improvement in **adjusted profit before tax** reflecting the (largely non-cash) adjusting items in the current year of $28.1 million compared to a net credit of $3.5 million in the prior year. Further details of the adjusting items are detailed below.

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

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

Adjusting items
Adjusting items are material items or items of an unusual or non-recurring nature which represent gains or losses which are separately presented by virtue of their nature, size and/or incidence. The Group's adjusting items in the year to

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

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

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

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

(Gains)/losses and transaction costs relating to acquisitions and disposals of businesses – $1.5 million credit (FY2022: $3.7 million charge)
In the year $1.5 million of insurance income was received relating to the Impact Innovations, Inc acquisition Representations & Warranties insurance settlement relating to accounting and tax issues present at acquisition.

Acquisition integration and restructuring (income)/costs – $2.0 million credit (FY2022: $1.7 million credit)
In order to realise synergies from acquisitions, or existing businesses, integration and restructuring projects are respectively undertaken that aim to deliver future savings and efficiencies for the Group. These are projects outside of the normal operations of the business and typically incur one-time costs to ensure successful implementation. As such it is appropriate that costs associated with projects of this nature be included as adjusting items. The costs incurred in the year relate to the reorganisation, business simplification and impairment expenses in DG Americas and the reorganisation of the DG UK businesses as follows:

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

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

Reversal of impairment of assets – $0.2 million credit (FY2022: $2.6 million credit)
At the onset of the Covid-19 pandemic a review of inventory, trade receivables and fixed assets was undertaken. Inventories were assessed at 31 March 2020 for the net realisable value and an impairment of $7.4 million was recognised. Trade receivables were assessed for their expected credit loss in line with IFRS 9 and an impairment of $3.8 million was recognised. The UK's bag-line machines were impaired by $0.3 million based on expected future cash flows associated with the 'not-for-resale' consumables business.

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

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

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

Amortisation of acquired intangibles – $2.8 million charge (FY2022: $2.8 million charge)
Under UK IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer lists and trade names which form part of the intangible value of the acquired business but are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over their useful economic lives. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. These comprise mainly trade names and brands acquired as part of the acquisition of Impact Innovations Inc. (Impact) and CSS Industries Inc. (CSS) in the USA.

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

The Group's **adjusted tax** charge for the year is $7.8 million (FY2022: $3.3 million) against an **adjusted profit before tax** of $9.2 million (FY2022: loss of $1.3 million). Deferred tax assets relating to the entities in the UK (both UK trading and PLC) are not being recognised as the assessment of future taxable profits shows insufficient future taxable profits against which to utilise the deferred tax assets. Consequently, the absence of tax relief on current year tax losses significantly inflates the effective tax charge for the Group. The profits in DG Europe and Australia, which are the main contributors to adjusted profit before tax, are taxed at higher statutory tax rates (25.8% and 30% respectively). In DG Americas, the impact of movements in uncertain tax positions together with permanent items adds to the tax charge. Further details of this tax charge are set out in note 11.

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

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

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

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

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

Cash flow	**FY2023**	FY2022
Adjusted EBITDA	**$48.4m**	$38.3m
Add back for share-based payment charge/(credit)	**$0.8m**	($0.8m)
Movements in working capital	**$11.2m**	($31.7m)
Adjusted cash generated from operations	**$60.4m**	**$5.8m**

Adjusting items within cash generated from operations	**($1.4m)**	($1.9m)
Cash generated from operations	**$59.0m**	**$3.9m**
Adjusting items within investing and financing activities	**$8.3m**	($4.3m)
Capital expenditure (net of disposals of property, plant and equipment)	**($5.8m)**	($8.3m)
Acquisition of non-controlling interest	**($3.0m)**	—
Tax paid	**($7.3m)**	($5.2m)
Interest paid	**($5.3m)**	($4.2m)
Lease liabilities principal repayments	**($20.4m)**	($16.8m)
Dividends paid (including those paid to non-controlling interests)	**($3.0m)**	($12.6m)
Purchase of own shares	**($0.9m)**	—
FX and other	**($1.3m)**	$1.2m
Movement in net cash	**$20.3m**	**($46.3m)**
Opening net cash	**$30.2m**	$76.5m
Closing net cash	**$50.5m**	**$30.2m**

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

More than ever, the Group continues to actively track debtors and credit risk profiles of all of our customers to mitigate as far as possible any additional exposure to credit risk. Doubtful debt write off in the year was less than 0.1% of revenue (FY2022: 0.2%), reflecting our continued proactive approach to mitigating credit risk exposure.

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

Average leverage
Average leverage is a key measure for the Group measuring the seasonality of our working capital demands across the business and the need to ensure the Group manages its peak funding requirements within its bank facility limits. As at 31 March 2023 **average leverage** was 0.6 times, improved from 1.0 times in the prior year. This reflects the improvement in **adjusted EBITDA** compared to the prior year and stabilised average debt at $17.1 million (FY2022: $17.2 million).

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

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

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

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

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

Further details are set out in note 15.

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

Translational FX exposure – This exposure is the result of the requirement for the Group to report its results in one currency. This necessitates the translation of our regional business units' local currency financial results into the Group's adopted reported currency. The Group's reporting currency is US dollars in light of the fact that a significant proportion of the Group's revenues and profits are in US dollars. There remains a smaller part of the Group whose functional currency is something other than US dollars. The constant currency results recalculate the prior year based on the exchange rates of the current year to enhance the comparability of information between reporting periods. The overall impact on revenue and profits from currency movements in FY2023 when compared to FY2022 is significant relative to the balances. The increase in **revenue** would have been $36.4 million higher if FY2022 revenues are translated at FY2023 foreign currency exchange rates, and the growth in **adjusted loss before tax** would have been $2.4 million higher.

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

Financial position and going concern basis
The Group's net assets decreased by $35.3 million to $334.4 million at 31 March 2023 (FY2022: $369.7 million), primarily reflecting impairment of goodwill in the current year.

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

The Directors of the Group have performed an assessment of the overall position and future forecasts for the purposes of going concern. The going concern assessment has been performed using the Group's FY2024 and FY2025 budgets and plans. These forecasts have been reviewed in detail by the Board and take into account the seasonal working capital cycle of the business. They have been sensitised to reflect severe but plausible adverse downturns in the current assumptions including the potential impact of a significant disruption in one of our major customer's business, as well as increased inflationary pressures in the DG International and DG Americas business segments, beyond those risks already factored into the budgets and plans. The base forecasts and additional sensitivity analysis have been tested against the ABL facility limits and covenants. The analysis demonstrated that the Group has sufficient headroom for the Group to meet its obligations as they fall due for a forecast period of more than twelve months beyond the date of signing these accounts and will also be compliant with all covenants within this time frame and beyond. As such, the Directors do not see any practical regulatory or legal restrictions which would limit their ability to fund the different regions of the business as required as the Group has sufficient resources.

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

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

The APMs and the definitions used are listed below:

- **Adjusted EBITDA** – Profit/(loss) before finance charges, tax, depreciation, amortisation, impairment (EBITDA) and adjusting items

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

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

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

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

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

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

Paul Bal
Director

19 June 2023

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

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

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

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

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 MARCH 2023

		2023	2022
	Note	$000	$000
Revenue	2	**890,309**	965,093
Cost of sales		**(758,569)**	(842,926)
Gross profit		**131,740**	122,167
Selling expenses		**(47,097)**	(48,305)
Administration expenses - costs		**(75,112)**	(66,604)
Administration expenses - impairment of goodwill	3	**(29,100)**	—
Other operating income	5	**2,951**	870
Profit/(loss) on disposal of property, plant and equipment	3	**4,595**	(436)
Operating (loss)/profit	3	**(12,023)**	7,692
Finance expenses	6	**(6,873)**	(5,491)
(Loss)/profit before tax		**(18,896)**	2,201
Income tax charge	7	**(7,563)**	(2,517)
Loss for the year		**(26,459)**	(316)
Attributable to:			
Owners of the Parent Company		**(27,987)**	(3,277)
Non-controlling interests		**1,528**	2,961
Loss per ordinary share			
	Note	**2023**	2022
Basic	21	**(28.6c)**	(3.3c)
Diluted	21	**(28.6c)**	(3.3c)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2023

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2023

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	Attributable to the owners of the Parent Company								
	Share capital $000	Share premium and capital redemption reserve $000	Merger reserve $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	Shareholders' equity $000	Non-controlling interests $000	Total $000
At 1 April 2022	6,373	228,143	42,549	299	(12,459)	96,806	361,711	7,999	369,710
Loss for the year	—	—	—	—	—	(27,987)	(27,987)	1,528	(26,459)
Other comprehensive income/(expense)	—	—	—	(261)	11,261	(37)	10,963	(643)	10,320
Total comprehensive (expense)/income for the year	—	—	—	(261)	11,261	(28,024)	(17,024)	885	(16,139)
Change in ownership interest									
Option over non-controlling interest (note 18)	—	—	—	—	—	3,069	3,069		3,069
Acquisition of non-controlling interest (note 28)	—	—	—	—	—	(3,558)	(3,558)	607	(2,951)
Transactions with owners in their capacity as owners									
Equity-settled share-based payments (note 23)	—	—	—	—	—	656	656	—	656
Purchase of own shares (note 29)	—	—	—	—	—	(865)	(865)	—	(865)
Options exercised (note 20)	51	—	—	—	—	(51)	—	—	—
Equity dividends paid (note 27)	—	—	—	—	—	—	—	(2,961)	(2,961)
Exchange differences on opening balances	(365)	(13,298)	(2,480)	—	—	—	(16,143)	—	(16,143)
At 31 March 2023	6,059	214,845	40,069	38	(1,198)	68,033	327,846	6,530	334,376

In line with the Group's accounting policies, share capital, share premium, capital redemption reserve, merger reserve and hedging reserve are translated into US dollars at the rates of exchange at each balance sheet date and the resulting cumulative exchange differences are included in translation reserve.

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

Capital redemption reserve
The capital redemption reserve comprises amounts transferred from retained earnings in relation to the redemption of preference shares. For ease of presentation, the amount of $1.7 million relating to the capital redemption reserve has been included within the column of share premium and capital redemption reserve in the balances at the end of the year (2022: $1.8 million). The only movement in this balance relates to foreign exchange.

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

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

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

	Attributable to the owners of the Parent Company								
	Share capital $000	Share premium and capital redemption reserve $000	Merger reserve $000	Hedging reserve $000	Translation reserve $000	Retained earnings $000	Shareholders' equity $000	Non-controlling interests $000	Total $000
At 1 April 2021	6,667	239,142	44,600	(86)	(21,239)	114,438	383,522	8,497	392,019
(Loss)/profit for the year	—	—	—	—	—	(3,277)	(3,277)	2,961	(316)

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

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2023

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

Equity			
Share capital	20	**6,059**	6,373
Share premium		**213,187**	226,382
Capital redemption reserve		**1,658**	1,761

Merger reserve			**40,069**	42,549
Hedging reserve			**38**	299
Translation reserve			**(1,198)**	(12,459)
Retained earnings			**68,033**	96,806
Equity attributable to owners of the Parent Company			**327,846**	361,711
Non-controlling interests			**6,530**	7,999
Total equity			**334,376**	369,710

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

Paul Bal
Director

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2023

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

The preparation of financial statements that conform with adopted UK IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis (see Critical accounting judgements and estimates section below). Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if relevant.

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

The financial information set out in this document does not constitute statutory accounts for IG Design Group plc for the year ended 31 March 2023 but is extracted from the Annual Report and Financial Statements. The Annual Report and Financial Statements 2023 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either Section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

The accounting policies used in the preparation of these financial statements are detailed below. These policies have been consistently applied to all financial years presented.

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

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

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

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

In addition to the above facility, the Group has also increased its unsecured overdraft facility provided by HSBC to £16.5 million, which reduces to £8.5 million from August 2023. As such, after making appropriate enquires, the Directors do not see any practical, regulatory or legal restrictions which would limit their ability to fund the different regions of the business as required as the Group has sufficient resources.

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

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

These forecasts have been sensitised to reflect severe but plausible adverse downturns in the current assumptions. Specifically, the severe but plausible downside scenario has taken account of the following risks:
- the potential impact of a significant disruption in one of our major customer's business, reflected in a c$20-$25 million reduction in sales performance and related cash and working capital impacts; and
- the potential impact over peak periods by of the effects of inflation on disposable incomes and demand for products in the DG International and DG Americas business segments, reflected in a c$40 million reduction of sales.

In the severe but plausible scenario modelled, there remains sufficient headroom in our forecast liquidity, and sufficient headroom under the covenant requirements.
Based on this assessment, the Directors have formed a judgement that there is a reasonable expectation the Group will have adequate resources to continue in operational existence for the foreseeable future.

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

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

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

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

b. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries which we consider the Group to have control are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

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

(iii) Business combinations

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

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

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

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

c. Foreign currency

Items included in the financial statements of the Group’s subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (‘functional currency’).

The consolidated financial statements are presented in US dollars.

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into US dollars at the exchange rate prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates prevailing at the dates of the transactions.

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

(iii) Net investment in foreign operations

Exchange differences on retranslation at the closing rate of the opening balances of overseas entities are taken to other comprehensive income, as are exchange differences arising on related foreign currency borrowings and derivatives designated as qualifying hedges, to the extent that they are effective. They are released into the income statement upon disposal or loss of control and on maturity or disposal of the hedge respectively.

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

d. Financial instruments

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

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

(i) Fair value hedges

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

(ii) Cash flow hedges

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

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

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

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

e. Cash and cash equivalents
Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as part of cash and cash equivalents in the statement of cash flows.

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

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

The Group applies a simplified model to recognise lifetime expected credit losses for its trade receivables and other receivables, including those due in greater than twelve months, by making an accounting policy election. For any receivables not expected to be paid, an expected credit loss of 100% is recognised at the point this expectation arises. For all other receivables, the expected loss is calculated based on reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The right-of-use asset is adjusted to reflect any favourable or unfavourable terms of the lease relative to market terms.

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

k. Intangible assets

(i) Goodwill

Goodwill is stated at cost less any impairment losses.

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

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

(ii) Acquired intangible assets

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

(iii) Other intangible assets

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

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

Goodwill	Not amortised
Computer software	3-5 years
Trade names	3-5 years
Customer relationships	3-15 years
Other intangibles	3-5 years

Customer relationships are wide ranging in useful economic lives, from shorter relationships derived from smaller acquisitions to the long relationship with Walmart acquired as part of the acquisition of Impact Innovations, Inc. ('Impact') in August 2018.

l. Impairment

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

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

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

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

m. Inventories

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

n. Income tax

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

Current tax is the expected tax payable on the taxable income for the year using the applicable tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in prior years. Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the financial statements. The following temporary differences are not provided for: initial recognition of goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are impaired to the extent that it is no longer probable that the related tax benefits will be realised.

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

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

The Group recognises revenue on sales of Celebrations, Craft & creative play, Stationery, Gifting and 'Not-for-resale' consumable products across two reporting segments. Typically the products that we supply form the only performance obligations within a customer agreement, and although the Group can provide ancillary services such as merchandising, these are not separately identifiable obligations. Each customer arrangement/contract is assessed to identify the performance obligations being provided to the customer. Where distinct performance obligations are deemed to exist, an element of revenue is apportioned to that obligation.

Revenue from sales is recognised based on the price specified in the contract, net of any estimated volume discounts, rebates and sell-through provisions. Accumulated experience is used to estimate and provide for these discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for these items payable to customers based on sales made in the period. No significant element of financing is deemed present as the majority of sales are made with credit terms of 30-120 days, which is consistent with market practice.

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

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

p. Finance income and expense
Finance income and expense is recognised in the income statement as it accrues. Finance expenses comprise interest payable, finance charges on finance leases, interest on lease liabilities, amortisation of capitalised fees, and unwinding of discounts on provisions. Net movements in the fair value of derivatives which have not been designated as an effective hedge, and any ineffective portion of fair value movement on derivatives designated as a hedge, are also included within finance income or expense.

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

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

s. Pensions
(i) Defined contribution schemes
Obligations for contributions to defined contribution pension schemes are expensed to the income statement as incurred.

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

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

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

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

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

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

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

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

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

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

Deferred tax assets are recognised in respect of share-based payment schemes when deferred tax assets are recognised in that territory.

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

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

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

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

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

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

z. Use of non-GAAP measures
These financial statements include alternative performance measures (APMs) that are presented in addition to the standard GAAP metrics.

The Directors believe that these APMs provide important additional information regarding the underlying performance of the business including trends, performance and position of the Group. APMs are used to enhance the comparability of information between reporting periods and segmental business units by adjusting for factors which affect IFRS measures, to aid the understanding of the Group's performance. Consequently, APMs are used by the Directors and management for strategic and performance analysis, planning, reporting and reward setting. The APMs are Adjusted EBITDA, Adjusted operating profit/(loss), Adjusted profit/(loss) before tax, Adjusted profit/(loss) after tax and Adjusted earnings/(loss) per share.

Adjusting items are items that are material and/or, in the judgement of the Directors, of an unusual or non-recurring nature. These items are adjusted to present the performance of the business in a consistent manner and in line with how the business is managed and measured on a day-to-day basis. They are gains or costs associated with events that are not considered to form part of the core operations, or are considered to be a non-recurring event (although they may span several accounting periods) including fair value adjustments to acquisitions.

Further detail of adjusting items can be seen in note 3 to the financial statements.

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

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

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

Accounting judgements

(i) Adjusting items

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

(ii) Goodwill impairment assessment

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

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

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

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

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

Accounting estimates

(i) Intangible assets - Goodwill

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

(ii) Taxation

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

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

(iii) Lease asset impairments

The Group has impaired the right-of-use assets in respect of several properties that the Group has exited as part of the ongoing DG Americas integration. This is based on the properties themselves being a CGU in line with IAS 36 as they are being actively marketed for sub-tenants. The impairments are assessed at each reporting date and if necessary reversed should there be available sub-tenants for the properties, or early termination agreed with the landlord.

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

(iv) Provision for slow-moving inventory

The Group has guidelines for providing for inventory which may be sold below cost due to its age or condition.

The Directors assess the inventory at each location and in some cases decide that there are specific reasons to provide more than the guideline levels, or less if there are specific action plans in place which mean the guideline provision level is not required. Determining the level of inventory provision requires an estimation of likely future realisable value of the inventory in various time frames and comparing with the cost of holding inventory for those time frames. This is not a precise estimate and is based on best data at the time of recognition. Regular monitoring of inventory levels, the ageing of inventory and the level of the provision is carried out by the Directors to reassess this estimate. The assumptions made in relation to the current period are consistent with those in the prior year. As at 31 March 2023, inventory provisions were $36.5 million against a gross inventory value of $243.2 million (2022: $38.4 million provision, $269.3 million gross inventory value). This provision estimate is subject to potential material change, for example if market conditions change because expected customer demand fluctuates, or shipping delays reduce our ability to deliver on time and in full.

2 Segmental information

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

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

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

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

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

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

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

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

Reversal of impairment – right-of-use assets	(2,514)	—	—	(2,514)

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

- The Group has one customer that accounts for 24% (2022: 23%) of the total Group revenues. In the year ended 31 March 2023 total sales to that customer were $215.2 million (2022: $223.9 million). This customer falls solely within the DG Americas operating segment above. No other single customer accounts for over 10% of total sales.
- The assets and liabilities that have not been allocated to segments include deferred tax assets of $15.4 million (2022: $16.3 million), income tax receivable of $2.4 million (2022: $1.2 million), income tax payable of $6.9 million (2022: $7.4 million) and deferred tax liabilities of $221,000 (2022: $381,000).

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

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

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

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

Revenue by customer destination

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

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

All revenue arose from the sale of goods.

3 Operating expenses and adjusting items
Included in the income statement are the following charges/(credits):

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

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

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

Adjusting items

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

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

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

These (gains)/losses relating to the year ended 31 March 2023 are broken down as follows:

(1) Goodwill impairment

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

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

(2) Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses

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

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

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

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

In order to realise synergies from acquisitions, or existing businesses, integration and restructuring projects are respectively undertaken that aim to deliver future savings and efficiencies for the Group. These are projects outside of the normal operations of the business and typically incur one-time costs to ensure successful implementation. As such it is appropriate that costs associated with projects of this nature be included as adjusting items. The costs incurred in the year relate to the reorganisation, business simplification and impairment expenses in DG Americas and the reorganisation of the DG UK businesses as follows:

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

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

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

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

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

(4) Reversal of impairment of assets

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

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

(5) IT security incident income

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

(6) Amortisation of acquired intangibles

Under IFRS, as part of the acquisition of a company, it is necessary to identify intangible assets such as customer lists and trade names which form part of the intangible value of the acquired business but are not part of the acquired balance sheet. These intangible assets are then amortised to the income statement over their useful economic lives. These are not operational costs relating to the running of the acquired business and are directly related to the accounting for the acquisition. These include trade names and brands acquired as part of the acquisition of Impact and CSS in the USA. As such, we include these as adjusting items.

The cash flow effect of adjusting items

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

Auditors' remuneration:

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

4 Staff numbers and costs

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

	Number of employees	
	2023	2022

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

The aggregate payroll costs of these persons were as follows:

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

For information on Directors' remuneration please refer to the section titled 'Directors' remuneration' within the Directors' remuneration report within the Group's audited financial statements.

5 Other operating income

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

6 Finance expenses

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

7 Income tax charge
Recognised in the income statement

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

Reconciliation of effective tax rate

	2023 $000	2022 $000
(Loss)/profit before tax	**(18,896)**	2,201
Profit before tax multiplied by the standard rate of corporation tax of 19% in the UK (2022: 19%)	**(3,590)**	418
Effects of:		
Income not taxable	**(50)**	(320)
Expenses not deductible for tax purposes - impairment	**5,529**	—
Expenses not deductible for tax purposes - other	**629**	94

Derecognition of deferred tax assets	—	2,308
Effect of tax rate changes	—	(170)
Differences between UK and overseas tax rates	**1,701**	946
Movement in uncertain tax provisions	**716**	(1,531)
Other items	**(210)**	(182)
Adjustments in respect of previous periods	**654**	(25)
Current year losses for which no deferred tax asset is recognised	**2,184**	979
Total tax charge in income statement	**7,563**	2,517

See note 11 for further details.

8 Property, plant and equipment

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

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

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

Security
Certain freehold properties with a cost of $13.2 million in the UK were subject to a fixed charge in support of the RCF banking facility.

9 Intangible assets

		Computer	Trade	Customer	Other	
	Goodwill	software	names	relationships	intangibles	Total
	$000	$000	$000	$000	$000	$000
Cost						
Balance at 1 April 2021	102,284	14,541	5,262	24,101	178	146,366
Additions	—	381	—	—	—	381
Transfer from fixed assets	—	156	—	—	—	156
Disposals	—	(484)	—	—	—	(484)
Effect of movements in foreign exchange	(2,216)	(101)	(4)	(15)	(7)	(2,343)
Balance at 31 March 2022	100,068	14,493	5,258	24,086	171	144,076
Additions	—	272	—	—	96	368
Disposals	—	(224)	—	—	—	(224)
Effect of movements in foreign exchange	(2,662)	(186)	(27)	(99)	(6)	(2,980)

Balance at 31 March 2023	**97,406**	**14,355**	**5,231**	**23,987**	**261**	**141,240**
Amortisation and impairment						
Balance at 1 April 2021	(13,319)	(8,290)	(3,281)	(6,453)	(149)	(31,492)
Amortisation charge for the year	—	(2,980)	(1,034)	(1,803)	—	(5,817)
Transfer to fixed assets	—	30	—	—	—	30
Disposals	—	317	—	—	—	317
Effect of movements in foreign exchange	168	89	5	15	7	284
Balance at 31 March 2022	(13,151)	(10,834)	(4,310)	(8,241)	(142)	(36,678)
Amortisation charge for the year	—	(2,066)	(948)	(1,803)	—	(4,817)
Impairments	(29,100)	—	—	—	—	(29,100)
Disposals	—	224	—	—	—	224
Effect of movements in foreign exchange	165	163	27	99	2	456
Balance at 31 March 2023	**(42,086)**	**(12,513)**	**(5,231)**	**(9,945)**	**(140)**	**(69,915)**
Net book value						
At 31 March 2023	**55,320**	**1,842**	**—**	**14,042**	**121**	**71,325**
At 31 March 2022	86,917	3,659	948	15,845	29	107,398

Computer software relates to purchased software and people costs associated with the implementation of software.
The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

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

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

Impairment

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

For the purposes of impairment testing, goodwill has been allocated to the business unit, or group of business units, that are expected to benefit from the synergies of the combination, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is referred to below as a CGU. The recoverable amounts of CGUs are determined from the higher of value in use and fair value less costs to sell.

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

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

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

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

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

Long-term growth rates used were:

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

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

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

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

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

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

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

10 Right-of-use assets and lease liabilities
Right-of-use assets

	Land and buildings $000	Plant and machinery $000	Motor vehicles $000	Office equipment $000	Total $000
Net book value at 1 April 2021	92,888	1,296	380	816	95,380
Additions	8,510	256	284	131	9,181
Disposals	(1,231)	—	—	—	(1,231)
Transfers between categories	(109)	1	(11)	119	—
Depreciation charge	(16,718)	(498)	(290)	(270)	(17,776)
Reversal of impairment	2,492	—	—	—	2,492
Effect of movements in foreign exchange	(1,263)	(63)	25	(14)	(1,315)
Net book value at 31 March 2022	84,569	992	388	782	86,731
Additions	4,329	241	197	78	4,845
Disposals	(1,922)	—	—	—	(1,922)
Depreciation charge	(16,820)	(436)	(233)	(225)	(17,714)
Impairment	(757)	—	—	—	(757)
Transfer between categories	215	—	22	(237)	—
Effect of movements in foreign exchange	(1,783)	(34)	(19)	(15)	(1,851)
Net book value at 31 March 2023	**67,831**	**763**	**355**	**383**	**69,332**

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

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

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

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

Low-value lease costs were negligible in the year.

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

Movement in lease liabilities

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

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

Total cash outflow in relation to leases is as follows:

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

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

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

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

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

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

Non-cancellable operating lease rentals are receivable as follows:

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

11 Deferred tax assets and liabilities
Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Property, plant and equipment and intangible assets	Tax losses carried forward	Share-based payments	Doubtful debts	Other timing differences[a]	Total
	$000	$000	$000	$000	$000	$000
At 1 April 2021	5,375	8,391	1,684	1,354	(562)	16,242
Credit/(charge) to income statement	(1,659)	(77)	(956)	(1,348)	5,409	1,369
(Charge)/credit to equity	33	(745)	(728)	—	(235)	(1,675)
At 31 March 2022	3,749	7,569	—	6	4,612	15,936
Deferred tax liabilities	(335)	—	—	—	(90)	(425)
Deferred tax assets	4,084	7,569	—	6	4,702	16,361
	3,749	7,569	—	6	4,612	15,936

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

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

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

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

Deferred tax assets and liabilities are treated as non-current as it is expected that they will be recovered or settled more than twelve months after the reporting date.

The deferred tax asset in respect of tax losses carried forward at 31 March 2023 of $7.3 million (2022: $7.6 million) comprises deferred tax assets in relation to US tax losses of $7.0 million (2022: $7.2 million) and Asia tax losses of $345,000 (2022: $337,000). All of these recognised tax losses may be carried forward indefinitely. The deferred tax assets have been recognised in the territories where the Board considers there is sufficient evidence that taxable profits will be available against which the tax losses can be utilised. The Group has prepared budgets and forecasts for the next three years. The key assumptions in those forecasts are sales, margins achievable and overhead costs, which are based on past experience, more recent performance and future expectations. The Group then extrapolates profits for the future years based on the long-term growth rates applicable to the relevant territories.

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

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

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

No deferred tax liability (2022: $88,000) has been recognised in relation to the tax cost of remitting earnings (forecast dividends) from China to the UK. No other deferred tax liability has been recognised on unremitted earnings of the overseas subsidiaries as, if all unremitted earnings were repatriated with immediate effect, no other tax charge would be payable.

The standard rate of corporation tax in the UK has risen to 25% effective from 1 April 2023. Given that no deferred tax is recognised in the UK, this does not impact the deferred tax measurement at the balance sheet date.

Included within current tax liabilities is $5.2 million (2022: $4.5 million) in respect of uncertain tax positions. These risks arise because the Group operates in a complex multinational tax environment. The amount consists of various tax risks which individually are not material. The position is reviewed on an ongoing basis and generally these tax positions are released at the end of the relevant territories' statute of limitations. During the year, there has been a net increase in the Group's total provision of $0.7 million.

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

12 Inventory

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

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

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

13 Long-term assets and trade and other receivables

Long term assets are as follows:

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

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

Trade and other receivables are as follows:

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

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

The Group is party to supplier financing arrangements with one of its key customers and the associated balances are recognised as trade receivables until receipt of the payment from the bank, at which point the receivable is derecognised. At 31 March 2023, $7.0 million had been drawn down on this arrangement (2022: $6.0 million).

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

There are no trade receivables in the current year (2022: $nil) expected to be recovered in more than twelve months.

The Group's exposure to credit and currency risks and provisions for doubtful debts related to trade and other receivables is disclosed in note 24.

14 Cash and cash equivalents/bank overdrafts

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

Net cash

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

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

The bank loans and overdrafts are secured by a fixed charge on certain of the Group's land and buildings, a fixed charge on certain of the Group's book debts and a floating charge on certain of the Group's other assets. See note 15 for further details of the Group's loans and overdrafts.

Changes in net cash

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

15 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 24.

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

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

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

Interest charged on the new Asset Backed lending facility is based, at the option of the Group, on one of two methods:
- A margin of between 1.75% and 2.25%, based on average excess availability, plus a 0.1% credit spread adjustment, plus the US Secured Overnight Financing Rate ("SOFR"); or
- A margin of between 0.75% and 1.25% based on average excess availability, plus a rate based on the higher of: the HSBC prime rate, the Federal Funds rate plus 0.5%, or SOFR plus 1%.

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

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

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

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

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

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

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

The covenants under the extended and amended RCF facility, which operated to 31 March 2023, were as follows:
- minimum adjusted earnings before interest, depreciation and amortisation (Adjusted EBITDA), as defined by the banking facility, measured quarterly at the end of June, September, December and March, which required the Group to be within $10.0 million of its Adjusted EBITDA budget at each quarter end, based on the last twelve-month Adjusted EBITDA performance at each measurement point; and
- minimum liquidity level, which required the Group to maintain a minimum of $35.0 million of headroom to the maximum available facility on a monthly basis.

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

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

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

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

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

16 Deferred income

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

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

17 Provisions

	Property	Other	Total
	$000	$000	$000

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

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

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

18 Other financial liabilities

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

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

19 Trade and other payables

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

20 Share capital

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

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

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

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

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

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

21 Loss per share

	2023	2022
	$000	$000
Earnings/(loss)		
Loss attributable to equity holders of the Company	**(27,987)**	(3,277)
Adjustments		

Adjusting items (net of non-controlling interest effect)	**28,072**	(3,498)
Tax relief on adjustments (net of non-controlling interest effect)	**(243)**	(816)
Adjusted loss attributable to equity holders of the Company	**(158)**	(7,591)

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

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

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

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

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

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

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

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

	2023			2022		
Proposed for approval at Annual General Meeting	**Pence per share**	**Cents per share**	**$000**	Pence per share	Cents per share	$000
Final equity dividend for the current year	**—**	**—**	**—**	—	—	—

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

An actuarial valuation was updated on an approximate basis at 31 March 2023, by a qualified actuary, independent of the scheme's sponsoring employer.

The major assumptions used by the actuary are shown below.

Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)

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

Net defined benefit asset to be recognised	**—**	—

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

Reconciliation of opening and closing balances of the defined benefit obligation

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

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

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

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

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

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

Due to the timescale covered, the assumptions may not be borne out in practice.

The life expectancy assumptions (in number of years) used to estimate defined benefit obligations at the year end are as follows:

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

In addition to the defined benefit pension scheme there is also a small post-retirement healthcare scheme operated in the US, which was also inherited through the acquisition of CSS. In total, the amounts taken through the Group's statement of comprehensive income can be seen below:

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

Long Term Incentive Plans

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

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

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

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

Vested LTIP schemes – outstanding options

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

All performance criteria have been met for the above schemes.

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

Scheme details for plans in vesting periods during the year
During the financial year to 31 March 2023 there were two LTIP awards still within their vesting period (2022: two).

Awards

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

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

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

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

LTIP performance targets

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

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

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

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

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

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

Share-based payments charges/(credits)
The total expense/(credit) recognised for the year arising from equity-settled share-based payments is as follows:

	2023	2022
	$000	$000
Charge in relation to the 2020-2022 LTIP scheme	**166**	723
Credit in relation to the VCS	**—**	(482)
Charge in relation to the 2022-2025 LTIP scheme	**490**	—
Equity-settled share-based payments charge/(credit)	**656**	241
Social security charge/(credit)	**149**	(1,089)
Total equity-settled share-based payments charge/(credit)	**805**	(848)

Deferred tax assets are recognised on share-based payment schemes when deferred tax assets are recognised in that territory (see note 11).

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

The total social security accrual outstanding at the year end in respect of share-based payment transactions was $160,000 (2022: $137,000).

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

As at 31 March 2023, the Group had derivative contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of $340,000 (2022: $316,000) and a liability of $315,000 (2022: $18,000).

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

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

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

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

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

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

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

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was $172.2 million (2022: $170.9 million) being the total of the carrying amount of financial assets.

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

	2023	2022
	$000	$000
DG Americas	**53,569**	84,966
International	**27,404**	30,351
	80,973	115,317

Credit quality of financial assets and impairment losses

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

	2023			2022		
	Expected loss rate %	**Gross $000**	**Provisions for doubtful debts $000**	Expected loss rate %	Gross $000	Provisions for doubtful debts $000
Not past due	**0.5**	**55,263**	**(250)**	—	71,429	—
Past due 0-60 days	**0.5**	**14,177**	**(65)**	—	26,889	—
61-90 days	**4.3**	**5,645**	**(243)**	2.0	9,721	(195)
More than 90 days	**15.5**	**7,625**	**(1,179)**	4.5	7,825	(352)
	2.1	**82,710**	**(1,737)**	0.5	115,864	(547)

There were no unimpaired balances outstanding at 31 March 2023 (2022: $nil) where the Group had renegotiated the terms of the trade receivable. The increase in provision year-on-year is reflective of the current macroeconomic circumstances.

Expected credit loss assessment

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

There have been no significant credit risk movements since initial recognition of impairments.

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

	2023 $000	2022 $000
Balance at 1 April	**547**	3,420
Charge for the year	**1,705**	277
Unused amounts reversed	**(59)**	(1,511)
Amounts utilised	**(469)**	(1,627)
Effects of movement in foreign exchange	**13**	(12)
Balance at 31 March	**1,737**	547

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

c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group, although solvent, will encounter difficulties in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's policy with regard to liquidity ensures adequate access to funds by maintaining an appropriate mix of short-term and longer-term facilities, which are reviewed on a regular basis. The maturity profile and details of debt outstanding at 31 March 2023 are set out in note 15.

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

31 March 2023	Note	**Carrying amount $000**	**Contractual cash flows $000**	**One year or less $000**	**One to two years $000**	**Two to five years $000**	**More than five years $000**
Non-derivative financial liabilities							
Other financial liabilities	**18**	59,983	(59,983)	(40,912)	(19,032)	(36)	(3)
Lease liabilities	**10**	80,187	(84,532)	(18,596)	(15,258)	(26,239)	(24,439)
Trade payables	**19**	89,754	(89,754)	(89,754)	—	—	—
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the income statement[a]	**18**	28	(11)	(11)	—	—	—
Forward foreign exchange contracts carried at fair value through the hedging reserve[a]	**18**	287	(17,768)	(17,768)	—	—	—
		230,239	**(252,048)**	**(167,041)**	**(34,290)**	**(26,275)**	**(24,442)**

(a) Measured at Level 2.

		Restated[b]	Restated[c]	Restated[c]			
		Carrying amount	Contractual cash flows	One year or less	One to two years	Two to five years	More than five years

31 March 2022	Note	$000	$000	$000	$000	$000	$000
Non-derivative financial liabilities							
Other financial liabilities	18	59,081	(59,081)	(37,524)	(21,523)	(32)	(2)
Lease liabilities	10	99,843	(112,186)	(22,538)	(20,669)	(37,244)	(31,735)
Trade payables	19	138,902	(138,902)	(138,902)	—	—	—
Derivative financial liabilities							
Forward foreign exchange contracts carried at fair value through the hedging reserve(a)	18	18	(11,759)	(11,759)	—	—	—
		297,844	(321,928)	(210,723)	(42,192)	(37,276)	(31,737)

(a) Measured at Level 2.
(b) Other payables of $4.4 million have been removed from the above table as they had been misclassified as financial instruments.
(c) The contractual cash flows relating to the forward foreign exchange contracts carried at fair value through the hedging reserve have been restated due to $11.2 million of USD purchases being excluded in error.

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

	31 March 2023				31 March 2022			
		Facility used				Facility used		
	Carrying	**contractual**	**Facility**	**Total**	Carrying	contractual	Facility	Total
	amount	**cash flows**	**unused**	**facility**	amount	cash flows	unused	facility
	$000	**$000**	**$000**	**$000**	$000	$000	$000	$000
Corporate revolving credit facilities	—	—	(92,039)	(92,039)	—	—	(97,208)	(97,208)
Bank overdraft	—	—	(4,502)	(4,502)	—	—	(4,909)	(4,909)
	—	**—**	**(96,541)**	**(96,541)**	—	—	(102,117)	(102,117)

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

The major bank facilities vary in the year depending on forecast debt requirements. The maximum limit across all facilities was $221.8 million (2022: $283.7 million).

At 31 March 2023 the facility amounted to $92.0 million (2022: $97.2 million).

Additional facilities were available at other banks of $4.5 million (2022: $4.9 million).

On 5 June 2023 the Group banking negotiated new banking facilities: see note 15 for more information.

The following table shows other facilities that are treated as contingent liabilities:

	31 March 2023		31 March 2022	
	Facility	**Utilised**	Facility	Utilised
	$000	**$000**	$000	$000
UK Guarantee	**2,164**	**1,880**	2,101	1,996
UK Import line	**1,237**	**—**	1,313	—
Foreign Bills	**6,184**	**—**	6,566	—
USA Guarantee	**5,500**	**2,980**	5,500	2,980
Netherlands Guarantee (Trade and Import line)	**653**	**248**	667	121
	15,738	**5,108**	16,147	5,097

d) Cash flow hedges
The following derivative financial instruments were designated as cash flow hedges:

	2023	2022
Forward exchange contracts carrying amount	**$000**	$000
Derivative financial assets	**340**	316
Derivative financial liabilities	**(315)**	(18)

The Group has forward currency hedging contracts outstanding at 31 March 2023 designated as hedges of expected future purchases in US dollars for which the Group has firm commitments, as the derivatives are based on forecasts and an economic relationship exists at the time the derivative contracts are taken out.

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

All contracts outstanding at the year end crystallise within 24 months of the balance sheet date at average prices of 1.08 for US dollar contracts (2022: 1.14), 6.96 for Chinese renminbi contracts (2022: not applicable) and not applicable for Japanese yen contracts (2022: 152.8). At the year end the Group held $17.6 million (2022: $11.2 million), RMB 108.9 million (2022: RMB nil) and JPY nil (2022: JPY 60.8 million) in hedge relationships.

When assessing the effectiveness of any derivative contracts, the Group assesses sources of ineffectiveness which include movements in volumes or timings of the hedged cash flows.

The cash flow hedges of the expected future purchases in the year were assessed to be highly effective and as at 31 March 2023, a net unrealised profit of $419,000 (2022: $686,000) with related deferred tax credit of $nil (2022: $nil) was included in other comprehensive income in respect of these hedging contracts. Amounts relating to ineffectiveness recorded in the income statement in the year were $nil (2022: $nil).

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

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

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

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

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

		US dollar	**Sterling**	**Euro**	**Other**	**Total**
31 March 2023	Note	**$000**	**$000**	**$000**	**$000**	**$000**
Long-term assets	13	**5,647**	**—**	**—**	**—**	**5,647**
Cash and cash equivalents	14	**32,504**	**17,940**	**25,443**	**9,326**	**85,213**
Trade receivables	13	**54,528**	**8,924**	**12,802**	**4,719**	**80,973**
Derivative financial assets		**—**	**340**	**—**	**—**	**340**
Bank overdrafts	14	**(17,141)**	**(5,419)**	**(12,419)**	**—**	**(34,979)**
Loan arrangement fees	15	**—**	**250**	**—**	**—**	**250**
Trade payables	19	**(61,323)**	**(14,650)**	**(9,388)**	**(4,393)**	**(89,754)**
Other payables	19	**(1,631)**	**(776)**	**(579)**	**(237)**	**(3,223)**
Balance sheet exposure		**12,584**	**6,609**	**15,859**	**9,415**	**44,467**

		US dollar	Sterling	Euro	Other	Total
31 March 2022	Note	$000	$000	$000	$000	$000
Long-term assets	13	5,105	—	—	—	5,105
Cash and cash equivalents	14	32,910	7,447	2,388	7,434	50,179
Trade receivables	13	87,431	12,281	11,014	4,591	115,317
Derivative financial assets		—	316	—	—	316
Bank overdrafts	14	(295)	(14,464)	(5,621)	—	(20,380)
Loan arrangement fees	15	—	360	—	—	360
Trade payables	19	(105,299)	(16,638)	(14,320)	(2,645)	(138,902)
Other payables	19	(2,418)	(1,130)	(623)	(245)	(4,416)
Balance sheet exposure		17,434	(11,828)	(7,162)	9,135	7,579

The following significant exchange rates applied to US dollar during the year:

	Average rate		31 March spot rate	
	2023	2022	**2023**	2022
Euro	**0.96**	0.86	**0.92**	0.90
Pound sterling	**0.83**	0.73	**0.81**	0.76

Sensitivity analysis
A 10% weakening of the following currencies against US dollar at 31 March 2023 would have affected equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis was performed on the same basis for 31 March 2022.

	Equity		Loss	
	2023	2022	**2023**	2022
	$000	$000	**$000**	$000
Euro	**1,442**	(651)	**(296)**	(551)
Pound sterling	**601**	(1,075)	**(251)**	(3)

On the basis of the same assumptions, a 10% strengthening of the currencies against US dollar at 31 March 2023 would have affected equity and profit or loss by the following amounts:

	Equity		Profit	
	2023	2022	**2023**	2022
	$000	$000	**$000**	$000
Euro	**(1,762)**	796	**362**	674

Pound sterling	**(734)**	1,314	**307**	3

Profile

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

		2023	2022
Variable rate instruments	Note	**$000**	$000
Financial assets		**85,213**	50,179
Financial liabilities		**(34,979)**	(20,380)
Net cash	14	**50,234**	29,799

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

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect on financial instruments with variable interest rates and financial instruments at fair value through profit or loss. The analysis is performed on the same basis for 31 March 2022.

Sensitivity analysis

	2023	2022
	$000	$000
Equity		
Increase	**251**	149
Decrease	**—**	—
Profit or loss		
Increase	**251**	149
Decrease	**—**	—

f) Capital management

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

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

		Equity	
		2023	2022
	Note	**$000**	$000
Net equity attributable to owners of the Parent Company		**327,846**	361,711
Net cash	14	**(50,484)**	(30,159)
Trading capital		**277,362**	331,552

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

25 Capital commitments

At 31 March 2023, the Group had outstanding authorised capital commitments to purchase plant and equipment for $3.9 million (2022: $1.5 million).

26 Related parties

	2023	2022
	$000	$000
Sale of goods:		
Hedlunds Pappers Industri AB	**199**	566
Festive Productions Ltd	**3**	—
SA Greetings (Pty) Ltd	**—**	93
	202	659
Receivables:		
Hedlunds Pappers Industri AB	**—**	23
	—	23

Identity of related parties and trading

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

SA Greetings (Pty) Ltd (South African Greetings) was a related party by virtue of John Charlton being the Chairman. It is no longer a related party since the resignation of John Charlton from the Board on 20 September 2021.

The above trading takes place in the ordinary course of business.

Other related party transactions
Directors of the Company and their immediate relatives have an interest in 24% (2022: 24%) of the voting shares of the Company. The shareholdings of Directors and changes during the year are shown in the Directors' report within the Group's audited financial statements.

Directors' remuneration

	2023	2022
	$000	$000
Short-term employee benefits	**3,158**	2,496
Termination benefits	**—**	890
Share-based payments charge/(credit)	**224**	(1,256)
	3,382	2,130

27 Non-controlling interests (NCI)
The Group purchased the remaining 49% share of Anker Play Products LLC ('APP') effective date 1 April 2022 (see note 28 for further details). Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These subsidiaries are IG Design Group Australia Pty Ltd ('Australia') and APP (up to date of purchase).

	2023			2022		
Non-controlling interest – balance sheet as at 31 March	**Australia $000**	**APP $000**	**Total $000**	Australia $000	APP $000	Total $000
Non-current assets	**7,283**	**—**	**7,283**	9,625	1,253	10,878
Current assets	**16,007**	**—**	**16,007**	16,497	15,639	32,136
Current liabilities	**(7,959)**	**—**	**(7,959)**	(9,082)	(10,706)	(19,788)
Non-current liabilities	**(2,271)**	**—**	**(2,271)**	(4,355)	(894)	(5,249)

	2023			2022		
Non-controlling interest – comprehensive income for the year ended 31 March	**Australia $000**	**APP $000**	**Total $000**	Australia $000	APP $000	Total $000
Revenue	**49,666**	**—**	**49,666**	51,296	38,309	89,605
Profit after tax	**3,055**	**—**	**3,055**	3,756	2,211	5,967
Total comprehensive income	**1,770**	**—**	**1,770**	3,568	2,211	5,779

	2023			2022		
Non-controlling interest – cash flow for the year ended 31 March	**Australia $000**	**APP $000**	**Total $000**	Australia $000	APP $000	Total $000
Cash flows from operating activities	**3,978**	**—**	**3,978**	3,101	602	3,703
Cash flows from investing activities	**(131)**	**—**	**(131)**	(357)	(224)	(581)
Cash flows from financing activities	**(2,986)**	**—**	**(2,986)**	(8,348)	(63)	(8,411)
Net (decrease)/increase in cash and cash equivalents	**861**	**—**	**861**	(5,604)	315	(5,289)

	2023			2022		
Non-controlling interest	**Australia $000**	**APP $000**	**Total $000**	Australia $000	APP $000	Total $000
Balance as at 1 April	**6,343**	**1,656**	**7,999**	7,924	573	8,497
Share of profits for the year	**1,528**	**—**	**1,528**	1,878	1,083	2,961
Other comprehensive expense	**(3)**	**—**	**(3)**	—	—	—
Dividend paid to non-controlling interest	**(698)**	**(2,263)**	**(2,961)**	(3,365)	—	(3,365)
Acquisition of non-controlling interest	**—**	**607**	**607**	—	—	—
Currency translation	**(640)**	**—**	**(640)**	(94)	—	(94)
Balance as at 31 March	**6,530**	**—**	**6,530**	6,343	1,656	7,999

28 Acquisitions
On 23 May 2022, the Group purchased the remaining 49% interest in APP, bringing its total ownership to 100%. This was completed pursuant to the exercise of a put option by Maxwell Summers, Inc., the holder of the remaining 49% interest, which the Group was legally obliged to purchase with the exercise of the put option under the APP Limited Liability Company agreement dated 30 March 2017. Consequently the $3.1 million current financial liability in respect of the put option in place over the non-controlling interest was extinguished and the related liability de-recognised, with a corresponding movement within retained earnings.

The transaction was contractually committed on 23 May 2022, with an effective date of 1 April 2022. The transaction, made through the Group's American subsidiary IG Design Group Americas, Inc., was satisfied with a cash payment of $3.0 million. The consideration was satisfied from the existing Group banking facilities.

Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest was $607,000. The Group recognised a decrease in non-controlling interest of $607,000. The effect on the equity of the owners of the Group was as follows:

		2023
		$000
Carrying amount of non-controlling interest acquired		**607**
Cash consideration paid		**2,951**
Excess of consideration paid recognised in the transaction with the non-controlling interests reserve within equity		**3,558**

29 Purchase of own shares
On 29 September 2022, the trustee of the IG Design Group Plc Employee Benefit Trust (the "EBT"), purchased 1 million ordinary shares of 5 pence each in the Company ("ordinary shares") at an average price of 77.50 pence per ordinary share. These ordinary shares are to be held in the EBT and are intended to be used to satisfy the exercise of share options by employees. The EBT is a discretionary trust for the benefit of the Company's employees, including the Directors of the Company. The purchase of ordinary shares by the EBT has been funded by a loan provided by the Company from its existing financing facilities. The EBT has waived its rights to dividend payments.

30 Non-adjusting post balance sheet events
On 5 June 2023, the $90.0 million and £92.0 million revolving credit facilities were replaced by a $125.0 million asset backed lending arrangement. This facility has an original term of three years with the option of submitting two extension notices to extend the facility twice, each by a period of one year. For more details see note 15.